



City of Sunnyvale

Notice and Agenda City Council

Tuesday, December 12, 2017

5:00 PM

Council Chambers and West Conference
Room, City Hall, 456 W. Olive Ave.,
Sunnyvale, CA 94086

Special Meetings: Closed Session- 5 PM | Study Session- 6 PM | Regular Meeting- 7 PM

5 P.M. SPECIAL COUNCIL MEETING (Closed Session)

1 Call to Order in the West Conference Room

2 Roll Call

3 Public Comment

The public may provide comments regarding the Closed Session item just prior to the Council beginning the Closed Session. Closed Sessions are not open to the public.

4 Convene to Closed Session

[17-0780](#)

Closed Session held pursuant to California Government Code
Section 54957: PUBLIC EMPLOYEE PERFORMANCE
EVALUATION
Title: City Attorney

5 Adjourn Special Meeting

6 P.M. SPECIAL COUNCIL MEETING (Study Session)

1 Call to Order in the West Conference Room (Open to the Public)

2 Roll Call

3 Public Comment

4 Study Session

[17-0959](#)

Discussion of 2018 Council Intergovernmental Assignments

[17-0108](#)

Discussion of Upcoming Selection of Vice Mayor for 2018

5 Adjourn Special Meeting**7 P.M. COUNCIL MEETING**

Pursuant to Council Policy, City Council will not begin consideration of any agenda item after 11:30 p.m. without a vote. Any item on the agenda which must be continued due to the late hour shall be continued to a date certain. Information provided herein is subject to change from date of printing of the agenda to the date of the meeting.

CALL TO ORDER

Call to Order in the Council Chambers (Open to the Public)

SALUTE TO THE FLAG**ROLL CALL****CLOSED SESSION REPORT****SPECIAL ORDER OF THE DAY**[17-0484](#)

SPECIAL ORDER OF THE DAY - Ceremonial Oath of Office
for Board of Building Code Appeals Member

ORAL COMMUNICATIONS

This category provides an opportunity for members of the public to address Council on items not listed on the agenda and is limited to 15 minutes (may be extended or continued after the public hearings/general business section of the agenda at the discretion of the Mayor) with a maximum of up to three minutes per speaker. Please note the Brown Act (Open Meeting Law) does not allow Councilmembers to take action on an item not listed on the agenda. If you wish to address the Council, please complete a speaker card and give it to the City Clerk. Individuals are limited to one appearance during this section.

CONSENT CALENDAR

All matters listed on the consent calendar are considered to be routine and will be acted upon by one motion. There will be no separate discussion of these items. If a member of the public would like a consent calendar item pulled and discussed

separately, please submit a speaker card to the City Clerk prior to the start of the meeting or before approval of the consent calendar.

- 1.A [17-1055](#) Approve City Council Meeting Minutes of November 28, 2017

Recommendation: Approve the City Council Meeting Minutes of November 28, 2017 as submitted.

- 1.B [17-0089](#) Approve City Council Special Meeting Minutes of November 28, 2017

Recommendation: Approve the City Council Special Meeting Minutes of November 28, 2017 as submitted.

- 1.C [17-0200](#) Approve the List(s) of Claims and Bills Approved for Payment by the City Manager

Recommendation: Approve the list(s) of claims and bills.

- 1.D [17-1050](#) Award of Bid No. PW18-08 for the Landscape Improvements on Caribbean Drive Re-Bid Project, Finding of California Environmental Quality Act (CEQA) Categorical Exemption, and Approval of Budget Modification No. 29

Recommendation: 1) Make a finding of a California Environmental Quality Act (CEQA) categorical exemption pursuant to CEQA Guidelines Section 15304(d) for minor land alterations; 2) Award a contract in substantially the same form as Attachment 2 to the report in the amount of \$599,164 to Galeb Paving, Inc. and authorize the City Manager to execute the contract when all necessary conditions have been met; 3) Approve a 10% construction contingency in the amount of \$59,916; and 4) Approve Budget Modification No. 29 in the amount of \$36,131 to provide additional project funding.

- 1.E [17-0822](#) Approve Budget Modification No. 27 to Appropriate \$110,567 of Bay Area UASI Grant Funds for a New Project, FFY 2017 UASI Preventative Radiological Nuclear Detection (PRND) Equipment Grant

Recommendation: Approve Budget Modification No. 27 to appropriate Bay Area UASI Grant funds in the amount of \$110,567 to a new project, FFY2017 UASI Preventative Radiological Nuclear Detection (PRND) Equipment Grant.

PUBLIC HEARINGS/GENERAL BUSINESS

If you wish to speak to a public hearings/general business item, please fill out a speaker card and give it to the City Clerk. You will be recognized at the time the item is being considered by Council. Each speaker is limited to a maximum of three minutes. For land-use items, applicants are limited to a maximum of 10 minutes for opening comments and 5 minutes for closing comments.

- 2 [17-1042](#) Appoint Applicants to the Charter Review Committee

Recommendation: Staff makes no recommendation.

- 3 [17-1069](#) Review Draft Work Plan for 2017 Housing Strategy (Study Issue)

Recommendation: Alternative 1: Approve Work Plan and Scope of Work as shown in Attachment 2 to the report.

- 4 [17-1160](#) Approve Two Resolutions Authorizing the Advance Refunding of the City's Water Revenue Bonds, Series 2010 and Wastewater Revenue Bonds, Series 2010, Approval of the Official Documents Related to the Transactions, and Award a Contract in an Amount of \$193,000 plus Incidental Expenses to Jones Hall, A Professional Law Corporation for Bond and Disclosure Counsel Services, and Find that these Actions are Exempt from CEQA

Recommendation: Alternatives 1 and 2: 1) Approve two resolutions authorizing the advance refunding of the City's Water Revenue Bonds, Series 2010 and Wastewater Revenue Bonds, Series 2010, and approval of the Official Documents Related to the Transactions and find the actions exempt from environment review under the California Environmental Quality Act (CEQA) pursuant to Section 15378(b)(4) of the CEQA Guidelines; and 2) Authorize the City Attorney to execute an Agreement, in substantially the same form as Attachment 11 to the Report, in an Amount of \$193,000 plus Incidental Expenses to Jones Hall, A Professional Law Corporation for Bond and Disclosure Counsel Services.

- 5 [17-1060](#) Receive and File the FY 2016/17 Comprehensive Annual Financial Report (CAFR), Sunnyvale Retiree Healthcare Plan Report, and Sunnyvale Financing Authority Financial Report

Recommendation: Alternative 1: Receive and file the audited Comprehensive Annual Financial Report, the Sunnyvale Retiree Healthcare Plan Report, Sunnyvale Financing Authority Financial Report, and the Report to the City Council issued by the independent auditors.

COUNCILMEMBERS REPORTS ON ACTIVITIES FROM INTERGOVERNMENTAL COMMITTEE ASSIGNMENTS

NON-AGENDA ITEMS & COMMENTS

-Council

-City Manager

INFORMATION ONLY REPORTS/ITEMS

17-0961	Tentative Council Meeting Agenda Calendar
17-0855	Information/Action Items
17-1099	Board/Commission Meeting Minutes

ADJOURNMENT

NOTICE TO THE PUBLIC

The agenda reports to council (RTCs) may be viewed on the City's website at sunnyvale.ca.gov after 7 p.m. on Thursdays or at the Sunnyvale Public Library, 665 W. Olive Ave. as of Fridays prior to Tuesday City Council meetings. Any agenda related writings or documents distributed to members of the City of Sunnyvale City Council regarding any open session item on this agenda will be made available for public inspection in the Office of the City Clerk located at 603 All America Way, Sunnyvale, California during normal business hours and in the Council Chamber on the evening of the Council Meeting, pursuant to Government Code §54957.5. Please contact the Office of the City Clerk at (408) 730-7483 for specific questions regarding the agenda.

PLEASE TAKE NOTICE that if you file a lawsuit challenging any final decision on any public hearing item listed in this agenda, the issues in the lawsuit may be limited to the issues which were raised at the public hearing or presented in

writing to the Office of the City Clerk at or before the public hearing. PLEASE TAKE FURTHER NOTICE that Code of Civil Procedure section 1094.6 imposes a 90-day deadline for the filing of any lawsuit challenging final action on an agenda item which is subject to Code of Civil Procedure 1094.5.

Pursuant to the Americans with Disabilities Act, if you need special assistance in this meeting, please contact the Office of the City Clerk at (408) 730-7483. Notification of 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35.160 (b) (1))

Planning a presentation for a City Council meeting?

To help you prepare and deliver your public comments, please review the "Making Public Comments During City Council or Planning Commission Meetings" available on the City website at sunnyvale.ca.gov.

Planning to provide materials to Council?

If you wish to provide the City Council with copies of your presentation materials, please provide 12 copies of the materials to the City Clerk (located to the left of the Council dais). The City Clerk will distribute your items to the Council.

Upcoming Meetings

Visit <https://sunnyvaleca.legistar.com> for upcoming Council, board and commission meeting information.



City of Sunnyvale

Agenda Item

17-0780

Agenda Date: 12/12/2017

Closed Session held pursuant to California Government Code Section 54957: PUBLIC EMPLOYEE
PERFORMANCE EVALUATION

Title: City Attorney



City of Sunnyvale

Agenda Item

17-0959

Agenda Date: 12/12/2017

Discussion of 2018 Council Intergovernmental Assignments

ATTACHMENT

1. Memorandum to Council



Memorandum

Date: 12/7/2017
To: Councilmembers
From: Teri Silva, Interim Assistant City Manager
Subject: Council 2018 Intergovernmental Assignments- Preparation for December 12 Study Session

In preparation for the December 12, 2017 Study Session, please see the attached list of current IGR assignments for Council to review and discuss for the appointments made on January 9, 2018.

To facilitate your discussion, Councilmembers who have expressed their interest in retaining current appointments remain listed under their current assignments. If there is no interest in re-appointment, the field is left blank. Councilmembers are encouraged to seek appointment to those assignments which match their interests.

The list contains the following appointments:

1. **Appointments Made by Council:** Assignments that are at the discretion of Council.
2. **Appointments Made by Mayor:** Assignments appointed by the Mayor.
3. **Appointments Made by Outside Agencies:** Assignments that are proposed to be ratified by Council during the January 9, 2018 Council Meeting. Assignments included in this section are those where the Councilmember has, in accordance with City Policy, advised staff in advance. All Outside Agency appointments must be ratified by Council before the respective appointee(s) are officially approved to serve on those assignments.

Additionally, two Ad-Hoc Committees have been proposed for dissolution:

- 1) El Camino Real Corridor Plan Advisory Committee Appointment Committee
- 2) Sunnyvale Brand Committee

The IGR Assignments Review Forms for each Councilmember have been included in this packet for reference as Attachment 2.

ATTACHMENTS

1. 2018 Appointments for Consideration by Council
2. IGR Assignment Review Forms and supporting documentation

2018 Appointments for Consideration by Council

Every year the City Council reviews three types of appointments, as follows:

1. **Appointments Made by Council:** Assignments that are at the discretion of the Council and are proposed to be ratified during the January 9, 2018 Council Meeting.

- a. **Community Member Appointments:** Council may appoint a non-Councilmember to represent the City's interest on an intergovernmental body.

Committee	2016 Community Member Appointee	Term Expires
VTA- Bicycle and Pedestrian Advisory Committee	David Simmons	6/30/2018
Sourcewise (formerly Advisory Council to the Council on Aging)	Martin Rawson	6/30/2019

- b. **Board and Commission Liaison Assignments:** Assignments are on a set biannual rotation; Council can either reaffirm current rotation or change.

Dates	City Council Seat	Board/Commission	Meeting Dates	Time
Jan-Jun 2018	1	Parks and Recreation Commission	2nd Wednesday	7:00 pm
	2	Sustainability Commission	3rd Monday	7:00 pm
	3	Art Commission	3rd Wednesday	7:00 pm
	4	Bicycle and Pedestrian Advisory Commission	3rd Thursday	6:30 pm
	5	Board of Library Trustees	1st Monday	7:00 pm
	6	Heritage Preservation Commission	1st Wednesday	7:00 pm
	7	Housing and Human Services Commission	4th Wednesday	7:00 pm

Dates	City Council Seat	Board/Commission	Meeting Dates	Time
Jul-Dec 2018	1	Sustainability Commission	3rd Monday	7:00 pm
	2	Art Commission	3rd Wednesday	7:00 pm
	3	Bicycle and Pedestrian Advisory Commission	3rd Thursday	6:30 pm
	4	Board of Library Trustees	1st Monday	7:00 pm
	5	Heritage Preservation Commission	1st Wednesday	7:00 pm
	6	Housing and Human Services Commission	4th Wednesday	7:00 pm
	7	Parks and Recreation Commission	2nd Wednesday	7:00 pm

- c. **Council Subcommittees- Standing Committees:** Three standing Council subcommittees are set to continue into 2018 unless otherwise directed by Council. Standing committees exist with a set membership unless and until modified by the Council.

Subcommittees	Date Formed	Current Appointees Requesting Re-appointment
Subcommittee of Board & Commission Bylaws	3/23/10	1. Hendricks 2. Melton 3. Larsson
Community Event and Neighborhood Grant Distribution Subcommittee	9/14/10	1. Melton 2. Smith 3. Klein
Standing Subcommittee to Discuss Issues of Mutual Interest with Local School Districts >Santa Clara Unified School District >Sunnyvale Elementary School District >Fremont Union High School District >Cupertino Union School District	2/25/14	1. Hendricks 2. Melton
		1. Klein 2. Goldman
		1. Griffith 2. Smith
		1. Larsson 2. Melton

- d. **External IGR Appointments:** Appointments made to local intergovernmental agencies.

Agency	Committee	Current Appointees Requesting Re-appointment	Term Expires
Association of Bay Area Governments (ABAG)	General Assembly	Klein	1/18
Bay Area Water Supply and Conservation Agency (BAWSCA)	Board of Directors	Larsson	6/19
Santa Clara County Expressway 2040 Policy Advisory Board (PAB)	County Expressway 2040 PAB	Melton	1/18
	County Expressway 2040 PAB, Alternate	Klein	1/18
Grand Boulevard Initiative	Grand Boulevard Initiative Task Force	Goldman	1/18
	Grand Boulevard Initiative Task Force, Alternate	Smith	1/18
North Valley (NOVA) Job Training Consortium Workforce Board	Nomination Committee	Larsson	1/18
Moffett Field	Restoration Advisory Board (RAB)	Melton	1/18
San Francisco Bay Area Regional Water System Financing Authority (RFA)	Board of Directors	Larsson	6/19
South Bay Salt Ponds Restoration	South Bay Salt Ponds Restoration Project Stakeholders	Hendricks	1/18
Silicon Valley Clean Energy Authority (SVCEA)	Board of Directors		
	Board of Directors, Alternate	Smith	1/18
Valley Transportation Authority (VTA)	Board of Directors	Hendricks	1/18
	State Route (SR) 85 Corridor Policy Advisory Board (PAB)	Klein	1/18
	State Route (SR) 85 Corridor Policy Advisory Board (PAB), Alternate	Melton	1/18
	Policy Advisory Committee (PAC)	Larsson	1/18
	Policy Advisory Committee (PAC), Alternate	Smith	1/18
	El Camino Real Rapid Transit Policy Advisory Board (PAB)	Smith	1/18
	El Camino Real Rapid Transit Policy Advisory Board (PAB), Alternate	Goldman	1/18
Water Emergency Transportation Authority	Water Emergency Transportation Authority Community Advisory Committee	Hendricks	1/18
Santa Clara Valley Water District (SCVWD)	Water Commission	Smith	1/19
	Water Commission, Alternate	Klein	1/19

2. Appointments Made by Mayor: Assignments that are to be appointed by Mayor.

- a. **External IGR Appointments:** The Mayor may appoint Councilmembers to various local intergovernmental agencies.

Agency	Committee	Current Appointees Requesting Re-appointment	Term Expires
Caltrain Modernization Project	Local Policy Advisory Group [M]	Smith	1/18
	Local Policy Advisory Group, Alternate [M]	Larsson	1/18
Cities Association of Santa Clara County (CASCC)	Board of Directors [M]	Klein	1/18
	City Selection Committee [M]	Klein	1/18
	Legislative Action Committee (LAC) [M]	Klein	1/18
South Bay Military Affairs Council	Military Affairs Council [M]	Hendricks	1/18
Santa Clara Valley Water District (SCVWD)	Recycled Water Joint Committee [M]	Melton	1/18
	Recycled Water Joint Committee [M]	Larsson	1/18
Silicon Valley Regional Interoperability Authority (SVRIA)	Silicon Valley Regional Interoperability Authority (SVRIA), Alternate [M]	Melton	6/19
City of San Jose/ San Jose Mineta Airport	Ad Hoc Advisory Committee on South Flow Arrivals, Chair [M]	Hendricks	4/18
	Ad Hoc Advisory Committee on South Flow Arrivals, Alternate [M]	Klein	4/18

- b. **Council Subcommittees- Ad-Hoc Committees:** The Mayor may create ad hoc committees of the Council to assist in particular matters as they arise. Members of the committee shall be appointed by the Mayor. Those marked with an asterisk (*) have been recommended for dissolution.

Ad-Hoc Committee	Date Formed	Current Appointees Requesting Re-appointment
Performance Evaluation Tools and Recruitment Process for the City Manager and City Attorney	8/13/13	1. Griffith 2. Hendricks 3. Melton
El Camino Real Corridor Plan Advisory Committee Appointment Committee*	3/17/15	1. Hendricks 2. Smith 3. Goldman
Civic Center Core Team Subcommittee	3/19/15	1. Larsson 2. Goldman 3. Hendricks
Sunnyvale Brand Subcommittee*	3/4/16	1. Hendricks 2. Larsson 3. Vacant
CAP 2.0 Community Advisory Committee Appointment Committee	6/20/17	1. Larsson 2. Klein 3. Smith

- c. **Community Member Advisory Task Forces:** There are currently no Community Member Advisory Task Forces.
- d. **Mayor's Task Force:** There are currently no Mayor Task Forces.

3. **Appointments Made by Outside Agencies:** Assignments that are proposed to be ratified by Council during the January 9, 2018 Council Meeting. Assignments included in this section are those where the Councilmember has, in accordance with City Policy, advised staff in advance. All Outside Agency appointments must be ratified by Council before the respective appointee(s) are officially approved to serve on those assignments.

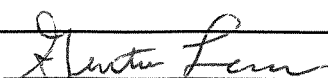
Agency	Committee	Current Appointees Requesting Re-appointment	Term Expires
Santa Clara County Airport Land-Use Commission (ALUC)	Airport Land-Use Commission	Hendricks	5/20
	Airport Land-Use Commission, Alternate	Melton	5/20
Local Agency Formation Commission (LAFCO) of Santa Clara County League of California Cities (LCC)	LAFCO, Alternate	Melton	5/20
	Housing, Community and Economic Development Policy Committee, Peninsula Division Representative	Smith	1/19
	Women's Caucus Board Member	Smith	1/19
Santa Clara County Emergency Operational Area Council (OAC)	Central County Cities Seat	Melton	9/19
Santa Clara County Recycling and Waste Reduction Commission	Santa Clara County Recycling and Waste Reduction Commission, Vice-Chair	Griffith	1/22
Cities Association of Santa Clara County (CASCC)	Southern Peninsula/South Bay Community Roundtable Ad Hoc Committee	Klein	1/18
Santa Clara County Measure A (2016 Housing Bond)	Independent Citizen's Oversight Committee	Hendricks	2/19

2018 COUNCIL IGR ASSIGNMENTS REVIEW FORM

Appointments Made by Outside Agencies: An indication on this form to "keep" an existing appointment will not initiate the application process. Councilmembers wishing to keep appointments made by outside agencies should inquire with the appointing agency regarding its application process and timelines.
 Outside agency appt. [OA]; Ratification Pending [RP]; CASC app. [CASC]; Mayoral appt. [M]

Committee Assignment	Term Exp	Appointments Made By:			Keep	Drop
		Mayor	Council	Outside Agencies:		
SEAT 1 - VICE MAYOR GUSTAV LARSSON						
Bay Area Water Supply and Conservation Agency (BAWSCA)						
Board of Directors	6/19		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>
North Valley (NOVA) Job Training Consortium Workforce Board						
Nomination Committee	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>
San Francisco Bay Area Regional Water System Financing Authority (RFA)						
Board of Directors	6/19		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Valley Transportation Authority (VTA)						
Policy Advisory Committee (PAC)	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Santa Clara Valley Water District (SCVWD)						
Recycled Water Joint Committee [M]	1/18	X			<input checked="" type="checkbox"/>	<input type="checkbox"/>
CalMod Local Policy Maker Group (formerly Caltrain Modernization Project Policy Advisory Group)						
CalMod LPMG [M], Alternate	1/18	X			<input checked="" type="checkbox"/>	<input type="checkbox"/>
Standing Subcommittees/ Ad-Hoc Committees/ Task Forces						
Subcommittee of Board & Commission Bylaws	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Standing Subcommittees to Discuss Issues of Mutual Interest with Local School Districts: Cupertino Unified School District	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Civic Center Core Team Subcommittee	1/18	X			<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sunnyvale Brand Subcommittee	1/18	X			<input checked="" type="checkbox"/>	<input type="checkbox"/>

Other Requested Appointments: None

Councilmember Signature:  Date: 11/10/17

Jennifer Nunez

From: Gustav Larsson
Sent: Wednesday, November 15, 2017 3:11 PM
To: Jennifer Nunez
Subject: Re: Ad Hoc Subcommittee to Select CAP 2.0 Community Advisory Committee

Hi Jennifer,

Yes, I would like to keep this assignment.

Thanks,
Gustav

From: Jennifer Nunez
Sent: Wednesday, November 15, 5:54 PM
Subject: Ad Hoc Subcommittee to Select CAP 2.0 Community Advisory Committee
To: Jennifer Nunez

Councilmembers,

In your IGR review form, this assignment was inadvertently left out.
Please confirm via reply to this email if you wish to keep this appointment for next year and I will add to your review form.
My apologies for the error.

Thank you!



Follow us on:



JENNIFER

NUÑEZ

Executive Assistant – Mayor & City Council

2018 COUNCIL IGR ASSIGNMENTS REVIEW FORM

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 Outside agency appt. [OA]; Ratification Pending [RP]; CASCSC appt. [CASCSC]; Mayoral appt. [M]

Committee Assignment	Term Exp	Appointments Made By:			Keep	Drop			
		Mayor	Council	Outside Agencies:					
SEAT 2 - MAYOR GLENN HENDRICKS									
South Bay Salt Ponds Restoration Project									
South Bay Salt Ponds Restoration Project Stakeholders	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Water Emergency Transportation Authority									
Water Emergency Transportation Authority Community Advisory Committee	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>			
South Bay Military Affairs Council									
Military Affairs Council [M]	1/18	X			<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Santa Clara County Airport Land-Use Commission (ALUC)									
Airport Land-Use Commission * [OA, CASCSC]	5/20			X	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Valley Transportation Authority (VTA)									
Board of Directors	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Santa Clara County Measure A (2016 Housing Bond) Independent Citizen's Oversight Committee									
Santa Clara County Measure A (2016 Housing Bond) Independent Citizen's Oversight Committee [OA, CASCSC]	2/19			X	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
City of San Jose/ San Jose Mineta Airport									
Ad Hoc Committee on South Flow Arrivals, Primary [M]	2/18			X	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Standing Subcommittees/ Ad-Hoc Committees/ Task Forces									
Subcommittee of Board & Commission Bylaws (Chair)	1/18		X		<input type="checkbox"/>	<input type="checkbox"/>			
Standing Subcommittees to Discuss Issues of Mutual Interest with Local School Districts: Santa Clara Unified School District	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Performance Evaluation Tools and Recruitment Process for the City Attorney and City Manager	1/18	X			<input checked="" type="checkbox"/>	<input type="checkbox"/>			
El Camino Real Corridor Plan Advisory Committee Appointment Committee <i>CAN THIS END?</i>	1/18	X			<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Civic Center Core Team Subcommittee	1/18	X			<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Sunnyvale Brand Subcommittee <i>CAN THIS END?</i>	1/18	X			<input checked="" type="checkbox"/>	<input type="checkbox"/>			

Other Requested Appointments: _____

Councilmember Signature:  Date: 11-27-17

2018 COUNCIL IGR ASSIGNMENTS REVIEW FORM

Appointments Made by Outside Agencies: An indication on this form to "keep" an existing appointment will not initiate the application process. Councilmembers wishing to keep appointments made by outside agencies should inquire with the appointing agency regarding its application process and timelines.
 Outside agency appt. [OA]; Ratification Pending [RP]; CASCSC appt. [CASCSC]; Mayoral appt. [M]

Committee Assignment	Term Exp	Appointments Made By:			Keep	Drop			
		Mayor	Council	Outside Agencies:					
SEAT 3 - JIM GRIFFITH									
Cities Association of Santa Clara County (CASCSC)									
Executive Board, Past President [OA, CASCSC]	1/18			X	<input type="checkbox"/>	<input checked="" type="checkbox"/>			
Silicon Valley Clean Energy Authority (SVCEA)									
Board of Directors	1/18		X		<input type="checkbox"/>	<input checked="" type="checkbox"/>			
Santa Clara County Recycling and Waste Reduction Commission									
Santa Clara County Recycling and Waste Reduction Commission [OA, CASCSC]	1/22			X	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Standing Subcommittees/ Ad-Hoc Committees/ Task Forces									
Standing Subcommittees to Discuss Issues of Mutual Interest with Local School Districts: Fremont Union High School District	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Performance Evaluation Tools and Recruitment Process for the City Attorney and City Manager	1/18	X			<input checked="" type="checkbox"/>	<input type="checkbox"/>			

Other Requested Appointments: _____

Councilmember Signature: James R. Griffith Date: 11/29/17

2018 COUNCIL IGR ASSIGNMENTS REVIEW FORM

Appointments Made by Outside Agencies: An indication on this form to "keep" an existing appointment will not initiate the application process. Councilmembers wishing to keep appointments made by outside agencies should inquire with the appointing agency regarding its application process and timelines.
Outside agency appt. [OA]; Ratification Pending [RP]; CASCSC appt. [CASCSC]; Mayoral appt. [M]

Committee Assignment	Term Exp	Appointments Made By:			Keep	Drop
		Mayor	Council	Outside Agencies:		
SEAT 4 - LARRY KLEIN						
Association of Bay Area Governments (ABAG)						
General Assembly	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Valley Transportation Authority (VTA)						
State Route (SR) 85 Corridor Policy Advisory Board (PAB)	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Santa Clara Valley Water District (SCVWD)						
Water Commission, <u>Alternate</u> Would drop if someone else interested	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Cities Association of Santa Clara County (CASCSC) As of last week's mtg, appointed to Executive Board (Treasurer)						
Board of Directors [M]	1/18	X			<input checked="" type="checkbox"/>	<input type="checkbox"/>
Legislative Action Committee (LAC) [M]	1/18	X			<input checked="" type="checkbox"/>	<input type="checkbox"/>
City Selection Committee [M]	1/18	X			<input checked="" type="checkbox"/>	<input type="checkbox"/>
Ad hoc Committee on South Bay/Peninsula Aircraft Noise [OA, CASCSC]	1/18			X	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Santa Clara County Expressway 2040 Policy Advisory Board (PAB)						
Expressway 2040 PAB, <u>Alternate</u>	1/18		X		<input type="checkbox"/>	<input checked="" type="checkbox"/>
City of San Jose/ San Jose Mineta Airport						
Ad Hoc Committee on South Flow Arrivals, <u>Alternate</u> [M]	2/18	X			<input checked="" type="checkbox"/>	<input type="checkbox"/>
Standing Subcommittees/ Ad-Hoc Committees/ Task Forces						
Community Event Grant Distributions	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Standing Subcommittees to Discuss Issues of Mutual Interest with Local School Districts: Sunnyvale Elementary School District	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>

Council Subcommittee CAP2.0 Member (temporary); will continue to serve in case additional issues.

Other Requested Appointments: _____

Councilmember Signature: Larry Klein Date: Nov-15-2017

2018 COUNCIL IGR ASSIGNMENTS REVIEW FORM

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Outside agency appt. [OA]; Ratification Pending [RP]; CASCSC appt. [CASCSC]; Mayoral appt. [M]

Committee Assignment	Term Exp	Appointments Made By:			Keep	Drop			
		Mayor	Council	Outside Agencies:					
SEAT 5 - RUSS MELTON									
Moffett Field Restoration Advisory Board (RAB)									
Moffett Field Restoration Advisory Board (RAB)	1/18		X		<input type="checkbox"/>	<input type="checkbox"/>			
Valley Transportation Authority (VTA)									
State Route (SR) 85 Corridor Policy Advisory Board (PAB), Alternate	1/18		X		<input type="checkbox"/>	<input type="checkbox"/>			
Santa Clara Valley Water District (SCVWD)									
Recycled Water Joint Committee [M]	1/18	X			<input type="checkbox"/>	<input type="checkbox"/>			
Silicon Valley Regional Interoperability Authority (SVRIA)									
Silicon Valley Regional Interoperability Authority (SVRIA), Alternate [M]	6/19	X			<input type="checkbox"/>	<input type="checkbox"/>			
Local Agency Formation Commission (LAFCO) of Santa Clara County									
LAFCO [OA, CASCSC] Alternate	5/20			X	<input type="checkbox"/>	<input type="checkbox"/>			
Santa Clara County Airport Land-Use Commission (ALUC)									
Airport Land-Use Commission *, Alternate	5/20			X	<input type="checkbox"/>	<input type="checkbox"/>			
Santa Clara County Emergency Operational Area Council (OAC)									
Central County Cities Seat, Alternate [OA, CASCSC]	9/19			X	<input type="checkbox"/>	<input type="checkbox"/>			
Santa Clara County Expressway 2040 Policy Advisory Board (PAB)									
Expressway 2040 PAB	1/18		X		<input type="checkbox"/>	<input type="checkbox"/>			
Standing Subcommittees/ Ad-Hoc Committees/ Task Forces									
Subcommittee of Board & Commission Bylaws	1/18		X		<input type="checkbox"/>	<input type="checkbox"/>			
Community Event Grant Distributions	1/18		X		<input type="checkbox"/>	<input type="checkbox"/>			
Standing Subcommittees to Discuss Issues of Mutual Interest with Local School Districts: Santa Clara Unified School District	1/18		X		<input type="checkbox"/>	<input type="checkbox"/>			
Standing Subcommittees to Discuss Issues of Mutual Interest with Local School Districts: Cupertino Unified School District	1/18		X		<input type="checkbox"/>	<input type="checkbox"/>			
Performance Evaluation Tools and Recruitment Process for the City Attorney and City Manager	1/18	X			<input type="checkbox"/>	<input type="checkbox"/>			

Other Requested Appointments: _____

Councilmember Signature: _____

Date: 11/27/2017

Jennifer Nunez

From: Russ Melton
Sent: Monday, November 27, 2017 10:27 AM
To: Jennifer Nunez
Subject: Re: 2018 Council IGR Assignments Review Form

Hi Jennifer, I would like to keep all of my assignments.

Russ

Russ Melton
Sunnyvale City Councilmember, Seat #5

City Email: MeltonCouncil@sunnyvale.ca.gov
Personal Email: russell.w.melton@gmail.com
Cellphone: (650) 455-1163
Facebook: @RussMeltonSunnyvale

From: Jennifer Nunez
Sent: Friday, November 10, 2017 2:28:05 PM
To: Russ Melton
Subject: 2018 Council IGR Assignments Review Form

Good afternoon Russ,

Please see attached your 2018 Intergovernmental Assignments Review Form. Please review and indicate those assignments you wish to keep and/or drop, including those appointments made by the Mayor. The form will be provided to Mayor Hendricks for review purposes as well as to inform the Council appointment process in January and may be included as an attachment in the Report to Council.

Please sign and return the completed form by Monday, November 27.
Thank you and please let me know if you have any questions.



Sunnyvale

Follow us on:



JENNIFER NUÑEZ
Executive Assistant – Mayor & City Council
Office of the City Manager

Phone (Direct): 408-730-7913
Mayor & Council (Main) : 408-730-7473
Sunnyvale.ca.gov

2018 COUNCIL IGR ASSIGNMENTS REVIEW FORM

Appointments Made by Outside Agencies: An indication on this form to "keep" an existing appointment will not initiate the application process. Councilmembers wishing to keep appointments made by outside agencies should inquire with the appointing agency regarding its application process and timelines.

Outside agency appt. [OA]; Ratification Pending [RP]; CASC appt. [CASC]; Mayoral appt. [M]

Committee Assignment	Term Exp	Appointments Made By:			Keep	Drop
		Mayor	Council	Outside Agencies:		
SEAT 6 - NANCY SMITH						
Valley Transportation Authority (VTA)						
Policy Advisory Committee (PAC), Alternate	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>
El Camino Real Rapid Transit Policy Advisory Board (PAB)	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Silicon Valley Clean Energy Authority (SVCEA)						
Board of Directors, Alternate	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Santa Clara Valley Water District (SCVWD)						
Water Commission	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>
CalMod Local Policy Maker Group (formerly Caltrain Modernization Project Policy Advisory Group)						
CalMod LPMG [M]	1/18	X			<input checked="" type="checkbox"/>	<input type="checkbox"/>
Grand Boulevard Task Force						
Grand Boulevard Task Force, Alternate	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Standing Subcommittees/ Ad-Hoc Committees/ Task Forces						
Community Event Grant Distributions	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Standing Subcommittees to Discuss Issues of Mutual Interest with Local School Districts: Fremont Union High School District	1/18		X		<input checked="" type="checkbox"/>	<input type="checkbox"/>
El Camino Real Corridor Plan Advisory Committee Appointment Committee	1/18	X			<input checked="" type="checkbox"/>	<input type="checkbox"/>
CAP 2.0 Community Advisory Committee Appointment Committee	1/18	X			<input checked="" type="checkbox"/>	<input type="checkbox"/>

Other Requested Appointments: Silicon Valley Clean Energy Authority, Primary Assignment
Two others provided by email to Jennifer Nuñez: Member of the Board for the Housing, Community, and Economic Development Policy Committee
California League of Cities Women's Caucus on LoCC
 Councilmember Signature: Nancy C Smith Date: 11/28/2017

17-1149

Jennifer Nunez

From: Nancy Smith
Sent: Monday, November 27, 2017 9:24 AM
To: Jennifer Nunez
Subject: Re: 2018 Council IGR Assignments Review Form

Hi Jennifer,

I've reviewed the list and, along with the Grand Boulevard Initiative, would like to continue in my current assignments, possibly taking a step from Alternate to primary where applicable. The opportunities have been a good match for my interests.

In addition, I have been appointed to the following two roles in outside agencies:

- Member of the Board of the Women's Caucus of the League of California Cities. (already appointed in September)
- Division representative on the Housing, Community and Economic Development Policy Committee for the League of California Cities

NANCY SMITH
City Councilmember
City of Sunnyvale

Phone: 408-455-8672

From: Jennifer Nunez
Sent: Friday, November 10, 2017 2:30 PM
To: Nancy Smith
Subject: 2018 Council IGR Assignments Review Form

Good afternoon Nancy,

Please see attached your 2018 Intergovernmental Assignments Review Form. Please review and indicate those assignments you wish to keep and/or drop, including those appointments made by the Mayor. The form will be provided to Mayor Hendricks for review purposes as well as to inform the Council appointment process in January and may be included as an attachment in the Report to Council.

Please sign and return the completed form by Monday, November 27.
Thank you and please let me know if you have any questions.



City of Sunnyvale

Agenda Item

17-0108

Agenda Date: 12/12/2017

Discussion of Upcoming Selection of Vice Mayor for 2018



City of Sunnyvale

Agenda Item

17-0484

Agenda Date: 12/12/2017

SPECIAL ORDER OF THE DAY - Ceremonial Oath of Office for Board of Building Code Appeals
Member



City of Sunnyvale

Agenda Item

17-1055

Agenda Date: 12/12/2017

SUBJECT

Approve City Council Meeting Minutes of November 28, 2017

RECOMMENDATION

Approve the City Council Meeting Minutes of November 28, 2017 as submitted.



City of Sunnyvale

Meeting Minutes - Draft City Council

Tuesday, November 28, 2017

7:00 PM

Council Chambers, City Hall, 456 W. Olive
Ave., Sunnyvale, CA 94086

7 P.M. COUNCIL MEETING

CALL TO ORDER

Mayor Hendricks called the meeting to order.

SALUTE TO THE FLAG

Mayor Hendricks led the salute to the flag.

ROLL CALL

Present: 7 - Mayor Glenn Hendricks
Vice Mayor Gustav Larsson
Councilmember Jim Griffith
Councilmember Larry Klein
Councilmember Nancy Smith
Councilmember Russ Melton
Councilmember Michael S. Goldman

CLOSED SESSION REPORT

Vice Mayor Larsson reported the Council met in Closed Session on Wednesday, November 8, 2017 pursuant to California Government Code Section 54957.6: Conference with Labor Negotiators, Employee organization: Communication Officers Association (COA); nothing to report.

Vice Mayor Larsson reported the Council met in Closed Session on Friday, November 17, 2017 pursuant to California Government Code Section 54957: Public Employee Appointment; Title: City Manager; nothing to report.

Vice Mayor Larsson reported the Council met in Closed Session earlier in the day on Tuesday, November 28, 2017 pursuant to California Government Code Section 54957: Public Employee Appointment; Title: City Manager; nothing to report.

ORAL COMMUNICATIONS

Vice Mayor Larsson announced the upcoming Sunnyvale Downtown Association annual holiday tree lighting.

Deborah Marks spoke regarding preservation of the Civic Center land and provided a PowerPoint presentation.

Maria Pan spoke regarding the Civic Center.

Robert Kam spoke regarding the need to ban gas leaf blowers due to health and stress concerns.

Marie Bernard, Executive Director, Sunnyvale Community Services spoke regarding the Ride for Toys fundraiser and Giving Tuesday.

CONSENT CALENDAR

MOTION: Vice Mayor Larsson moved and Councilmember Klein seconded the motion to approve the Consent Calendar.

Councilmember Melton disclosed he met with MidPen on Monday to get answers to questions he had regarding Item 1.K.

The motion carried by the following vote:

Yes: 7 - Mayor Hendricks
Vice Mayor Larsson
Councilmember Griffith
Councilmember Klein
Councilmember Smith
Councilmember Melton
Councilmember Goldman

No: 0

1.A [17-0983](#) Approve City Council Meeting Minutes of November 7, 2017

Approve the City Council Meeting Minutes of November 7, 2017 as submitted.

1.B [17-1110](#) Approve City Council Special Meeting Minutes of November 8, 2017

Approve the City Council Special Meeting Minutes of November 7, 2017 as submitted.

- 1.C** [17-0598](#) Approve City Council Special Meeting Minutes of November 17, 2017

Approve the City Council Special Meeting Minutes of November 17, 2017 as submitted.

- 1.D** [17-0199](#) Approve the List(s) of Claims and Bills Approved for Payment by the City Manager

Approve the list(s) of claims and bills.

- 1.E** [17-0955](#) Award of Bid No. PW 18-04 for the Fuel System Upgrade Project located at the Sunnyvale Golf Course, Finding of California Environmental Quality Act (CEQA) Categorical Exemption and Approval of Budget Modification No. 25

1) Make a finding of a California Environmental Quality Act (CEQA) categorical exemption pursuant to CEQA Guidelines Section 15301, 2) Award a contract in substantially the same form as Attachment 2 to the report in the amount of \$285,895 to ConstructiCON Corp for Fuel System Upgrade Project (PW16-03) and authorize the City Manager to execute the contract when all necessary conditions have been met; 3) Approve a 10% construction contingency in the amount of \$28,589; and 4) Approve Budget Modification No. 25 in the amount of \$43,632.

- 1.F** [17-0685](#) Award of Contract for SMaRT Station Flooring Replacement (F18-147)

1) Award a contract in substantially the same form as Attachment 1 to the report and in the amount of \$527,977 to American Restore and authorize the City Manager to execute the contract when all the necessary conditions have been met; and 2) approve a 10% project contingency in the amount of \$52,798.

- 1.G** [17-1014](#) Modify an Existing Contract with Kimley-Horn Associates, Inc. for Temporary Personnel Services to Provide Professional Engineering Support for the Intelligent Transportation System and Authorize the City Manager to Extend the Term of the Contract

1) Authorize the City Manager to execute a First Amendment to the contract with Kimley-Horn Associates, Inc., in substantially the same form as Attachment 1 to the report, increasing the not-to-exceed contract amount from \$95,000 to \$245,000, for Temporary Personnel Services and professional engineering services for the

Transportation and Traffic Division, when all necessary conditions have been met.

- 1.H** [17-1013](#) Approve Budget Modification No. 21 to Appropriate \$17,700 of County of Santa Clara Emergency Management Performance Grant (EMPG) Funds for a New Project, FY 2017/18 EMPG.

Approve Budget Modification No. 21 to appropriate Santa Clara County Emergency Management Performance (EMPG) funds in the amount of \$17,700 to a new project, FY 2017/18 EMPG.

- 1.I** [17-1052](#) Approve Budget Modification No. 24 in the Amount of \$150,000 for Advisory Services Including Polling, and Public Education Outreach Related to the Evaluation of New Revenue Strategies to Fund New and Increasing Service Demands and/or Unfunded Capital Investments, and Find that the Action is Exempt from CEQA

Find that the action is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378 (b)(4) and (b)(5) and approve Budget Modification No. 24 in the amount of \$150,000.

- 1.J** [17-1030](#) Adopt by Resolution Volume I and Sunnyvale's Annex Within Volume II of the 2017 Santa Clara County Operational Area Hazard Mitigation Plan

Adopt by resolution Volume I and Sunnyvale's Annex within Volume II of the 2017 Santa Clara County Operational Area Hazard Mitigation Plan.

- 1.K** [16-1103](#) Approve New First Mortgage Refinance Loan of \$3.3 Million in Housing Funds to MidPen Housing Corp. and Modification of Outstanding Loans to Finance Phase Two of Eight Trees Apartments Rehabilitation at 183 Acalanes Drive, Sunnyvale; and Approve Budget Modification No. 26 to Appropriate Funding from the Housing Fund for the New Loan

1) Find that the action is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15301(d); 2) Approve a new first mortgage refinance loan of \$3.3 million in Housing Mitigation Funds for the Eight Trees Phase Two Project and authorize the City Manager to execute the new first mortgage refinance loan documents and amendments to the existing City loans to forgive accrued interest and adjust interest rates to 0%, as further described in Attachments 2 and 5 of the report and to execute any other document or instrument and take any additional action as may be necessary to carry out the purposes the

new first mortgage refinance loan; and, 3) Approve Budget Modification No. 26 to Appropriate \$3.3 million from the Housing Mitigation Fund balance to a new Project: Eight Trees Phase Two Rehabilitation Project, 183 Acalanes Drive.

- 1.L** [17-1091](#) Adopt Ordinance No. 3128-17 to Amend 19.38.040 (Individual Lockable Storage Space for Multiple-Family Residential) of Chapter 19.38 (Required Facilities) of Title 19 (Zoning) of the Sunnyvale Municipal Code

Adopt Ordinance No. 3128-17.

- 1.M** [17-1092](#) Adopt Ordinance No. 3129-17 to Amend Sections 19.92.050 (General Plan Amendment Proceedings) and 19.92.060 (Zoning Amendment Proceedings) of Chapter 19.92 (General Plan and Zoning Amendments) of Title 19 (Zoning) of the Sunnyvale Municipal Code

Adopt Ordinance No. 3129-17.

PUBLIC HEARINGS/GENERAL BUSINESS

- 2** [17-0240](#) Appoint an Applicant to the Board of Building Code Appeals
City Clerk Kathleen Franco Simmons provided the staff report.

1 term to 6/30/2019

Marc Ketzel

Yes: 7 - Mayor Hendricks
Vice Mayor Larsson
Councilmember Griffith
Councilmember Klein
Councilmember Smith
Councilmember Melton
Councilmember Goldman

No: 0

Andrew LaManque

Yes: 1 - Councilmember Melton

No: 0

Abstain: 6 - Mayor Hendricks
Vice Mayor Larsson
Councilmember Griffith
Councilmember Klein
Councilmember Smith
Councilmember Goldman

City Clerk Kathleen Franco Simmons announced Marc Ketzel was appointed to the Board of Building Code Appeals.

3 [17-0988](#) Approve the Purchase and Sale Agreement for 1050 Innovation Way and 1060 Innovation Way, Sunnyvale (A Portion of Former Onizuka Air Force Station) and Approve Budget Modification No. 22

Councilmember Griffith stated the issue involved a competitor to his employer, recused himself, and left the room.

Interim Director of Public Works Craig Mobeck provided the staff report and a PowerPoint presentation.

Public Hearing opened at 7:22 p.m.

No speakers.

Public Hearing closed at 7:22 p.m.

MOTION: Vice Mayor Larsson moved and Councilmember Melton seconded the motion to approve Alternative 1: Authorize the City Manager to execute the Purchase and Sale Agreement between the City of Sunnyvale and Google LLC, in substantially the same form as Attachment 1 to the report, for the sale of the Onizuka Property and approve Budget Modification No. 22 in the amount of \$1,000,000.

The motion carried by the following vote:

Yes: 6 - Mayor Hendricks
Vice Mayor Larsson
Councilmember Klein
Councilmember Smith
Councilmember Melton
Councilmember Goldman

No: 0

Recused: 1 - Councilmember Griffith

Following action on Item 3, Councilmember Griffith returned to the room and took his seat at the dais.

4 [17-0829](#) Review and Approve Recommended Changes to the
Community Event and Neighborhood Grant Program Eligibility
Guidelines

Subcommittee Chair Smith provided the report. City Attorney John Nagel provided additional information.

Public Hearing opened at 7:38 p.m.

John Cordes spoke in opposition to granting City funds for private events.

Public Hearing closed at 7:39 p.m.

MOTION: Councilmember Smith moved and Councilmember Klein seconded the motion to approve Alternative 1: Approve Subcommittee recommendations as outlined in the Report to Council and as shown in the redline documents attached to the report:

1. Add the definition of public purpose from the Memorandum to the “Who is Eligible to Apply” section of the Community Event Grant Program guidelines;
2. Add homeowner associations to the list of groups that preference is given to in the “Who is Eligible to Apply” section of the Neighborhood Grant Program guidelines;
3. Add the words “or groups” to the following sentence in the “Who is Eligible to Apply” section of the NGP guidelines: “Applicants must be representatives of a neighborhood group or groups.”;
4. Amend the provision related to ineligible political activities for the NGP to read, “Activities that are political in nature, including but not limited to, the support or opposition of a proposed initiative, ballot measure, policy position or candidate;
5. Add a new sub-section under “Projects and/or Event Eligibility” that includes specific examples of projects or events that are not eligible to the NGP guidelines;
6. Delete the reference to “projects that have worked well in other cities” in the “Project and/or Event Eligibility” section of the NGP guidelines; and
7. That the recommendation that future appropriations for both grant programs be made in increments of \$250 be considered as part of the FY18/19 budget process.

The motion carried by the following vote:

Yes: 7 - Mayor Hendricks
Vice Mayor Larsson
Councilmember Griffith
Councilmember Klein
Councilmember Smith
Councilmember Melton
Councilmember Goldman

No: 0

- 5** [17-1017](#) Discontinuation of Patent and Trademark Resource Center Services at the Sunnyvale Public Library

Director of Library and Community Services Cynthia Bojorquez provided the staff report.

Public Hearing opened at 7:45 p.m.

No speakers.

Public Hearing closed at 7:45 p.m.

MOTION: Councilmember Griffith moved and Vice Mayor Larsson seconded the motion to approve Alternative 1: Discontinue Patent and Trademark Resource Center services at the Sunnyvale Public Library.

The motion carried by the following vote:

Yes: 7 - Mayor Hendricks
Vice Mayor Larsson
Councilmember Griffith
Councilmember Klein
Councilmember Smith
Councilmember Melton
Councilmember Goldman

No: 0

- 6** [17-1103](#) Consider Amendment of Council Action Previously Taken on October 17, 2017 Regarding the 2017/18 Charter Review Committee Recruitment and Appointment Process

City Clerk Kathleen Franco Simmons provided the staff report. Mayor Hendricks

provided additional information.

Public Hearing opened at 7:50 p.m.

No speakers.

Public Hearing closed at 7:50 p.m.

MOTION: Councilmember Griffith moved and Councilmember Klein seconded the motion to approve Alternative 1: Amend Council action previously taken on October 17, 2017 regarding the Charter Review Committee appointment process to allow selection of members by reviewing applications submitted and eliminating the in-person interview used for the appointment of board and commission members.

The motion carried by the following vote:

Yes: 7 - Mayor Hendricks
Vice Mayor Larsson
Councilmember Griffith
Councilmember Klein
Councilmember Smith
Councilmember Melton
Councilmember Goldman

No: 0

COUNCILMEMBERS REPORTS ON ACTIVITIES FROM INTERGOVERNMENTAL COMMITTEE ASSIGNMENTS

Councilmember Melton reported his attendance at a meeting of the Moffett Field Restoration Advisory Board.

Councilmember Klein reported his attendance at a meeting of the Cities Association in which he was elected Treasurer/Secretary, and reminded Council of the upcoming holiday party.

Councilmember Klein stated the State Route 85 Transit Guideway Study is ongoing.

Mayor Hendricks reported his attendance at the first meeting of the City of San Jose Ad Hoc Advisory Committee on South Flow Arrivals in which he was elected Chair.

NON-AGENDA ITEMS & COMMENTS

-Council

Councilmember Griffith proposed a study issue to study the impact of the City Charter on future garbage franchises.

Councilmember Melton co-sponsored the study issue.

Councilmember Griffith proposed a study issue to examine alternate methods of informing the public about planning applications, including, but not limited to: story poles, 3D renderings, and line of site images.

Councilmember Klein co-sponsored the study issue.

Councilmember Griffith clarified that the study issue does not include looking at noticing distance.

-City Manager

None.

INFORMATION ONLY REPORTS/ITEMS

- [17-0092](#) Tentative Council Meeting Agenda Calendar
- [17-0854](#) Information/Action Items
- [17-1036](#) Study Session Summary of November 7, 2017 -
Board/Commission Interviews
- [17-1021](#) Board/Commission Meeting Minutes

ADJOURNMENT

Mayor Hendricks adjourned the meeting at 7:58 p.m.



City of Sunnyvale

Agenda Item

17-0089

Agenda Date: 12/12/2017

SUBJECT

Approve City Council Special Meeting Minutes of November 28, 2017

RECOMMENDATION

Approve the City Council Special Meeting Minutes of November 28, 2017 as submitted.



City of Sunnyvale

Meeting Minutes - Draft City Council

Tuesday, November 28, 2017

8:00 AM

Begonia Conference Room, Sheraton
Sunnyvale Hotel, 1100 N. Mathilda Ave.,
Sunnyvale, CA 94089

Special Meeting: Closed Session

Vice Mayor Larsson announced the item for Closed Session and invited any members of the public to provide public comments before convening to Closed Session.

1 Call to Order in the Begonia Conference Room

Vice Mayor Larsson called the meeting to order at 8:35 a.m.

2 Roll Call

Present: 7 - Mayor Glenn Hendricks
Vice Mayor Gustav Larsson
Councilmember Jim Griffith
Councilmember Larry Klein
Councilmember Nancy Smith
Councilmember Russ Melton
Councilmember Michael S. Goldman

3 Public Comment

No speakers.

4 Convene to Closed Session

[17-1015](#) Closed Session held pursuant to California Government Code
Section 54957: PUBLIC EMPLOYEE APPOINTMENT
Title: City Manager

5 Closed Session Report

Vice Mayor Larsson reported Council met in Closed Session held pursuant to California Government Code Section 54957: Public Employment Appointment; Title: City Manager; nothing to report.

6 Adjourn Special Meeting

Vice Mayor Larsson adjourned the meeting at 5:08 p.m.



City of Sunnyvale

Agenda Item

17-0200

Agenda Date: 12/12/2017

REPORT TO COUNCIL

SUBJECT

Approve the List(s) of Claims and Bills Approved for Payment by the City Manager

BACKGROUND

Pursuant to Sunnyvale Charter Section 802(6), the City Manager has approved for payment claims and bills on the following list(s); and checks have been issued.

List No.	Date	Total Disbursements
895	11-12-17 through 11-18-17	\$5,835,897.54
896	11-19-17 through 11-25-17	\$1,244,999.14

Payments made by the City are controlled in a variety of ways. In general, payments are reviewed by the appropriate City staff for compliance with the goods or services provided. Any discrepancies are resolved and re-submitted for payment. Different levels of dollar amounts for payments require varying levels of approval within the organization. Ultimately payments are reviewed and processed by the Finance Department. Budgetary control is set by Council through the budget adoption resolution.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" with the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

RECOMMENDATION

Approve the list(s) of claims and bills.

Prepared by: Timothy J. Kirby, Director of Finance
Reviewed by: Teri Silva, Interim Assistant City Manager
Approved by: Kent Steffens, Interim City Manager

ATTACHMENTS

1. List(s) of Claims and Bills Approved for Payment

11/22/2017

City of Sunnyvale

LIST # 895

Page 1

List of All Claims and Bills Approved for Payment
For Payments Dated 11/12/2017 through 11/18/2017

Sorted by Payment Number

Payment No.	Payment Date	Vendor Name	Invoice No.	Description	Invoice Amount	Discount Taken	Amount Paid	Payment Total
xxx297186	11/14/17	AT&T	0602220042	Utilities - Telephone	374.44	0.00	374.44	\$374.44
xxx297187	11/14/17	ACE FIRE EQUIPMENT & SERVICE CO INC	3670	Inventory Purchase	540.70	0.00	540.70	\$540.70
xxx297188	11/14/17	AGBAYANI CONSTRUCTION CORPORATION	CMMNTYCNT R#04	Construction Services	1,156,771.36	0.00	1,156,771.36	\$1,156,771.36
xxx297189	11/14/17	APEX LIFE SCIENCES LLC	LAB550360046	Salaries - Contract Personnel	960.00	0.00	960.00	\$960.00
xxx297190	11/14/17	BACKFLOW PREVENTION SPECIALISTS INC	6040	Water Meters	207.03	0.00	207.03	\$207.03
xxx297191	11/14/17	CSAC EXCESS INSURANCE AUTHORITY	3698	Insurances - Life/AD&D Insurance	16,964.39	0.00	16,964.39	\$41,560.56
			3698	Insurances - Long Term Disability	24,596.17	0.00	24,596.17	
xxx297192	11/14/17	CALTEST ANALYTICAL LABORATORY	578188	Water Lab Services	57.83	0.00	57.83	\$1,104.81
			578502	Water Lab Services	700.00	0.00	700.00	
			578575	Water Lab Services	115.66	0.00	115.66	
			578576	Water Lab Services	57.83	0.00	57.83	
			578577	Water Lab Services	57.83	0.00	57.83	
			578578	Water Lab Services	115.66	0.00	115.66	
xxx297193	11/14/17	COMCAST	11/07-12/06/17	Miscellaneous Services	158.64	0.00	158.64	\$158.64
xxx297194	11/14/17	CONEXWEST	40456	Equipment Rental/Lease	81.75	0.00	81.75	\$81.75
xxx297195	11/14/17	COUNTY OF SANTA CLARA PROBATION DEPT	1800059789	Contracts/Service Agreements	30,968.98	0.00	30,968.98	\$30,968.98
xxx297196	11/14/17	CROP PRODUCTION SERVICES INC	34693711	Chemicals	6,717.37	0.00	6,717.37	\$6,717.37
xxx297197	11/14/17	CYBERSOURCE CORP	235951802971	Software As a Service	75.00	0.00	75.00	\$75.00
xxx297198	11/14/17	DA LUBRICANT CO INC	2017-92580-01	Fuel, Oil & Lubricants	490.39	0.00	490.39	\$490.39
xxx297199	11/14/17	DAPPER TIRE CO INC	44924879	Inventory Purchase	1,051.81	0.00	1,051.81	\$1,804.59
			45007042	Inventory Purchase	376.39	0.00	376.39	
			45012139	Inventory Purchase	376.39	0.00	376.39	
xxx297200	11/14/17	DENNYS RESTAURANT	15029	Prisoner Meals	8.71	0.00	8.71	\$8.71
xxx297201	11/14/17	DEPARTMENT OF TRANSPORTATION	18003021	Utilities - Electric	7,397.85	0.00	7,397.85	\$7,397.85
xxx297202	11/14/17	FAILSAFE TESTING	9359	Safety Equipment Maintenance & Repair	1,950.00	0.00	1,950.00	\$1,950.00
xxx297203	11/14/17	FAST RESPONSE ON-SITE TESTING INC	149710	Medical Services	55.00	0.00	55.00	\$145.00
			149710	Contracts/Service Agreements	90.00	0.00	90.00	

List of All Claims and Bills Approved for Payment

For Payments Dated 11/12/2017 through 11/18/2017

Sorted by Payment Number

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xxx297204	11/14/17	GOLDFARB LIPMAN ATTORNEYS	124725	Legal Services	177.00	0.00	177.00	\$4,041.50
			124726	Legal Services	59.00	0.00	59.00	
			124888	Legal Services	3,805.50	0.00	3,805.50	
xxx297205	11/14/17	HARGIS & ASSOC	NOV/4/2017	Professional Services	11,350.00	0.00	11,350.00	\$11,350.00
xxx297207	11/14/17	IMAGEX	212055	Mailing & Delivery Services	7,299.02	0.00	7,299.02	\$7,299.02
xxx297208	11/14/17	JAVELCO EQUIPMENT SERVICE INC	52793	Misc Equip Maint & Repair - Labor	142.50	0.00	142.50	\$218.39
			52793	Misc Equip Maint & Repair - Materials	75.89	0.00	75.89	
xxx297209	11/14/17	KMVT COMMUNITY TELEVISION	7083	Engineering Services	5,250.71	0.00	5,250.71	\$5,250.71
xxx297210	11/14/17	KIDZ LOVE SOCCER	KLS2017SO	Rec Instructors/Officials	11,040.48	0.00	11,040.48	\$11,040.48
xxx297211	11/14/17	KONECRANES INC	LIV001008557	Misc Equip Maint & Repair - Labor	1,000.00	0.00	1,000.00	\$2,164.49
			LIV001008557	Misc Equip Maint & Repair - Materials	1,164.49	0.00	1,164.49	
xxx297212	11/14/17	LAJPAT LAKHANPAL	109601556	DED Services/Training - Books	139.00	0.00	139.00	\$139.00
xxx297213	11/14/17	LEVEL 3 COMMUNICATIONS LLC	62693144	Telecommunication Services	4,657.67	0.00	4,657.67	\$4,657.67
xxx297214	11/14/17	LORI NEUMANN	LN2017SO	Rec Instructors/Officials	934.80	0.00	934.80	\$934.80
xxx297215	11/14/17	METRO MOBILE COMMUNICATIONS	39771	Clothing, Uniforms & Access	1,340.42	0.00	1,340.42	\$1,340.42
xxx297216	11/14/17	MIDWEST TAPE	95519796	Library Acquis, Audio/Visual	16.34	0.00	16.34	\$1,967.93
			95519798	Library Acquis, Audio/Visual	1,276.93	0.00	1,276.93	
			95519799	Library Acquis, Audio/Visual	136.42	0.00	136.42	
			95520301	Library Acquis, Audio/Visual	538.24	0.00	538.24	
xxx297217	11/14/17	MOST DEPENDABLE FOUNTAINS INC	INV48494	Materials - Land Improve	18,121.20	0.00	18,121.20	\$18,121.20
xxx297218	11/14/17	NUSHA ASKARI	4	Rec Instructors/Officials	371.25	0.00	371.25	\$371.25
xxx297219	11/14/17	PAYFLEX SYSTEMS USA INC	000390421	Miscellaneous Payment	758.50	0.00	758.50	\$758.50
xxx297220	11/14/17	PLANET FUTSAL	FK2017SO	Rec Instructors/Officials	1,417.50	0.00	1,417.50	\$1,417.50
xxx297221	11/14/17	PREFERRED BENEFIT INSURANCE ADMIN INC	EIA22609	Insurances - Dental	56,282.40	0.00	56,282.40	\$67,848.40
			EIA22609	Insurances - Vision	11,566.00	0.00	11,566.00	
xxx297222	11/14/17	REDWOOD ENGINEERING CONSTRUCTION	PLYGRNDEQRP #06	Construction Services	173,498.50	0.00	173,498.50	\$173,498.50
xxx297223	11/14/17	RENNE SLOAN HOLTZMAN SAKAI LLP	36183	Investigation Expense	7,296.94	0.00	7,296.94	\$7,296.94
xxx297224	11/14/17	SAFEWAY INC	432666-102517	Food Products	49.98	0.00	49.98	\$137.77
			437369-110217	Food Products	25.71	0.00	25.71	
			437370-110217	Food Products	6.53	0.00	6.53	

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			437490-110217	Food Products	10.98	0.00	10.98	
			722232-110717	Food Products	9.00	0.00	9.00	
			808001-103117	Food Products	35.57	0.00	35.57	
xxx297225	11/14/17	SENO JUDAPRAWIRA	672094-5829803	DED Services/Training - Books	32.08	0.00	32.08	\$32.08
xxx297226	11/14/17	SHRUTI BETTAPUR	860557-4491401	DED Services/Training - Books	46.29	0.00	46.29	\$46.29
xxx297227	11/14/17	SOCIETY RIDESHOP LLC	2017-1	Rec Instructors/Officials	6,276.00	0.00	6,276.00	\$6,276.00
xxx297228	11/14/17	STOP PROCESSING CENTER	17277	Financial Services	38.42	0.00	38.42	\$66.76
			17360	Financial Services	28.34	0.00	28.34	
xxx297229	11/14/17	SUNKEN GARDENS GOLF COURSE	OCT/30/2017	City Wellness Program	160.00	0.00	160.00	\$160.00
xxx297230	11/14/17	SUNNYVALE PUBLIC SAFETY OFFICERS ASSN	NOV2017	Insurances - Dental	28,672.20	0.00	28,672.20	\$28,672.20
xxx297231	11/14/17	SUNNYVALE PUBLIC SAFETY OFFICERS ASSN	NOV2017	Insurances - Long Term Disability	3,838.00	0.00	3,838.00	\$3,838.00
xxx297232	11/14/17	SUZANNE LUFT	112	Rec Instructors/Officials	225.00	0.00	225.00	\$225.00
xxx297233	11/14/17	TRISTAR RISK MANAGEMENT	102558	Workers' Compensation - Claims	12,122.23	0.00	12,122.23	\$12,122.23
xxx297234	11/14/17	V & W CULTURE CO	S08302017NFB	Library Acquisitions, Books	1,136.56	0.00	1,136.56	\$1,136.56
xxx297235	11/14/17	VERDE DESIGN INC	4-1619400	Consultants	24,896.25	0.00	24,896.25	\$30,188.75
			5-1619400	Consultants	5,292.50	0.00	5,292.50	
xxx297236	11/14/17	WALGREENS COMPANY	500027353	City Wellness Program	3,300.00	0.00	3,300.00	\$6,550.00
			500028984	City Wellness Program	3,250.00	0.00	3,250.00	
xxx297237	11/14/17	WAUKESHA PEARCE INDUSTRIES	340515	Miscellaneous Equipment Parts & Supplies	718.34	0.00	718.34	\$1,422.92
			344666	Miscellaneous Equipment Parts & Supplies	704.58	0.00	704.58	
xxx297238	11/14/17	WAXIE SANITARY SUPPLY	77068644	General Supplies	818.32	0.00	818.32	\$818.32
xxx297239	11/14/17	WECK LABORATORIES INC	W7J2077	Water Lab Services	185.46	0.00	185.46	\$185.46
xxx297240	11/14/17	WENDY DAWSON	367916-2412202	DED Services/Training - Books	28.95	0.00	28.95	\$35.82
			KEL451-PDF-EN G	DED Services/Training - Books	6.87	0.00	6.87	
xxx297241	11/14/17	WINSUPPLY OF SILICON VALLEY	67927901	Bldg Maint Matls & Supplies	650.73	0.00	650.73	\$1,175.36
			68058000	Materials - Land Improve	494.07	0.00	494.07	
			68089300	Bldg Maint Matls & Supplies	30.56	0.00	30.56	
xxx297242	11/14/17	YAMAHA MOTOR FINANCE CORP USA	622513	Equipment Rental/Lease	5,973.20	0.00	5,973.20	\$5,973.20
xxx297243	11/14/17	ATTORNEY GENERAL'S REGISTRY OF	7/1/16-6/30/17	Taxes & Licenses - Misc	50.00	0.00	50.00	\$50.00

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xxx297244	11/14/17	CSULB FOUNDATION	01/22-24/2018	Training and Conferences	397.00	0.00	397.00	\$397.00
xxx297245	11/14/17	CORIX WATER PRODUCTS (US) INC	17713031977	Water Meters	1,847.62	0.00	1,847.62	\$1,934.02
			17713032113	Water Meters	86.40	0.00	86.40	
xxx297246	11/14/17	COUNTY OF SANTA CLARA	OCT/10-17/2017	Training and Conferences	285.00	0.00	285.00	\$285.00
xxx297247	11/14/17	FRANCHISE TAX BOARD	7/1/16-6/30/17	Taxes & Licenses - Misc	10.00	0.00	10.00	\$10.00
xxx297248	11/14/17	G&K SERVICES	6083147061	Laundry & Cleaning Services	44.16	0.00	44.16	\$316.93
			6083147062	Laundry & Cleaning Services	7.68	0.00	7.68	
			6083147066	Laundry & Cleaning Services	10.97	0.00	10.97	
			6083149651	Laundry & Cleaning Services	44.16	0.00	44.16	
			6083149652	Laundry & Cleaning Services	7.68	0.00	7.68	
			6083149656	Laundry & Cleaning Services	10.97	0.00	10.97	
			6083152264	Laundry & Cleaning Services	45.12	0.00	45.12	
			6083152265	Laundry & Cleaning Services	7.68	0.00	7.68	
			6083152269	Laundry & Cleaning Services	10.97	0.00	10.97	
			6083154854	Laundry & Cleaning Services	45.12	0.00	45.12	
			6083154855	Laundry & Cleaning Services	7.68	0.00	7.68	
			6083154859	Laundry & Cleaning Services	10.97	0.00	10.97	
			6083157467	Laundry & Cleaning Services	45.12	0.00	45.12	
			6083157468	Laundry & Cleaning Services	7.68	0.00	7.68	
			6083157472	Laundry & Cleaning Services	10.97	0.00	10.97	
xxx297250	11/14/17	OFFICE DEPOT INC	971361300001	Supplies, Office 1	64.78	0.00	64.78	\$5,758.88
			971362293001	Supplies, Office 1	50.61	0.00	50.61	
			971443399001	Supplies, Office 1	53.26	0.00	53.26	
			971923355001	Supplies, Office 1	165.03	0.00	165.03	
			972051487001	Supplies, Office 1	81.52	0.00	81.52	
			972086056001	Supplies, Office 1	187.96	0.00	187.96	
			972220908001	Supplies, Office 1	113.35	0.00	113.35	
			972263972001	Supplies, Office 1	42.50	0.00	42.50	
			972264233001	Supplies, Office 1	36.52	0.00	36.52	
			972278610001	Supplies, Office 1	54.58	0.00	54.58	
			972485152001	Supplies, Office 1	148.55	0.00	148.55	

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			972564311001	Supplies, Office 1	64.34	0.00	64.34	
			972564801001	Supplies, Office 1	37.55	0.00	37.55	
			972565275001	Supplies, Office 1	15.86	0.00	15.86	
			972702209001	Supplies, Office 1	88.93	0.00	88.93	
			972727605001	Supplies, Office 1	115.50	0.00	115.50	
			972795566001	Supplies, Office 1	21.80	0.00	21.80	
			972923089001	Supplies, Office 1	58.02	0.00	58.02	
			973219028001	Supplies, Office 1	276.60	0.00	276.60	
			973242259001	Supplies, Office 1	705.61	0.00	705.61	
			973323955001	Supplies, Office 1	435.33	0.00	435.33	
			973673823001	Inventory Purchase	184.62	0.00	184.62	
			973890576001	Supplies, Office 1	6.53	0.00	6.53	
			973918360001	Supplies, Office 1	90.82	0.00	90.82	
			973918669001	Supplies, Office 1	88.21	0.00	88.21	
			974253204001	Supplies, Office 1	228.75	0.00	228.75	
			974271068001	Supplies, Office 1	16.88	0.00	16.88	
			974271333001	Supplies, Office 1	25.70	0.00	25.70	
			974347841001	Supplies, Office 1	516.88	0.00	516.88	
			974583895001	Supplies, Office 1	134.79	0.00	134.79	
			974700097001	Supplies, Office 1	12.42	0.00	12.42	
			974706228001	Supplies, Office 1	28.89	0.00	28.89	
			974777039001	Supplies, Office 1	140.86	0.00	140.86	
			974778211001	Supplies, Office 1	134.91	0.00	134.91	
			974778212001	Supplies, Office 1	117.89	0.00	117.89	
			974778213001	Supplies, Office 1	20.19	0.00	20.19	
			974808382001	Supplies, Office 1	239.00	0.00	239.00	
			975006891001	Supplies, Office 1	68.09	0.00	68.09	
			975071345001	Supplies, Office 1	283.94	0.00	283.94	
			975357488001	Supplies, Office 1	59.42	0.00	59.42	
			976014639001	Supplies, Office 1	202.27	0.00	202.27	
			976014854001	Supplies, Office 1	30.09	0.00	30.09	

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			976022623001	Supplies, Office 1	27.03	0.00	27.03	
			976022946001	Supplies, Office 1	72.57	0.00	72.57	
			976028700001	Supplies, Office 1	11.88	0.00	11.88	
			976028780001	Supplies, Office 1	198.05	0.00	198.05	
xxx297254	11/14/17	PACIFIC GAS & ELECTRIC CO	03955461531017	Utilities - Electric	1,786.82	0.00	1,786.82	\$7,147.19
			03958470701017	Utilities - Electric	2,609.11	0.00	2,609.11	
			100023461117	Utilities - Electric	1,432.32	0.00	1,432.32	
			11059222631017	Utilities - Electric	734.47	0.00	734.47	
			53350770051017	Fuel, Oil & Lubricants	29.25	0.00	29.25	
			89805160051017	Utilities - Electric	9.79	0.00	9.79	
			89846354521017	Utilities - Electric	0.68	0.00	0.68	
			91271084621017	Utilities - Electric	18.97	0.00	18.97	
			91290311061017	Utilities - Electric	54.60	0.00	54.60	
			97306197491017	Utilities - Electric	6.49	0.00	6.49	
			97322830181017	Utilities - Electric	288.06	0.00	288.06	
			97322834741017	Utilities - Electric	22.01	0.00	22.01	
			97386482121017	Utilities - Electric	154.62	0.00	154.62	
xxx297256	11/14/17	DAVID COLLISTER	367354	Refund Recreation Fees	50.00	0.00	50.00	\$50.00
xxx297257	11/14/17	GRAND SNEHA CORPORATION	153111-6046	Refund Utility Account Credit	1,796.42	0.00	1,796.42	\$1,796.42
xxx297258	11/14/17	MANSI PATEL	368400	Refund Recreation Fees	14.00	0.00	14.00	\$14.00
xxx297259	11/14/17	OLOGIC INCORPORATED	174163-862	Refund Utility Account Credit	166.79	0.00	166.79	\$166.79
xxx297260	11/14/17	ROBERTO CABRERA	368055	Refund Recreation Fees	350.00	0.00	350.00	\$350.00
xxx297261	11/14/17	SHARON M MALONEY	710989	Lib - Lost & Damaged Circulation	20.00	0.00	20.00	\$20.00
xxx297262	11/14/17	UNDERGROUND CONSTRUCTION CO INC	188507-21988	Refund Utility Account Credit	3,801.64	0.00	3,801.64	\$3,801.64
xxx297263	11/14/17	WALTER VANZANT	368132	Refund Recreation Fees	1,000.00	0.00	1,000.00	\$1,000.00
xxx297264	11/16/17	ALL CITY MANAGEMENT SERVICES INC	50995	Contracts/Service Agreements	29,331.14	0.00	29,331.14	\$29,331.14
xxx297265	11/16/17	ANDERSON BRULE ARCHITECTS INC	16.1101.2-2	Consultants	7,822.43	0.00	7,822.43	\$44,200.82
			16.1101.2-3	Consultants	18,664.22	0.00	18,664.22	
			16.1101.2-4	Consultants	17,714.17	0.00	17,714.17	
xxx297266	11/16/17	ASSOCIATED INFRASTRUCTURE MGMT SERVICES	2017-054	Consultants	5,715.14	0.00	5,715.14	\$5,715.14
xxx297267	11/16/17	BAY AREA POLYGRAPH						\$4,175.00

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			785	Investigation Expense	4,175.00	0.00	4,175.00	
xxx297268	11/16/17	BAY PRO LANDSCAPE SERVICES INC	M6059	Services Maintain Land Improv	160.58	0.00	160.58	\$160.58
xxx297269	11/16/17	BEE FRIENDLY HONEY BEE MGMT SOLUTIONS	5231	Services Maintain Land Improv	375.00	0.00	375.00	\$1,525.00
			5236	Services Maintain Land Improv	450.00	0.00	450.00	
			5237	Services Maintain Land Improv	350.00	0.00	350.00	
			5240	Services Maintain Land Improv	350.00	0.00	350.00	
xxx297270	11/16/17	BERTRAND FOX ELLIOT OSMAN & WENZEL	27638	Legal Services	369.50	0.00	369.50	\$369.50
xxx297271	11/16/17	BRODART CO	484284	General Supplies	386.30	0.00	386.30	\$386.30
xxx297272	11/16/17	BROWNELLS INC	14640629.00	General Supplies	1,347.65	0.00	1,347.65	\$1,347.65
xxx297273	11/16/17	CDM SMITH	90004219	Engineering Services	10,646.70	0.00	10,646.70	\$10,646.70
xxx297274	11/16/17	CALIFORNIA SPORTS CENTER	CSC0917	Rec Instructors/Officials	35,766.35	0.00	35,766.35	\$35,766.35
xxx297275	11/16/17	CALIFORNIA SPORTS CENTER	9/25/17-AAGRA W	Refund Recreation Fees	90.00	0.00	90.00	\$90.00
xxx297276	11/16/17	CALTRONICS BUSINESS SYSTEMS	2387132	Equipment Rental/Lease	12,224.22	0.00	12,224.22	\$12,224.22
xxx297277	11/16/17	CIMEXTEK INC	6019	Professional Services	262.50	0.00	262.50	\$262.50
xxx297278	11/16/17	CROP PRODUCTION SERVICES INC	34588273	Materials - Land Improve	601.85	0.00	601.85	\$2,727.35
			34616842	Materials - Land Improve	2,125.50	0.00	2,125.50	
xxx297279	11/16/17	DELL MARKETING LP	10201345739	General Supplies	34.67	0.00	34.67	\$34.67
xxx297281	11/16/17	EWING IRRIGATION PRODUCTS INC	4330463	Misc Equip Maint & Repair - Materials	760.18	0.00	760.18	\$760.18
xxx297282	11/16/17	GARDENLAND POWER EQUIPMENT	525265	Misc Equip Maint & Repair - Materials	235.91	0.00	235.91	\$1,099.53
			525627	Misc Equip Maint & Repair - Materials	148.11	0.00	148.11	
			528688	Misc Equip Maint & Repair - Materials	58.78	0.00	58.78	
			528895	Misc Equip Maint & Repair - Labor	124.95	0.00	124.95	
			528895	Misc Equip Maint & Repair - Materials	52.60	0.00	52.60	
			528896	Misc Equip Maint & Repair - Labor	124.25	0.00	124.25	
			528896	Misc Equip Maint & Repair - Materials	42.43	0.00	42.43	
			528897	Misc Equip Maint & Repair - Labor	79.25	0.00	79.25	
			528897	Misc Equip Maint & Repair - Materials	102.20	0.00	102.20	
			528906	Misc Equip Maint & Repair - Materials	131.05	0.00	131.05	
xxx297284	11/16/17	GOLDEN GATE PETROLEUM	710426	Inventory Purchase	8,264.11	0.00	8,264.11	\$26,835.13
			978131	Inventory Purchase	18,571.02	0.00	18,571.02	

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xxx297285	11/16/17	GRANICUS INC	11044	Professional Services	-9,720.00	0.00	-9,720.00	\$17,513.00
			8520	Professional Services	-5,475.00	0.00	-5,475.00	
			86652	Professional Services	5,496.00	0.00	5,496.00	
			86653	Professional Services	6,542.00	0.00	6,542.00	
			89108	Professional Services	10,950.00	0.00	10,950.00	
			89244	Professional Services	9,720.00	0.00	9,720.00	
xxx297287	11/16/17	HDL SOFTWARE LLC	0011482-IN	Computer Software	13,182.49	0.00	13,182.49	\$13,182.49
xxx297288	11/16/17	HI-TECH OPTICAL INC	720139	Benefits and Incentives - Prescription Safety Glasses	170.00	0.00	170.00	\$1,640.00
			722608	Benefits and Incentives - Prescription Safety Glasses	120.00	0.00	120.00	
			722609	Benefits and Incentives - Prescription Safety Glasses	120.00	0.00	120.00	
			722610	Benefits and Incentives - Prescription Safety Glasses	120.00	0.00	120.00	
			722611	Benefits and Incentives - Prescription Safety Glasses	120.00	0.00	120.00	
			722612	Benefits and Incentives - Prescription Safety Glasses	120.00	0.00	120.00	
			722613	Benefits and Incentives - Prescription Safety Glasses	120.00	0.00	120.00	
			722614	Benefits and Incentives - Prescription Safety Glasses	120.00	0.00	120.00	
			722615	Benefits and Incentives - Prescription Safety Glasses	170.00	0.00	170.00	
			722665	Benefits and Incentives - Prescription Safety Glasses	120.00	0.00	120.00	
			722963	Benefits and Incentives - Prescription Safety Glasses	120.00	0.00	120.00	
			722969	Benefits and Incentives - Prescription Safety Glasses	120.00	0.00	120.00	
			724461	Benefits and Incentives - Prescription Safety Glasses	200.00	0.00	200.00	
			725565	Benefits and Incentives - Prescription Safety Glasses	-100.00	0.00	-100.00	

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Payment No.	Payment Date	Vendor Name	Invoice No.	Description	Invoice Amount	Discount Taken	Amount Paid	Payment Total
xxx297290	11/16/17	ICC GENERAL CONTRACTORS INC	PRKBLDGMDR N#09	Construction Services	161,953.15	0.00	161,953.15	\$161,953.15
xxx297291	11/16/17	IMPERIAL SPRINKLER SUPPLY	3118910-01	Materials - Land Improve	1,214.34	0.00	1,214.34	\$4,672.61
			3123018-00	Materials - Land Improve	2,485.20	0.00	2,485.20	
			3130024-00	Materials - Land Improve	973.07	0.00	973.07	
xxx297292	11/16/17	INTERNATIONAL PAPER CO	P0019159-01	Recycling Services	126.00	0.00	126.00	\$126.00
xxx297293	11/16/17	JJR CONSTRUCTION INC	17-104	Construction Services	74,999.50	0.00	74,999.50	\$74,999.50
xxx297294	11/16/17	JENSEN HUGHES INC	INV-1896284	Miscellaneous Services	13,399.51	0.00	13,399.51	\$13,399.51
xxx297295	11/16/17	KIMLEY HORN & ASSOC INC	9920385	Consultants	23,504.30	0.00	23,504.30	\$23,504.30
xxx297296	11/16/17	KOHLWEISS AUTO PARTS INC	01PM2178	Inventory Purchase	580.51	10.65	569.86	\$569.86
xxx297297	11/16/17	LC ACTION POLICE SUPPLY	373990	General Supplies	2,506.78	0.00	2,506.78	\$4,468.56
			374317	General Supplies	1,961.78	0.00	1,961.78	
xxx297298	11/16/17	LEVEL 3 COMMUNICATIONS LLC	5-BGFGCK3N	Telecommunication Services	3,622.18	0.00	3,622.18	\$3,622.18
xxx297299	11/16/17	MAINTENANCE CONNECTION INC	45523	Software Licensing & Support	26,503.50	0.00	26,503.50	\$26,503.50
xxx297300	11/16/17	MIRACLE PLAY SYSTEMS	F2017-0870	Materials - Land Improve	2,581.86	0.00	2,581.86	\$2,581.86
xxx297301	11/16/17	OVERDRIVE INC	910CO17068368	Library Periodicals/Databases	65.00	0.00	65.00	\$172.99
			910DA17066129	Library Periodicals/Databases	107.99	0.00	107.99	
xxx297302	11/16/17	PACIFIC WEST SECURITY INC	1065471	Facilities Maintenance & Repair Labor	199.00	0.00	199.00	\$199.00
xxx297303	11/16/17	PENINSULA BATTERY INC	123301	Inventory Purchase	75.80	0.00	75.80	\$75.80
xxx297304	11/16/17	RAYVERN LIGHTING SUPPLY CO INC	53376-1	Inventory Purchase	609.20	0.00	609.20	\$1,862.81
			53756-1	Inventory Purchase	709.59	0.00	709.59	
			53875-0	Inventory Purchase	544.02	0.00	544.02	
xxx297305	11/16/17	REED & GRAHAM INC	903728	Materials - Land Improve	897.90	0.00	897.90	\$15,206.66
			904106	Materials - Land Improve	2,986.94	0.00	2,986.94	
			904258	Materials - Land Improve	2,373.82	0.00	2,373.82	
			904516	Materials - Land Improve	3,124.41	0.00	3,124.41	
			904517	Materials - Land Improve	1,616.55	0.00	1,616.55	
			904916	Materials - Land Improve	597.25	0.00	597.25	
			905016	Materials - Land Improve	1,383.47	0.00	1,383.47	
			905150	Materials - Land Improve	2,226.32	0.00	2,226.32	
xxx297307	11/16/17	RENNE SLOAN HOLTZMAN SAKAI LLP	36184	Legal Services	829.50	0.00	829.50	\$829.50

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xxx297308	11/16/17	ROSS RECREATION EQUIPMENT CO INC	111762	Materials - Land Improve	69.73	0.00	69.73	\$69.73
xxx297309	11/16/17	SC FUELS	3449916	Inventory Purchase	22,009.10	0.00	22,009.10	\$22,009.10
xxx297310	11/16/17	SANTA CLARA COUNTY CITIES MGRS ASSN	DEC/06/2017	Meetings	120.00	0.00	120.00	\$120.00
xxx297311	11/16/17	SANTA CLARA VLY TRANSPORTATION AUTHORITY	1800023263	Engineering Services	1,156,667.31	0.00	1,156,667.31	\$1,156,667.31
xxx297312	11/16/17	SITEONE LANDSCAPE SUPPLY LLC	83039091	Materials - Land Improve	513.10	0.00	513.10	\$513.10
xxx297313	11/16/17	SOFTCHOICE CORP	4656320B	Software Licensing & Support	116,399.35	0.00	116,399.35	\$116,399.35
xxx297314	11/16/17	SUPPLYWORKS	419323225	Inventory Purchase	425.10	3.90	421.20	\$421.20
xxx297315	11/16/17	SWIMS	19139	Contracts/Service Agreements	700.00	0.00	700.00	\$700.00
xxx297316	11/16/17	TRENDTEC INC	267785	Salaries - Contract Personnel	3,288.40	0.00	3,288.40	\$5,734.50
			267862	Salaries - Contract Personnel	2,446.10	0.00	2,446.10	
xxx297317	11/16/17	TURF STAR INC	6991213-00	Parts, Vehicles & Motor Equip	106.08	0.00	106.08	\$106.08
xxx297318	11/16/17	US BANK VOYAGER FLEET SYSTEMS INC	869323279743	Fuel, Oil & Lubricants	42.95	0.00	42.95	\$42.95
xxx297319	11/16/17	UNITED SITE SERVICES INC	114-5918809	Equipment Rental/Lease	297.60	0.00	297.60	\$649.86
			114-5926630	Equipment Rental/Lease	352.26	0.00	352.26	
xxx297320	11/16/17	VESTRA RESOURCES INC	SNYVLCI.817047	Professional Services	1,961.25	0.00	1,961.25	\$1,961.25
xxx297321	11/16/17	VWR INTERNATIONAL LLC	8080369982	General Supplies	60.55	0.00	60.55	\$60.55
xxx297322	11/16/17	VALI COOPER & ASSOC INC	170018000106	Engineering Services	2,424.62	0.00	2,424.62	\$2,424.62
xxx297323	11/16/17	WRA	22204-2-31003	Consultants	692.61	0.00	692.61	\$692.61
xxx297324	11/16/17	WEST LITE SUPPLY CO INC	68221H	Electrical Parts & Supplies	1,362.50	0.00	1,362.50	\$2,343.50
			68221H-1	Electrical Parts & Supplies	981.00	0.00	981.00	
xxx297326	11/16/17	STANFORD HEALTH CARE ADVANTAGE	369203	Refund Recreation Fees	500.00	0.00	500.00	\$500.00
xxx000530	11/14/17	CALIFORNIA PUBLIC EMP RETIREMENT SYSTEM		Insurances - Medical	1,150,962.04	0.00	1,150,962.04	\$1,569,915.09
				Insurances - Retiree Medical - PERS	418,953.05	0.00	418,953.05	
xxx002642	11/15/17	INTERNAL REVENUE SERVICE	950002642	Employer Taxes - FICA - Total	190.75	0.00	190.75	\$64,942.74
			950002642	Employer Taxes - Medicare - Total	64,751.99	0.00	64,751.99	
xxx002643	11/15/17	ICMA RETIREMENT CORP	950002643	Retirement Benefits - Deferred Comp - City Portion	10,058.58	0.00	10,058.58	\$11,281.24
			950002643	Retirement Benefits - PARS	1,222.66	0.00	1,222.66	
xxx002644	11/15/17	PUBLIC EMPLOYEES RETIREMENT SYSTEM	950002644	Retirement Benefits - Deferred Comp - City Portion	1,681.06	0.00	1,681.06	\$640,407.25

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			950002644	Retirement Benefits - Misc Tier 1 & 2 Employer Required Cont.	178,456.73	0.00	178,456.73	
			950002644	Retirement Benefits - Misc Tier 1&2 Employer Paid Member Cont.	71,698.85	0.00	71,698.85	
			950002644	Retirement Benefits - Misc PEPRA Employer Required Cont.	58,543.40	0.00	58,543.40	
			950002644	Retirement Benefits - Safety Tier 1&2 Employer Required Cont.	203,171.16	0.00	203,171.16	
			950002644	Retirement Benefits - Safety Tier 1&2 Emplyr Paid Member Cont	91,358.98	0.00	91,358.98	
			950002644	Retirement Benefits - Safety PEPRA Employer Required Cont.	35,497.07	0.00	35,497.07	
Grand Total Payment Amount								<u>\$5,835,897.54</u>

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xxx297327	11/21/17	A T & T	OCT2017	Utilities - Telephone	122.34	0.00	122.34	\$122.34
xxx297328	11/21/17	AMS.NET INC	0017812	Software As a Service	544.48	0.00	544.48	\$544.48
xxx297329	11/21/17	AT&T	000010043910	Utilities - Telephone	861.60	0.00	861.60	\$25,490.93
			000010176031	Utilities - Telephone	861.60	0.00	861.60	
			000010314793	Utilities - Telephone	861.60	0.00	861.60	
			000010437935	Utilities - Telephone	3,165.26	0.00	3,165.26	
			000010440748	Utilities - Telephone	-1,932.53	0.00	-1,932.53	
			000010485947	Utilities - Telephone	1,244.50	0.00	1,244.50	
			000010485949	Utilities - Telephone	1,245.02	0.00	1,245.02	
			000010501443	Utilities - Telephone	35.70	0.00	35.70	
			000010501452	Utilities - Telephone	11,694.11	0.00	11,694.11	
			000010501840	Utilities - Telephone	2,877.29	0.00	2,877.29	
			000010502039	Utilities - Telephone	32.50	0.00	32.50	
			000010504545	Utilities - Telephone	3,567.80	0.00	3,567.80	
			00009889230	Utilities - Telephone	976.48	0.00	976.48	
xxx297330	11/21/17	BAY AREA FORKLIFT	4761	Safety Equipment Maintenance & Repair	3,578.10	0.00	3,578.10	\$3,578.10
xxx297331	11/21/17	BAY AREA NEWS GROUP DIGITAL FIRST MEDIA	0005981148	Advertising Services	366.00	0.00	366.00	\$1,761.00
			0006036498	Advertising Services	86.00	0.00	86.00	
			0006036507	Advertising Services	98.00	0.00	98.00	
			0006042103	Advertising Services	114.00	0.00	114.00	
			0006042111	Advertising Services	102.00	0.00	102.00	
			0006042799	Advertising Services	234.00	0.00	234.00	
			0006045496	Advertising Services	109.00	0.00	109.00	
			0006047507	Advertising Services	980.00	0.00	980.00	
			C64239	Advertising Services	-328.00	0.00	-328.00	
xxx297332	11/21/17	BROWNELLS INC	14640629.01	General Supplies	89.99	0.00	89.99	\$89.99
xxx297333	11/21/17	BUCKLES-SMITH ELECTRIC CO	3060758-00	Software Licensing & Support	4,227.30	0.00	4,227.30	\$4,227.30
xxx297334	11/21/17	CITY OF SANTA CLARA MUNICIPAL UTILITIES	NOV2017	Utilities - Electric	545.68	0.00	545.68	\$545.68
xxx297335	11/21/17	DEPARTMENT OF JUSTICE						\$2,334.00

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			261439	Pre-Employment Testing	576.00	0.00	576.00	
			264421	Contracts/Service Agreements	1,758.00	0.00	1,758.00	
xxx297336	11/21/17	EBS CO INFORMATION SERVICES	0096367	Library Periodicals/Databases	3.66	0.00	3.66	\$12,189.72
			0496948	Library Periodicals/Databases	12,186.06	0.00	12,186.06	
xxx297337	11/21/17	FIRST ALARM SECURITY & PATROL INC	544569	Contracts/Service Agreements	2,774.99	0.00	2,774.99	\$2,774.99
xxx297338	11/21/17	FRANK A OLSEN CO INC	238894	Miscellaneous Equipment Parts & Supplies	4,725.95	0.00	4,725.95	\$4,725.95
xxx297339	11/21/17	FREMONT UNION HIGH SCHOOL DISTRICT	17-600	Utilities - Electric	5,185.00	0.00	5,185.00	\$5,185.00
xxx297340	11/21/17	GALE/CENGAGE LEARNING	62174408	Library Acquisitions, Books	25.29	0.00	25.29	\$25.29
xxx297341	11/21/17	GARDENLAND POWER EQUIPMENT	524681	Misc Equip Maint & Repair - Materials	215.90	0.00	215.90	\$232.18
			526972	Misc Equip Maint & Repair - Materials	8.69	0.00	8.69	
			526977	Misc Equip Maint & Repair - Materials	7.59	0.00	7.59	
xxx297342	11/21/17	GORILLA METALS	171838	Materials - Land Improve	78.19	0.00	78.19	\$145.75
			191764	Misc Equip Maint & Repair - Materials	67.56	0.00	67.56	
xxx297343	11/21/17	HAUTE CUISINE INC	053-2017	Food Products	2,223.60	0.00	2,223.60	\$2,291.60
			054-2017	Food Products	68.00	0.00	68.00	
xxx297344	11/21/17	IMPERIAL HEADWEAR	153475	Inventory Purchase	124.29	0.00	124.29	\$124.29
xxx297345	11/21/17	INTERNATIONAL MANAGEMENT SYSTEMS	7961	Professional Services	6,825.00	0.00	6,825.00	\$7,595.00
			7964	Professional Services	770.00	0.00	770.00	
xxx297346	11/21/17	JOHNSON ROBERTS & ASSOC INC	133360	Investigation Expense	65.00	0.00	65.00	\$156.00
			133857	Investigation Expense	91.00	0.00	91.00	
xxx297347	11/21/17	KELLER SUPPLY COMPANY	S011222942.003	Chemicals	314.95	0.00	314.95	\$2,071.85
			S011265716.001	Chemicals	581.22	0.00	581.22	
			S011270267.001	Chemicals	852.15	0.00	852.15	
			S011292158.001	Supplies, Safety	323.53	0.00	323.53	
xxx297348	11/21/17	LAGUSTIS LEE TRAVONN LARKIN	CLAIM#1718-024	Liability Claims Paid	2,500.00	0.00	2,500.00	\$2,500.00
xxx297349	11/21/17	LAWSON PRODUCTS INC	9305353844	Miscellaneous Equipment Parts & Supplies	340.28	0.00	340.28	\$340.28
xxx297350	11/21/17	LEONE & ALBERTS APC	32150	Legal Services	292.50	0.00	292.50	\$923.00
			32152	Legal Services	135.00	0.00	135.00	
			32153	Legal Services	270.00	0.00	270.00	
			32154	Legal Services	225.50	0.00	225.50	

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xxx297351	11/21/17	LEXISNEXIS RISK SOLUTIONS	1409790-170930	Financial Services	130.00	0.00	130.00	\$130.00
xxx297352	11/21/17	M-GROUP	3747	Professional Services	5,583.63	0.00	5,583.63	\$5,583.63
xxx297353	11/21/17	MCMASTER CARR SUPPLY CO	49325390	Miscellaneous Equipment Parts & Supplies	32.97	0.00	32.97	\$32.97
xxx297354	11/21/17	MOUNTAIN VIEW GARDEN CENTER	91406	Materials - Land Improve	18.51	0.00	18.51	\$18.51
xxx297355	11/21/17	OUTOTHEBOX ENTERPRISES INC	20880	Recycling Services	800.00	0.00	800.00	\$800.00
xxx297356	11/21/17	REFRIGERATION SUPPLIES DISTRIBUTOR	38377489-00	Bldg Maint Matls & Supplies	251.66	0.00	251.66	\$251.66
xxx297357	11/21/17	SCS FIELD SERVICES INC	0312337	Engineering Services	1,306.38	0.00	1,306.38	\$1,306.38
xxx297358	11/21/17	SAFETY KLEEN SYSTEMS INC	74885790	Chemicals	322.07	0.00	322.07	\$322.07
xxx297359	11/21/17	SHRED-IT USA	8123442509	Records Related Services	298.85	0.00	298.85	\$298.85
xxx297360	11/21/17	SILICON VALLEY COMMUNITY NEWSPAPERS	0006014209	Advertising Services	299.50	0.00	299.50	\$299.50
xxx297361	11/21/17	SILICON VALLEY SECURITY & PATROL INC	2034160	Professional Services	500.00	0.00	500.00	\$1,500.00
			2034181	Professional Services	500.00	0.00	500.00	
			2034338	Professional Services	500.00	0.00	500.00	
xxx297362	11/21/17	SMARSH INC	INV00287290	Software As a Service	86,380.00	0.00	86,380.00	\$86,380.00
xxx297363	11/21/17	SMART & FINAL INC	033795-102717	General Supplies	12.62	0.00	12.62	\$79.24
			050762-110217	General Supplies	66.62	0.00	66.62	
xxx297364	11/21/17	SOFTCHOICE CORP	4676306	Computer Software	894.23	0.00	894.23	\$894.23
xxx297365	11/21/17	SPORTS TURF MANAGEMENT	11685	Services Maintain Land Improv	340.00	0.00	340.00	\$340.00
xxx297366	11/21/17	STUDIO EM GRAPHIC DESIGN	16847	Graphics Services	218.00	0.00	218.00	\$218.00
xxx297367	11/21/17	TJKM	0046634	Engineering Services	9,697.25	0.00	9,697.25	\$9,697.25
xxx297368	11/21/17	THE COVELLO GROUP INC	2015.003-30	Engineering Services	71,798.70	0.00	71,798.70	\$71,798.70
xxx297369	11/21/17	THE SIGN SHOP	3816	Services Maintain Land Improv	1,062.75	0.00	1,062.75	\$1,062.75
xxx297370	11/21/17	THOMSON REUTERS WEST	837104129	Books & Publications	1,720.99	0.00	1,720.99	\$1,720.99
xxx297371	11/21/17	TRENDTEC INC	268006	Salaries - Contract Personnel	1,467.20	0.00	1,467.20	\$1,467.20
xxx297372	11/21/17	UNITED SITE SERVICES INC	114-5926617	Equipment Rental/Lease	828.50	0.00	828.50	\$828.50
xxx297373	11/21/17	UNIVAR USA INC	SJ847833	Chemicals	4,388.07	0.00	4,388.07	\$8,915.97
			SJ848773	Chemicals	4,527.90	0.00	4,527.90	
xxx297374	11/21/17	VWR INTERNATIONAL LLC	8080378854	General Supplies	727.14	0.00	727.14	\$1,013.42
			8080389987	General Supplies	286.28	0.00	286.28	
xxx297375	11/21/17	VALI COOPER & ASSOC INC	170018000105	Engineering Services	51,519.73	0.00	51,519.73	\$51,519.73
xxx297376	11/21/17	VIASYN						\$2,825.00

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xxx297377	11/21/17	WEST VALLEY STAFFING GROUP	26432	Utilities - Electric	2,825.00	0.00	2,825.00	
			213795	Professional Services	1,513.18	0.00	1,513.18	\$5,295.87
			214281	Professional Services	1,743.36	0.00	1,743.36	
			214752	Professional Services	2,039.33	0.00	2,039.33	
xxx297378	11/21/17	WINSUPPLY OF SILICON VALLEY	677109 02	Materials - Land Improve	1,042.90	0.00	1,042.90	\$1,042.90
xxx297379	11/21/17	YAMAHA GOLF CARS OF CALIFORNIA INC	L27428	Misc Equip Maint & Repair - Labor	160.00	0.00	160.00	\$227.60
			L27428	Misc Equip Maint & Repair - Materials	27.08	0.00	27.08	
			L27429	Misc Equip Maint & Repair - Labor	33.75	0.00	33.75	
			L27429	Misc Equip Maint & Repair - Materials	6.77	0.00	6.77	
xxx297380	11/21/17	BAY AREA AIR QUALITY MANAGEMENT DISTRICT	3ZS02	Permit Fees	4,045.00	0.00	4,045.00	\$4,045.00
xxx297381	11/21/17	CALIFORNIA DEPT OF CONSUMER AFFAIRS	11/20/2017	Advertising Services	235.00	0.00	235.00	\$235.00
xxx297382	11/21/17	CITY OF FRESNO	RTC0003162	Training and Conferences	450.00	0.00	450.00	\$450.00
xxx297383	11/21/17	EMERGENCY MEDICAL SERVICES AUTHORITY	27680-1703	Training and Conferences	1,480.00	0.00	1,480.00	\$2,376.00
			27682-1704	Training and Conferences	896.00	0.00	896.00	
xxx297384	11/21/17	GREG CANOTE	NOV/25/2017	Special Events	1,600.00	0.00	1,600.00	\$1,600.00
xxx297385	11/21/17	KIRBY CANYON RECYCLING & DISPOSAL FAC	OCT2017	Landfill Fees to be Allocated	880,686.07	0.00	880,686.07	\$880,686.07
xxx297386	11/21/17	SOUTH BAY REGIONAL PUBLIC SAFETY	217709	Training and Conferences	6,254.57	0.00	6,254.57	\$10,934.57
			217710	Training and Conferences	2,000.00	0.00	2,000.00	
			217720	Training and Conferences	2,680.00	0.00	2,680.00	
xxx297387	11/21/17	SOUTH BAY REGIONAL PUBLIC SAFETY	218224	Training and Conferences	345.00	0.00	345.00	\$345.00
xxx297388	11/21/17	STATE WATER RESOURCES CONTROL BOARD	SC-107104	Environmental Services	264.08	0.00	264.08	\$264.08
xxx297389	11/21/17	CARRASCO & ASSOCIATES	073613	Business License Tax	18.02	0.00	18.02	\$18.02
xxx297390	11/21/17	CHIUKIN STEVEN LAI AND DOROTHY WAIF	2017-4715	Permit - Plumbing & Gas	72.80	0.00	72.80	\$72.80
xxx297391	11/21/17	DROPLETS LLC	072445	Business License Tax	37.15	0.00	37.15	\$37.15
xxx297392	11/21/17	GADASALLIS SATYANARAYANA	368859	Refund Recreation Fees	500.00	0.00	500.00	\$500.00
xxx297393	11/21/17	HOMSTEAD GARDEN EVELYN OREILLY	IN000077706	Refund Over/Duplicate Payment	322.18	0.00	322.18	\$322.18
xxx297394	11/21/17	JUNIPER NETWORKS INV	IN000079835	Refund Over/Duplicate Payment	1,160.00	0.00	1,160.00	\$1,160.00
xxx297395	11/21/17	LEONG MING H & SOEISNA A						\$188.00

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Sorted by Payment Number

Payment No.	Payment Date	Vendor Name	Invoice No.	Description	Invoice Amount	Discount Taken	Amount Paid	Payment Total
			IN000078106	Refund Over/Duplicate Payment	188.00	0.00	188.00	
xxx297396	11/21/17	NATIONAL TECHNICAL SYSTEMS	073500	Business License Tax	93.87	0.00	93.87	\$93.87
xxx297397	11/21/17	PETER FU AND JENNIE LEE	IN000079496	Refund Over/Duplicate Payment	188.00	0.00	188.00	\$188.00
xxx297398	11/21/17	PREMIER ONE ELECTRIC INC	073634	Business License Tax	18.02	0.00	18.02	\$18.02
xxx297399	11/21/17	RCM CONCRETE	073590	Business License Tax	60.10	0.00	60.10	\$60.10
xxx297400	11/21/17	REYES COCA COLA BOTTLING LLC	073591	Business License Tax	90.15	0.00	90.15	\$90.15
xxx297401	11/21/17	ROBYN SCHRUMPF DDS	CK#3663	Refund Over/Duplicate Payment	2.91	0.00	2.91	\$2.91
xxx297402	11/21/17	ROSA KING AND FRANCIS CHIN (940)	IN000079561	Refund Over/Duplicate Payment	188.00	0.00	188.00	\$188.00
xxx297403	11/21/17	TAYLOR GROUP LLC	IN000080602	Refund Over/Duplicate Payment	188.00	0.00	188.00	\$188.00
xxx100698	11/22/17	STATE BOARD OF EQUAL DIRECT	1903722	Use Tax Payable	971.00	0.00	971.00	\$5,090.58
		DEPOSIT	950100698	Use Tax Payable	4,119.58	0.00	4,119.58	
Grand Total Payment Amount								<u>\$1,244,999.14</u>



City of Sunnyvale

Agenda Item

17-1050

Agenda Date: 12/12/2017

REPORT TO COUNCIL

SUBJECT

Award of Bid No. PW18-08 for the Landscape Improvements on Caribbean Drive Re-Bid Project, Finding of California Environmental Quality Act (CEQA) Categorical Exemption, and Approval of Budget Modification No. 29

REPORT IN BRIEF

Approval is requested to award a construction contract in the amount of \$599,164 to Galeb Paving, Inc. of Saratoga for landscape improvements. Approval is also requested for a 10% construction contingency in the amount of \$59,916 and a Budget Modification in the amount of \$36,131.

EXISTING POLICY

Section 1309 of the City Charter requires public works construction contracts to be awarded to the lowest responsive and responsible bidder. Further, pursuant to Chapter 2.09 of the Sunnyvale Municipal Code, City Council approval is required for construction contracts exceeding \$100,000.

Pursuant to Sunnyvale Charter Section 1305, at any meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by affirmative votes of at least four members so as to authorize the transfer of unused balances appropriated for one purpose to another, or to appropriate available revenue not included in the budget.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act (CEQA) determination for the project is a Class 4 categorical exemption pursuant to CEQA Guidelines Section 15304(d) for minor alterations in land.

BACKGROUND AND DISCUSSION

The Landscape Improvements on Caribbean Drive (Capital Project 831540) provides funding for cleanup and restoration of just over one mile of parkway along Mathilda Avenue adjacent to the City's landfill on the north side of Caribbean Drive. The parkway was previously screened by a row of 500 eucalyptus trees that stretched across this distance along Caribbean Drive. In 2012, PG&E removed nearly all of these trees due to safety concerns related to potential impacts of the roots on its 36" high pressure gas pipeline buried just below the trees. The area contains an uneven surface, debris, damaged fencing, and weedy vegetation. The project includes leveling, grading, and repair and replacement of sections of the existing chain link fence.

An Invitation for Bids for this project was initially advertised on June 9, 2017, with no bids received. In advance of the re-bid procurement, staff reached out to potential bidders to encourage them to participate in the bidding process. The re-bid was advertised for competitive bidding on September 22, 2017, with six general contractors requesting bid documents. Sealed bids were opened on October 18, 2017, with three bids received (see Attachment 1 - Bid Summary). The lowest

responsive and responsible bid was submitted by Galeb Paving, Inc. of Saratoga in the amount of \$599,164. While the bids were higher than anticipated in the budget, staff recommends moving forward as there is no guarantee that re-bidding the project in the current economic climate will produce a better bid result. Therefore, a Budget Modification in the amount of \$35,131 is recommended for approval so that work can proceed.

FISCAL IMPACT

Budget Modification No. 29 recommends appropriation of \$36,131 to Project 831540, Landscape Improvements on Caribbean Drive. Current FY 2017/18 amounts include available carryover from the prior fiscal year. A total of \$659,080 is necessary to fund the entire project including design, construction contract award, and contingency. Additionally, \$11,803 is needed to fund remaining design contract invoices related to the project.

Budget Modification No. 29 FY 2017/18

	<u>Current</u>	<u>Increase/ (Decrease)</u>	<u>Revised</u>
Solid Waste Management Fund			
<u>Expenditures</u>			
Project 831540 - Landscape Improvements on Caribbean Drive	\$ 634,752	\$ 36,131	\$ 670,883
<u>Reserves</u>			
Rate Stabilization Reserve	\$ 3,062,153	(\$ 36,131)	\$ 3,026,022

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

RECOMMENDATION

1) Make a finding of a California Environmental Quality Act (CEQA) categorical exemption pursuant to CEQA Guidelines Section 15304(d) for minor land alterations; 2) Award a contract in substantially the same form as Attachment 2 to the report in the amount of \$599,164 to Galeb Paving, Inc. and authorize the City Manager to execute the contract when all necessary conditions have been met; 3) Approve a 10% construction contingency in the amount of \$59,916; and 4) Approve Budget Modification No. 29 in the amount of \$36,131 to provide additional project funding.

Prepared by: Gregory S. Card, Purchasing Officer
 Reviewed by: Timothy J. Kirby, Director of Finance
 Reviewed by: Melody Tovar, Interim Director of Environmental Services
 Reviewed by: Craig Mobeck, Interim Director of Public Works
 Reviewed by: Teri Silva, Interim Assistant City Manager
 Approved by: Kent Steffens, Interim City Manager

ATTACHMENTS

1. Bid Abstract
2. Draft General Construction Contract

Invitation for Bids No . PW18-08			Galeb Paving, Inc.		Redwood Engineering Construction		Golden Bay Construction, Inc.	
Landscape Improvements on Caribbean Drive RE-BID Project # UY-15-04			12340 Saratoga-Sunnyvale Rd		2336 El Camino Real		3826 Depot Rd.	
			Saratoga, CA 95070		Redwood City, CA 94063		Hayward, CA 94545	
			Scobodan Galeb		Benedict Cerney		Johnny Zanette	
BID ITEMS	UOM	QTY	Unit Price	Total	Unit Price	Total	Unit Price	Total
1 Mobilization	LS	1	\$48,685.00	\$48,685.00	\$25,000.00	\$25,000.00	\$56,094.00	\$56,094.00
2 Traffic Control	LS	1	\$18,250.00	\$18,250.00	\$20,000.00	\$20,000.00	\$15,500.00	\$15,500.00
3 Pre-project Conditions Survey	LS	1	\$23,090.00	\$23,090.00	\$2,000.00	\$2,000.00	\$500.00	\$500.00
4 Temporary Erosion and Sediment Control	LS	1	\$74,410.00	\$74,410.00	\$63,000.00	\$63,000.00	\$10,000.00	\$10,000.00
5 Clearing & Grubbing	LS	1	\$107,745.00	\$107,745.00	\$200,000.00	\$200,000.00	\$55,304.00	\$55,304.00
6 Earthwork & Grading	LS	1	\$89,680.00	\$89,680.00	\$35,000.00	\$35,000.00	\$83,600.00	\$83,600.00
7 Maintenance Road	TN	400	\$55.50	\$22,200.00	\$50.00	\$20,000.00	\$100.00	\$40,000.00
8 Mulch	SF	116,525	\$0.53	\$61,758.25	\$0.80	\$93,220.00	\$1.90	\$221,397.50
9 Raise Rim at Existing Catch Basin	EA	1	\$3,960.00	\$3,960.00	\$5,000.00	\$5,000.00	\$2,918.50	\$2,918.50
10 Soil Import (REVOCABLE)	TN	100	\$13.25	\$1,325.00	\$45.00	\$4,500.00	\$25.00	\$2,500.00
11 Soil Off-Haul (REVOCABLE)	TN	100	\$52.00	\$5,200.00	\$50.00	\$5,000.00	\$30.00	\$3,000.00
12 Aggregate base Off-haul	TN	400	\$68.90	\$27,560.00	\$62.00	\$24,800.00	\$100.00	\$40,000.00
13 Chainlink Fence	LF	2,165	\$34.00	\$73,610.00	\$35.00	\$75,775.00	\$50.00	\$108,250.00
14 Chainlink Fabric Only	LF	3,135	\$13.00	\$40,755.00	\$19.00	\$59,565.00	\$19.22	\$60,254.70
15 Access Control Bollard	EA	3	\$312.00	\$936.00	\$1,700.00	\$5,100.00	\$440.10	\$1,320.30
BID TOTAL				\$599,164.25		\$637,960.00		\$700,639.00
Surety			10% Bid Bond		10% Bid Bond		10% Bid Bond	
Primary License			A		A		A	
Subs			AAA Fence		AAA Fence		Mountain F Enterprises, Inc.	
					CMC Traffic Control		AAA Fence Co., Inc	

DRAFT GENERAL CONSTRUCTION CONTRACT

THIS CONTRACT dated _____ is by and between the CITY OF SUNNYVALE, a municipal corporation of the State of California ("Owner") and GALEB PAVING, INC., a California Corporation ("Contractor").

RECITALS:

The parties to this Contract have mutually covenanted and agreed, as follows:

1. The Contract Documents. The complete Contract consists of the following documents: Notice Inviting Bids; Instructions to Bidders; Performance Bond and Payment Bond; Guaranty; City of Sunnyvale Standard Specifications for Public Works Construction, 2006 Edition; City of Sunnyvale Standard Details for Public Works Construction, 2006 Edition; Plans and Specifications, "Landscape Improvements on Caribbean Drive RE-BID, Project No. UY-15-04, Invitation for Bids No.PW18-08"; OSHA, and other standards and codes as outlined in the Specifications. These documents are all incorporated by reference. The documents comprising the complete contract are collectively referred to as the Contract Documents.

Any and all obligations of the Owner and the Contractor are fully set forth and described therein.

All of the above documents are intended to work together so that any work called for in one and not mentioned in the other or vice versa is to be executed the same as if mentioned in all documents.

2. The Work. Contractor agrees to furnish all tools, equipment, apparatus, facilities, labor, transportation, and material necessary to perform and complete the project in a good and workmanlike manner. The work consist(s) of cleanup and restoration of landscaping along Caribbean Drive adjacent to the City's landfill, as called for, and in the manner designated in, and in strict conformity with, the Plans and Specifications prepared by Callander Associates and adopted by the Owner. These Plans and Specifications are entitled respectively, Landscape Improvements on Caribbean Drive RE-BID, Project No. UY-15-04.

It is understood and agreed that the work will be performed and completed as required in the Plans and Specifications under the sole direction and control of the Contractor, and subject to inspection and approval of the Owner, or its representatives. The Owner hereby designates as its representative for the purpose of this contract the Senior Civil Engineer for Construction or an employee of the Owner who will be designated in writing by the Director of Public Works.

3. Contract Price. The Owner agrees to pay and the Contractor agrees to accept, in full payment for the work above agreed to be done, the sum of Five Hundred Ninety Nine Thousand One Hundred Sixty Four and 25/100 Dollars (\$599,164.25) subject to final determination of the work performed and materials furnished at unit prices per "Exhibit A" attached hereto and incorporated by this reference, and subject to additions and deductions in accordance, as provided in the Documents and in accordance with Contract Documents.

4. Permits; Compliance with Law. Contractor shall, at its expense, obtain all necessary permits and licenses, easements, etc., for the construction of the project, give all necessary notices, pay all fees required by law, and comply with all laws, ordinances, rules and regulations relating to the work and to the preservation of the public health and safety.

5. Inspection by Owner. Contractor shall at all times maintain proper facilities and provide safe access for inspection by the Owner to all parts of the work, and to the shops wherein the work is in preparation. Where the Specifications require work to be specially tested or approved, it shall not be tested or covered up without timely notice to the Owner of its readiness for inspection and without the approval thereof or consent thereto by the latter. Should any such work be covered up without such notice, approval, or consent, it must, if required by Owner, be uncovered for examination at the Contractor's expense.

6. Extra or Additional Work and Changes. Should Owner at any time during the progress of the

work request any alterations, deviations, additions or omissions from the Specifications or Plans or other Contract Documents it shall be at liberty to do so, and the same shall in no way affect or make void the contract, but will be added to or deducted from the amount of the contract price, as the case may be, by a fair and reasonable valuation, agreed to in writing between the parties hereto. No extra work shall be performed or change be made unless in pursuance of a written order from the Director of Public Works or authorized representative, stating that the extra work or change is authorized and no claim for an addition to the contract sum shall be valid unless so ordered.

7. Time for Completion. All work under this contract shall be completed before the expiration sixty (60) working days from the date specified in the Notice to Proceed.

If Contractor shall be delayed in the work by the acts or neglect of Owner, or its employees or those under it by contract or otherwise, or by changes ordered in the work, or by strikes, lockouts by others, fire, unusual delay in transportation, unavoidable casualties or any causes beyond the Contractor's control, or by delay authorized by the Owner, or by any cause which the Owner shall decide to justify the delay, then the time of completion shall be extended for such reasonable time as the Owner may decide.

This provision does not exclude the recovery of damages for delay by either party under other provisions.

8. Inspection and Testing of Materials. Contractor shall notify Owner a sufficient time in advance of the manufacture or production of materials, to be supplied under this contract, in order that the Owner may arrange for mill or factory inspection and testing of same, if Owner requests such notice from Contractor.

9. Termination. If Contractor should file a bankruptcy petition and/or be judged bankrupt, or if Contractor should make a general assignment for the benefit of creditors, or if a receiver should be appointed on account of insolvency, or if Contractor or any subcontractors should violate any of the provisions of the Contract, Owner may serve written notice upon Contractor and its surety of Owner's intention to terminate the Contract. The notice shall contain the reasons for such intention to terminate the Contract, and, unless within ten days after serving such notice, such violation shall cease and satisfactory arrangements for correction thereof be made, upon the expiration of the ten days, the Contract shall cease and terminate. In the event of any such termination, Owner shall immediately serve written notice thereof upon the surety and the Contractor, and the surety shall have the right to take over and perform the Contract; provided, however that, if the surety within fifteen days after the serving upon it of notice of termination does not give Owner written notice of its intention to take over and perform the Contract or does not commence performance thereof within thirty days from the date of the serving of such notice, Owner may take over the work and prosecute the same to completion by contract or by any other method it may deem advisable, for the account and at the expense of Contractor, and Contractor and its surety shall be liable to Owner for any excess cost occasioned Owner thereby, and in such event Owner may without liability for so doing take possession of and utilize in completing the work, such materials, appliances, plant and other property belonging to Contractor as may be on the site of the work and necessary therefor.

10. Owner's Right to Withhold Certain Amounts and Make Application Thereof. In addition to the amount which Owner may retain under Paragraph 21 until the final completion and acceptance of all work covered by the Contract, Owner may withhold from payment to Contractor such amount or amounts as in its judgment may be necessary to pay just claims against Contractor or any subcontractors for labor and services rendered and materials furnished in and about the work. Owner may apply such withheld amount or amounts to the payment of such claims in its discretion. In so doing Owner shall be

deemed the agent of Contractor and any payment so made by Owner shall be considered as a payment made under the Contract by Owner to the Contractor and Owner shall not be liable to Contractor for any such payment made in good faith. Such payment may be made without prior judicial determination of the claim or claims.

11. Notice and Service Thereof. All notices required pursuant to this Contract shall be communicated in writing, and shall be delivered in person, by commercial courier or by first class or priority mail delivered by the United States Postal Service. Nothing in this provision shall be construed to prohibit communication by more expedient means, such as by email or fax, to accomplish timely communication. Each party may change the address by written notice in accordance with this paragraph. Notices delivered personally shall be deemed communicated as of actual receipt; mailed notices shall be deemed communicated as of three business days after mailing. All notices sent pursuant to this Contract shall be addressed as follows:

Owner: City of Sunnyvale
Department of Public Works
Construction Contract Administrator
P. O. Box 3707
Sunnyvale, CA 94088-3707

Contractor: Galeb Paving, Inc.
Attn: Scobodan Galeb
12340 Saratoga-Sunnyvale Rd.
Saratoga, CA 95070

12. Assignment of Contract. Neither the Contract, nor any part thereof, nor moneys due or to become due thereunder may be assigned by Contractor without the prior written approval of Owner.

13. Compliance with Specifications of Materials. Whenever in the Specifications, any material or process is indicated or specified by patent or proprietary name, or by name of manufacturer, such Specifications must be met by Contractor, unless Owner agrees in writing to some other material, process or article offered by Contractor which is equal in all respects to the one specified.

14. Contract Security. Contractor shall furnish a surety bond in an amount at least equal to 100 percent of the contract price as security for the faithful performance of this Contract. Contractor shall also furnish a separate surety bond in an amount at least equal to 100 percent of the contract price as security for the payment of all persons for furnishing materials, provisions, provender, or other supplies, or teams, used in, upon, for or about the performance of the work contracted to be done, or for performing any work or labor thereon of any kind, and for the payment of amounts due under the Unemployment Insurance Code with respect to such work or labor in connection with this Contract, and for the payment of a reasonable attorney's fee to be fixed by the court in case suit is brought upon the bond. Bonds shall be issued by an admitted surety insurer authorized to operate in the state of California.

15. Insurance. Contractor shall not commence work under this Contract until all insurance required under this paragraph has been obtained and such insurance has been approved by the Owner, nor shall Contractor allow any subcontractor to commence work on a subcontract until all similar insurance required of the subcontractor has been so obtained and approved. Contractor shall furnish the Owner with satisfactory proof of the carriage of insurance required, and there shall be a specific contractual liability endorsement extending the Contractor's coverage to include the contractual liability assumed by the Contractor pursuant to this Contract and particularly Paragraph 16 hereof. Any policy of insurance required of the Contractor under this Contract shall also contain an endorsement providing that thirty (30) days' notice must be given in writing to the Owner of any pending change in the limits of liability or of any cancellation or modification of the policy. Insurance carrier shall be California-admitted.

(a) Compensation Insurance and Employer's Liability Insurance. Contractor shall take out and maintain during the life of this Contract Workers' Compensation Insurance and Employer's Liability Insurance for all of employees employed at the site of the project and, in case any work is sublet, Contractor

shall require the subcontractor similarly to provide Workers' Compensation Insurance and Employer's Liability Insurance for all of the latter's employees unless such employees are covered by the protection afforded by Contractor.

In signing this Contract, Contractor makes the following certification, required by Section 1861 of the Labor Code:

"I am aware of the provision of Section 3700 of the Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract."

(b) General and Automobile Liability Insurance. Contractor, at its own cost and expense, shall maintain personal injury liability and property damage insurance for the period covered by the Contract in the amount of Two Million Dollars (\$2,000,000.00) per occurrence and \$4,000,000 annual aggregate combined single limit coverage. Such coverage shall include, but shall not be limited to, protection against claims arising therefrom, and damage to property resulting from activities contemplated under this Contract, use of owned automobiles, products and completed operations, including U, C and X. Such insurance shall be with insurers and under forms of policies satisfactory in all respects to the Owner and shall provide that notice must be given to Owner at least thirty (30) days prior to cancellation or material change. The following endorsements shall be attached to the policy:

Policy shall cover on an "occurrence" basis. Policy must cover personal injuries as well as bodily injuries. Exclusion of contractual liability must be eliminated from personal injury endorsement. Broad form property damage endorsement must be attached. Owner is to be named as an additional insured on any contracts of insurance under this paragraph (b). Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Subdivision (b) of Section 2782 of the Civil Code. The policies of insurance shall be considered primary insurance before any policies of insurance maintained by Owner.

16. Indemnification and Hold Harmless. Contractor agrees to defend, save, indemnify and hold harmless Owner and all its officers, employees, and agents, against any and all liability, claims, judgments, or demands, including demands arising from injuries or death of persons (Contractor's employees included) and damage to property, arising directly or indirectly out of the obligations herein undertaken or out of the operations conducted by Contractor, save and except claims or litigation arising through the active negligence or willful misconduct of Owner, or of Owner's officials, agents, employees, servants, or independent contractors who are directly responsible to Owner. Contractor shall make good and reimburse Owner for any expenditures, including reasonable attorneys' fees, Owner may make by reason of such claim or litigation, and, if requested by Owner, Contractor shall defend any such suits at the sole cost and expense of Contractor.

17. Hours of Work. Eight hours of labor during any one calendar day and forty hours of labor during any one calendar week shall constitute the maximum hours of service upon all work done hereunder, and it is expressly stipulated that no laborer, worker, or mechanic employed at any time by the Contractor or by any subcontractor or subcontractors under this Contract, upon the work or upon any part of the work contemplated by this Contract, shall be required or permitted to work thereon more than eight hours during any one calendar day and forty hours during any one calendar week, except, as provided by Section 1815 of the Labor Code of the State of California, work performed by employees of contractors in excess of eight hours per day and forty hours during any one week shall be permitted upon public work upon compensation for all hours worked in excess of eight hours per day at not less than one and one-half times the basic rate of pay. It is further expressly stipulated that for each and every violation of Sections 1811-1815, inclusive, of the Labor Code of the State of California, all the provisions whereof are deemed to be incorporated herein, Contractor shall forfeit, as a penalty to Owner, twenty-five dollars (\$25.00) for each laborer, worker,

or mechanic employed in the execution of this Contract by Contractor, or by any subcontractor under this Contract, for each calendar day during which the laborer, worker, or mechanic is required or permitted to work more than eight hours in any one calendar day and forty hours in any one calendar week in violation of the provisions of the Sections of the Labor Code.

Contractor, and each subcontractor, shall, in accordance with California Labor Code Section 1776 or as the same may be later amended, keep accurate payroll records showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by him or her in connection with work under this agreement. Each payroll record shall contain or be verified by a written declaration under penalty of perjury, in accordance with Labor Code Section 1776(a). Such payroll records shall be made available at all reasonable times at the Contractor's principal office to the persons authorized to inspect such records pursuant to Labor Code Section 1776. A certified copy of all payroll records shall be made available for inspection or furnished upon request to a representative of the Division of Labor Standards Enforcement, and the Division of Apprenticeship Standards of the Department of Industrial Relations, as well as to the Owner's representative. In the event the Contractor or a Subcontractor fails to comply in a timely manner within ten days to a written notice requesting the records, such contractor or subcontractor shall forfeit one hundred dollars (\$100.00) for each calendar day, or portion thereof, for each worker, until strict compliance is effectuated, in accordance with Labor Code Section 1776(h).

18. Wage Rates. Pursuant to the Labor Code of the State of California, or any applicable local law, Owner has ascertained the general prevailing rate per diem wages and rates for holidays, and overtime work in the city, for each craft, classification or type of laborer, worker, or mechanic needed to execute this Contract. Owner has adopted, by reference, the general prevailing rate of wages applicable to the work to be done under the Contract, as adopted and published by the Division of Labor Standards Enforcement and Labor Statistics and Research of the State of California, Department of Industrial Relations, to which reference is hereby made for a full and detailed description. A copy of the prevailing wage rates may be reviewed in the office of the Director of Public Works, City of Sunnyvale, 456 West Olive Avenue, Sunnyvale, California. Wage rates can also be obtained through the California Department of Industrial Relations website at: <http://www.dir.ca.gov/OPRL/DPreWageDetermination.htm>

Neither the notice inviting bids nor this Contract shall constitute a representation of fact as to the prevailing wage rates upon which the Contractor or any subcontractor may base any claim against Owner.

It shall be mandatory upon Contractor and upon any subcontractor to pay not less than the specified rates to all laborers, workers, and mechanics employed in the execution of the Contract. It is further expressly stipulated that Contractor shall, as a penalty to Owner, forfeit two hundred dollars (\$200.00) for each calendar day, or portion thereof, for each laborer, worker, or mechanic paid less than the stipulated prevailing rates for any work done under this Contract by Contractor or by any subcontractor; and Contractor agrees to comply with all provisions of Section 1775 of the Labor Code.

In case it becomes necessary for Contractor or any subcontractor to employ on the project under this Contract any person in a trade or occupation (except executives, supervisory, administrative, clerical, or other non-manual workers as such) for which no minimum wage rate is herein specified, Contractor shall immediately notify Owner who will promptly thereafter determine the prevailing rate for such additional trade or occupation and shall furnish Contractor with the minimum rate based thereon. The minimum rate thus furnished shall be applicable as a minimum for such trade or occupation from the time of the initial employment of the person affected and during the continuance of such employment.

19. Accident Prevention. Precaution shall be exercised at all times for the protection of persons (including employees) and property. The safety provisions of applicable laws, building and construction codes shall be observed. Machinery, equipment, and other hazards shall be guarded or eliminated in accordance with the safety provisions of the Construction Safety Orders issued by the Industrial Accident Commission of the State of California.

20. Contractor's Guarantee. Owner shall not, in any way or manner, be answerable or suffer

loss, damage, expense or liability for any loss or damage that may happen to the building, work, or equipment or any part thereof, or in, on, or about the same during its construction and before acceptance. Contractor unqualifiedly guarantees the first-class quality of all workmanship and of all materials, apparatus, and equipment used or installed by Contractor or by any subcontractor or supplier in the project which is the subject of this Contract, unless a lesser quality is expressly authorized in the Plans and Specifications, in which event Contractor unqualifiedly guarantees such lesser quality; and that the work as performed by Contractor will conform with the Plans and Specifications or any written authorized deviations therefrom. In case of any defect in work, materials, apparatus or equipment, whether latent or patent, revealed to Owner within one year of the date of acceptance of completion of this Contract by Owner, Contractor will forthwith remedy such defect or defects without cost to Owner.

21. Liquidated Damages. Time shall be the essence of this Contract. If Contractor fails to complete, within the time fixed for such completion, the entire work mentioned and described and contracted to be done and performed, Contractor shall become liable to Owner for liquidated damages in the sum of five hundred and no/100 (\$500.00), for each and every calendar day during which work shall remain uncompleted beyond such time fixed for completion or any lawful extension thereof. The amount specified as liquidated damages is presumed to be the amount of damage sustained by Owner since it would be impracticable or extremely difficult to fix the actual damage; and the amount of liquidated damages may be deducted by Owner from moneys due Contractor hereunder, or its assigns and successors at the time of completion, and Contractor, or its assigns and successors at the time of completion, and its sureties shall be liable to Owner for any excess.

22. Governing Law, Jurisdiction and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to conflict of law or choice of law principles. Proper venue for legal actions will be exclusively vested in a state court in the County of Santa Clara. The parties agree that subject matter and personal jurisdiction are proper in state court in the County of Santa Clara, and waive all venue objections.

23. Severability Clause. In case any one or more of the provisions contained herein shall, for any reason, be held invalid, illegal or unenforceable in any respect, it shall not affect the validity of the other provisions which shall remain in full force and effect.

24. Entire Agreement; Amendment. This writing constitutes the entire agreement between the parties relating to the services to be performed or materials to be furnished hereunder. No modification of this Agreement shall be effective unless and until such modification is evidenced by writing signed by all parties.

25. Execution and Counterparts. This Agreement may be executed in multiple counterparts and/or with the signatures of the Parties set forth on different signature sheets and all such counterparts, when taken together, shall be deemed one original.

IN WITNESS WHEREOF, two identical counterparts of this contract, each of which shall for all purposed be deemed an original thereof, have been duly executed by the parties.

CITY OF SUNNYVALE
a Municipal Corporation, Owner

GALEB PAVING, Inc.
Contractor

License No. 325912

By _____ / /
City Manager Date

Attest:
City Clerk

By _____ / ____ / ____
City Clerk Date

(SEAL)

By _____

Title _____ / _____ / _____
Date

By _____

Title _____ / _____ / _____
Date

APPROVED AS TO FORM:

City Attorney _____ Date _____

EXHIBIT A

No.	Description	QTY	Unit	Unit Cost
1	Mobilization	1	LS	\$48,685.00
2	Traffic Control	1	LS	\$18,250.00
3	Pre-project Conditions Survey	1	LS	\$23,090.00
4	Temporary Erosion and Sediment Control	1	LS	\$74,410.00
5	Clearing & Grubbing	1	LS	\$107,745.00
6	Earthwork & Grading	1	LS	\$89,680.00
7	Maintenance Road	400	TN	\$55.50
8	Mulch	116,525	SF	\$0.53
9	Raise Rim at Existing Catch Basin	1	EA	\$3,960.00
10	Soil Import (REVOCABLE)	100	TN	\$13.25
11	Soil Off-Haul (REVOCABLE)	100	TN	\$52.00
12	Aggregate base Off-haul	400	TN	\$68.90
13	Chainlink Fence	2,165	LF	\$34.00
14	Chainlink Fabric Only	3,135	LF	\$13.00
15	Access Control Bollard	3	EA	\$312.00

EXHIBIT B

Utilization of Local Workforce in Construction Projects – The Sunnyvale City Council has adopted a policy which encourages utilization of local workforces, including State-certified apprentices, as a means of supporting economic opportunities for all members of the community. Local workforce is defined as workers residing in Santa Clara County. The lowest responsive and responsible bidder must provide a projection of locally-hired workers utilized for this contract.

Contractor	Projected Number of Locally Hired Workers_____ Projected Percent of Locally Hired Workers_____ %
Subcontractor(s)	Projected Number of Locally Hired Workers_____ Projected Percent of Locally Hired Workers_____ %

PERFORMANCE BOND

**Invitation for Bids No. PW18-08
Landscape Improvements on Caribbean Drive RE-BID
Project No. UY-15-04**

KNOW ALL MEN BY THESE PRESENTS:

THAT WHEREAS, the City of Sunnyvale ("City") has awarded to Galeb Paving, Inc. as principal ("Contractor"), a contract for the public work described as follows:

The project entitled "Landscape Improvements on Caribbean Drive RE-BID, Project No. UY-15-04" pursuant to the award made to said Principal by the Council of the City of Sunnyvale to do and perform the following work, to wit: furnish all tools, equipment, apparatus, facilities, labor, transportation, and material necessary to perform and complete in a good and workmanlike manner, the work cleanup and restoration of landscaping along Caribbean Drive adjacent to the City's landfill, as called for, and in the manner designated in, and in strict conformity with, the Plans and Specifications (the "work").

It is acknowledged that the contract provides for a one-year warranty period during which time this Bond remains in full force and effect. The contract and all of its terms and conditions are incorporated into this Bond by reference.

AND WHEREAS, the Contractor is required to furnish a bond in connection with the contract guaranteeing its faithful performance.

AND THEREFORE, we the undersigned Contractor as principal and _____ a _____, admitted and duly authorized to transact business under the laws of the State of California as surety, are held and firmly bound unto the City as obligee in the sum of Five Hundred Ninety Nine Thousand One Hundred Sixty Four and 25/100 Dollars (\$599,164.25); (which amount is not less than 100% of the contract price) to be paid to the City or its successors and assigns; and for which payment, well and truly to be made, we bind ourselves, our heirs, executors and administrators, successors or assigns, jointly and severally, firmly by these presents.

THE CONDITION of the obligation is such:

That if the Contractor, (or the Contractor's heirs, executors, administrators, successors or assigns) shall in all respects abide by, and well and truly keep and perform all of the covenants, conditions and agreements in the contract (and any alteration made as provided in the contract) at the time and in the

manner specified and in all respects according to their true intent and meaning; and if the contractor shall indemnify and save harmless the City, its officers, employees and agents, as stipulated in the contract, then this obligation shall become and be null and void; otherwise this obligation shall be and remain in full force and effect.

As a condition precedent to the satisfactory completion of the contract, the obligation of the Contractor and surety under this Bond shall remain in effect for a period of one (1) year after the completion and acceptance of the work. During that time, if the Contractor (or the Contractor's heirs, executors, administrators, successors or assigns) fails to make full, complete and satisfactory repair and replacement or totally protect the City from any loss or damage made evident during that year which results from or is caused by either defective materials or faulty workmanship in the prosecution of the work, then the obligation shall remain in full force and effect. However, anything in this paragraph to the contrary notwithstanding, the obligation of the Surety shall continue so long as any obligation of the Contractor remains.

No prepayment or delay in payments, and no change, extension, addition or alteration of any provision of the contract or in the specifications agreed to between the Contractor and the City, or any forbearance on the part of the City shall operate to relieve the surety. The surety hereby waives the provisions of Section 2819 of the California Civil Code. The surety waives all rights of subrogation against the City or any person employed by the City. If the contract price increases by the issuance of change orders, the amount specified in this bond shall increase by the same amount.

IN WITNESS WHEREOF, we have hereunto set our hands and seals on this
 _____ day of _____, 20____.

SURETY (Name):

(Address of Principal Place of Business)

Telephone No.: _____

Facsimile No.: _____

By: _____

Attorney in Fact

CONTRACTOR (Name):

Galeb Paving, Inc.

(Address)

12340 Saratoga-Sunnyvale Rd.

Saratoga, CA 95070

By: _____

(Name: print or type)

Title: _____

By: _____

(Name: print or type)

Title: _____

**(Notice: The signatures of the Surety
 and Contractor on this bond must be
 acknowledged before a notary.)**

PAYMENT BOND

INVITATION FOR BIDS No. PW18-08 Landscape Improvements on Caribbean Drive RE-BID PROJECT UY-15-04

KNOW ALL MEN BY THESE PRESENTS:

THAT WHEREAS, the City of Sunnyvale ("City") has awarded to Galeb Paving, Inc. as principal ("Contractor"), a contract for the public work described as follows:

The project entitled "Landscape Improvements on Caribbean Drive RE-BID, Project No. UY-15-04" pursuant to the award made to said Principal by the Council of the City of Sunnyvale to do and perform the following work, to wit: furnish all tools, equipment, apparatus, facilities, labor, transportation, and material necessary to perform and complete in a good and workmanlike manner, the work cleanup and restoration of landscaping along Caribbean Drive adjacent to the City's landfill, as called for, and in the manner designated in, and in strict conformity with, the Plans and Specifications (the "work").

It is acknowledged that the contract provides for a one year warranty period during which time this Bond remains in full force and effect. The contract and all of its terms and conditions are incorporated into this Bond by reference.

AND WHEREAS, the Contractor is required to furnish a bond in connection with the contract guaranteeing payment of persons who provide labor and material;

AND THEREFORE, we the undersigned Contractor as principal and _____ a _____, admitted and duly authorized to transact business under the laws of the State of California, as surety, are held and firmly bound unto the City or its successors and assigns as obligee in the sum of Five Hundred Ninety Nine Thousand One Hundred Sixty Four and 25/100 Dollars (\$599,164.25); (which amount is not less than 100% of the contract price) and for which payment, well and truly to be made, we bind ourselves, our heirs, executors and administrators, successors or assigns, jointly and severally, firmly by these presents.

THE CONDITION of the obligation is such:

That if the Contractor, (or the Contractor's subcontractors, heirs, executors, administrators, successors or assigns) fails to pay any of the persons named in Section 3181 of the Civil Code of the State of California, or the amounts due under the Unemployment Insurance Code of the State of California with

respect to work or labor performed under the Contract, or for any amounts required to be deducted, withheld, and paid over to the Employment Development Department from the wages of employees of the contractor and subcontractors pursuant to Section 13020 of the Unemployment Insurance Code of the State of California, with respect to such work and labor, that the surety will pay for the same, in an amount not exceeding the sum specified in this bond, and also, in case suit is brought upon the bond, shall pay reasonable attorney's fees, to be fixed by the Court.

This bond shall inure to the benefit of any and all persons, companies, and corporations named in Section 3181 of the Civil Code of the State of California, so as to give a right of action to them or their assigns in any suit brought upon this bond.

No prepayment or delay in payments, and no change, extension, addition or alteration of any provision of the contract or in the specifications agreed to between the Contractor and the City, or any forbearance on the part of the City shall operate to relieve the surety. The surety hereby waives the provisions of Section 2819 of the California Civil Code. The surety waives all rights of subrogation against the City or any person employed by the City. If the contract price increases by the issuance of change orders, the amount specified in this bond shall increase by the same amount.

IN WITNESS WHEREOF, we have hereunto set our hands and seals on this
 _____ day of _____, 20____.

SURETY (Name):

(Address of Principal Place of Business)

Telephone No.: _____

Facsimile No.: _____

By: _____
 Attorney in Fact

CONTRACTOR (Name):
 Galeb Paving, Inc.

(Address)
 12340 Saratoga-Sunnyvale Rd.
 Saratoga, CA 95070

By: _____

(Name: print or type)

Title: _____

By: _____

(Name: print or type)

Title: _____

**(Notice: The signatures of the Surety
 and Contractor on this bond must be
 acknowledged before a notary.)**



City of Sunnyvale

Agenda Item

17-0822

Agenda Date: 12/12/2017

REPORT TO COUNCIL

SUBJECT

Approve Budget Modification No. 27 to Appropriate \$110,567 of Bay Area UASI Grant Funds for a New Project, FFY 2017 UASI Preventative Radiological Nuclear Detection (PRND) Equipment Grant

GRANT SUMMARY

On July 27, 2017, the City was awarded grant funds in the amount of \$110,567 to the Department of Public Safety for the purchase of Preventative Radiological Nuclear Detection (PRND) Equipment.

This grant will equip Sunnyvale Public Safety personnel with combination Personal Radiation Detectors (PRD's) with built in dosimetry capability to be utilized as primary screening devices. The grant also provides funds to acquire secondary screening devices, which will utilize a Radioisotope Identifying Device (RIID) to verify the specific isotope identified by a primary screening activity.

The equipment will be used by the Department of Public Safety (DPS) to respond to catastrophic disasters and emergency events throughout the City. DPS will also use this equipment when deployed to mutual aid events throughout the region, for primary detection, secondary screening and technical reach back missions; during augmented PRND detection based on threat analysis/large public gatherings; or in active intelligence driven search for radiological or nuclear material.

The Division of Special Operations in the Department of Public Safety will be responsible for the management of the grant.

Granting Agency

This grant is funded by the Area Urban Area Security Initiative (UASI), through a Department of Homeland Security grant administered by the California Office of Emergency Services. The City and County of San Francisco is the designated grantee for UASI funds and will execute a sub-grantee agreement with the City of Sunnyvale (Attachment 1).

Bay Area UASI sustains and improves regional capacity to prevent, protect against, mitigate, respond to, and recover from terrorist attacks and catastrophic disasters. Designed to enhance public safety and security throughout the Bay Area, the UASI's multi-disciplinary programs are comprised of local, state, and federal subject matter experts working to achieve Homeland Security Goals & Objectives.

EXISTING POLICY

Council Policy 7.1.5 Donations, Contributions and Sponsorships:

The City Manager may apply for grants of any dollar amount, but shall notify the Council when grants are being pursued. Council approval of a budget modification to appropriate grant monies is required before funds can be expended by staff. Such a budget modification shall include the use to which the grant would be placed; the objectives or goals of the City which will be achieved through use of the

grant; the local match required, if any, plus the source of the local match; any increased cost to be locally funded upon termination of the grant; and the ability of the City to administer the grant. For grants under the amount of \$5,000 that do not have any external reporting requirements or any local match requirement, Council approval of a budget modification is not required. The City Manager is authorized to accept and administratively appropriate the grant funds.

This grant does not meet all the criteria to be administratively appropriated by the City Manager; therefore, a budget modification is required. Grant funds from Bay Area UASI have external reporting requirements and fall under the federal single audit guidelines.

Pursuant to Sunnyvale Charter Section 1305, at any meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by affirmative votes of at least four members so as to authorize the transfer of unused balances appropriated for one purpose to another, or to appropriate available revenue not included in the budget.

General Plan Policy SN-1.6 Operate a response system that will provide effective control and investigation of hazardous materials emergencies.

ENVIRONMENTAL REVIEW

This budget modification is not a “project” with the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(b)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

FISCAL IMPACT

Funding Source

This grant is funded by the Bay Area Urban Area Security Initiative (UASI), through a Department of Homeland Security grant administered by the California Office of Emergency Services. The City and County of San Francisco is the designated grantee for UASI funds and will execute a sub-grantee agreement with the City of Sunnyvale (Attachment 1).

Required Local Match

The estimated total project cost is \$128,067 and the City’s required match is estimated to be no more than \$17,500. Matching funds will be appropriated from the General Fund Budget Stabilization Fund, offset by projected one-time savings in the DPS Operating Budget.

Increased Cost To City Upon Grant Termination

None. When the equipment reaches the end of its useful life, staff will seek grant funding to cover replacement costs. Useful life is anticipated to be consistent with manufacturer warranty for this type of equipment, which is generally five years. If grant funding is not available for replacement of the devices, Sunnyvale DPS will properly dispose of the equipment pursuant to grant guidelines and will no longer be a regional resource for radiological detection.

Budget Modification No. 27 has been prepared to appropriate Bay Area UASI funds in the amount of \$110,567 and \$17,500 from the Budget Stabilization Fund for acquisition of Personal Radiation Detectors to a new project, FFY 2017 UASI PRND Equipment Grant.

Budget Modification No. 27

FY 2017/18

	Current	Increase/ (Decrease)	Revised
General Fund			
<u>Revenues</u>			
FFY 2017 UASI Grant	\$ 0	\$ 110,567	\$ 110,567
<u>Expenditures</u>			
New Project - FFY 2017 UASI PRND Equipment Grant Project	\$ 0	\$ 128,067	\$ 128,067
<u>Reserves</u>			
Budget Stabilization Fund	\$ 33,752,163	(\$ 17,500)	\$ 33,734,663

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

RECOMMENDATION

Approve Budget Modification No. 27 to appropriate Bay Area UASI Grant funds in the amount of \$110,567 to a new project, FFY2017 UASI Preventative Radiological Nuclear Detection (PRND) Equipment Grant.

Prepared by: Elaine Ketell, Management Analyst
 Reviewed by: Phan S. Ngo, Director, Department of Public Safety
 Reviewed by: Timothy J. Kirby, Director of Finance
 Reviewed by: Teri Silva, Interim Assistant City Manager
 Approved by: Kent Steffens, Interim City Manager

ATTACHMENTS

1. Sub-Grantee Agreement with the City and County of San Francisco

**AGREEMENT BETWEEN THE CITY AND COUNTY OF
SAN FRANCISCO AND THE CITY OF SUNNYVALE
FOR THE DISTRIBUTION OF FY 2017 UASI GRANT FUNDS**

THIS AGREEMENT is made this **NOVEMBER 1, 2017** in the City and County of San Francisco, State of California, by and between the **CITY OF SUNNYVALE** ("SUNNYVALE") and the **CITY AND COUNTY OF SAN FRANCISCO**, a municipal corporation ("San Francisco" or "City"), in its capacity as fiscal agent for the Approval Authority, as defined below, acting by and through the San Francisco Department of Emergency Management ("DEM").

RECITALS

WHEREAS, The United States Department of Homeland Security ("DHS") consolidated the separate San Jose, Oakland, and San Francisco Urban Areas into a combined Bay Area Urban Area ("UASI Region") for the purpose of application for and allocation and distribution of federal Urban Areas Security Initiative ("UASI") program grant funds; and

WHEREAS, The Bay Area Urban Area Approval Authority ("Approval Authority") was established as the Urban Area Working Group ("UAWG") for the UASI Region, to provide overall governance of the homeland security grant program across the UASI Region, to coordinate development and implementation of all UASI program initiatives, and to ensure compliance with all UASI program requirements; and

WHEREAS, The UASI General Manager is responsible for implementing and managing the policy and program decisions of the Approval Authority, directing the work of the UASI Management Team personnel, and performing other duties as determined and directed by the Approval Authority, and

WHEREAS, San Francisco has been designated as the grantee for UASI funds granted by the DHS through the California Office of Emergency Services ("Cal OES") to the UASI Region, with responsibility to establish procedures and execute subgrant agreements for the distribution of UASI program grant funds to jurisdictions selected by the Approval Authority to receive grant funding; and

WHEREAS, San Francisco has been designated to serve as the fiscal agent for the Approval Authority, and to establish procedures and provide all financial services for distribution of UASI program grant funds within the UASI Region; and

WHEREAS, Pursuant to grant allocation decisions by the Approval Authority, the UASI Management Team has asked San Francisco to distribute a portion of the regional UASI grant funds to SUNNYVALE on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained in this Agreement and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1 DEFINITIONS

1.1 **Specific Terms.** Unless the context requires otherwise, the following capitalized terms (whether singular or plural) shall have the meanings set forth below:

(a) **“ADA”** shall mean the Americans with Disabilities Act (including all rules and regulations there under) and all other applicable federal, state and local disability rights legislation, as the same may be amended, modified or supplemented from time to time.

(b) **“Authorized Expenditures”** shall mean expenditures for those purposes identified and budgeted in Appendix A, attached hereto and incorporated by reference as though fully set forth herein.

(c) **“Event of Default”** shall have the meaning set forth in Section 7.1.

(d) **“Fiscal Quarter”** shall mean each period of three calendar months commencing on July 1, October 1, January 1, and April 1, respectively.

(e) **“Grant Funds”** shall mean any and all funds allocated or disbursed to SUNNYVALE (DUNS#: 047897863) under this Agreement. This Agreement shall specifically cover funds allocated or disbursed from Cal OES Grant No. 2017-0083, Cal OES ID No. 075-95017, CFDA No. 97.067, per Cal OES award notice dated October 20, 2017.

(f) **“Grant Plan”** shall mean the plans, performances, events, exhibitions, acquisitions or other activities or matter, and the budget and requirements, described in Appendix A. If SUNNYVALE requests any modification to the Grant Plan, SUNNYVALE shall submit a written request to the UASI General Manager with the following information: Scope of change requested, reason for change, proposed plan for change, summary of approved and requested modifications to the Grant Plan, and any necessary approvals in support of change (e.g., EHP).

(g) **“Indemnified Parties”** shall mean: (i) San Francisco, including all commissions, departments including DEM, agencies, and other subdivisions of San Francisco; (ii) San Francisco’s elected officials, directors, officers, employees, agents, successors, and assigns; and (iii) all persons or entities acting on behalf of the foregoing.

(h) **“Losses”** shall mean any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, judgments, fees, expenses and costs of whatsoever kind and nature (including legal fees and expenses and costs of investigation, of prosecuting or defending any Loss described above) whether or not such Loss be founded or unfounded, of whatsoever kind and nature.

(i) **“Reimbursement Request”** shall have the meaning set forth in Section 3.10(a).

1.2 **Additional Terms.** The terms “as directed,” “as required” or “as permitted” and similar terms shall refer to the direction, requirement, or permission of City. The terms “sufficient,” “necessary” or “proper” and similar terms shall mean sufficient, necessary or proper in the sole judgment of City. The terms “approval,” “acceptable” or “satisfactory” or similar terms shall mean approved by, or acceptable or satisfactory to, City. The terms “include,” “included” or “including” and similar terms shall be deemed to be followed by the words “without limitation.” The use of the term “subcontractor,” “subgrantee,” “successor” or “assign” herein refers only to a subcontractor, subgrantee, successor or assign expressly permitted under Article 8.

1.3 **References to this Agreement.** References to this Agreement include: (a) any and all appendices, exhibits, schedules, and attachments hereto; (b) any and all statutes, ordinances, regulations or other documents expressly incorporated by reference herein; and (c) any and all amendments, modifications or supplements hereto made in accordance with Section 10.2. References to articles, sections, subsections or appendices refer to articles, sections or subsections of or appendices to this Agreement, unless otherwise expressly stated. Terms such as “hereunder,” “herein” or “hereto” refer to this Agreement as a whole.

1.4 **Reference to laws.** Any reference in this Agreement to a federal or state statute, regulation, executive order, requirement, policy, guide, guideline, information bulletin, or instruction shall mean that statute, regulation, executive order, requirement, policy, guide, guideline, information bulletin, or instruction as is currently in effect and as may be amended, modified or supplemented from time to time.

ARTICLE 2 ALLOCATION AND CERTIFICATION OF GRANT FUNDS; LIMITATIONS ON SAN FRANCISCO'S OBLIGATIONS

2.1 **Risk of Non-Allocation of Grant Funds.** This Agreement is subject to all federal and state grant requirements and guidelines, including DHS and Cal OES requirements, guidelines, information bulletins, and instructions, the decision-making of the Cal OES and the Approval Authority, the terms and conditions of the grant award; the approved application, and to the extent applicable the budget and fiscal provisions of the San Francisco Charter. The Approval Authority shall have no obligation to allocate or direct disbursement of funds for this Agreement in lieu of allocations for new or other agreements. SUNNYVALE acknowledges and agrees that grant decisions are subject to the discretion of the Cal OES and Approval Authority. Further, SUNNYVALE acknowledges and agrees that the City shall have no obligation to disburse grant funds to SUNNYVALE until City and SUNNYVALE have fully and finally executed this Agreement. SUNNYVALE acknowledges and agrees that if it takes any action, informal or formal, to appropriate, encumber or expend Grant Funds before final allocation decisions by Cal OES and the Approval Authority, and before this Agreement is fully and finally executed, it assumes all risk of possible non-allocation or non-reimbursement of funds, and such acknowledgement and agreement is part of the consideration of this Agreement.

2.2 **Certification of Controller; Guaranteed Maximum Costs.** No funds shall be available under this Agreement without prior written authorization certified by the San Francisco Controller. In addition, as set forth in Section 21.19 of the San Francisco Administrative Code:

(a) San Francisco's obligations hereunder shall not at any time exceed the amount approved in the grant award and/or by the Approval Authority, and certified by the Controller for the purpose and period stated in such certification.

(b) Except as may be provided by San Francisco ordinances governing emergency conditions, San Francisco and its employees and officers, and the UASI Management Team and its personnel, are not authorized to request SUNNYVALE to perform services or to provide materials, equipment and supplies that would result in SUNNYVALE performing services or providing materials, equipment and supplies that are beyond the scope of the services, materials, equipment and supplies specified in this Agreement, unless this Agreement is amended in writing and approved as required by law to authorize the additional services, materials, equipment or supplies. San Francisco is not required to pay SUNNYVALE for services, materials, equipment or supplies that are provided by SUNNYVALE that are beyond the scope of the services, materials, equipment and supplies agreed upon herein and which were not approved by a written amendment to this Agreement having been lawfully executed by San Francisco.

(c) San Francisco and its employees and officers, and the UASI Management Team and its personnel, are not authorized to offer or promise to SUNNYVALE additional funding for this Agreement that would exceed the maximum amount of funding provided for herein. Additional funding for this Agreement in excess of the maximum provided herein shall require lawful approval and certification by the Controller. San Francisco is not required to honor any offered or promised additional funding that exceeds the maximum provided in this Agreement that requires lawful approval and certification of the Controller when the lawful approval and certification by the Controller has not been obtained.

(d) The Controller is not authorized to make payments on any agreement for which funds have not been certified as available in the budget or by supplemental appropriation.

2.3 SUPERSEDURE OF CONFLICTING PROVISIONS. IN THE EVENT OF ANY CONFLICT BETWEEN ANY OF THE PROVISIONS OF THIS ARTICLE 2 AND ANY OTHER PROVISION OF THIS AGREEMENT, THE APPLICATION DOCUMENTS OR ANY OTHER DOCUMENT OR COMMUNICATION RELATING TO THIS AGREEMENT, THE TERMS OF THIS ARTICLE 2 SHALL GOVERN.

ARTICLE 3 PERFORMANCE OF THE AGREEMENT

3.1 Duration of Term. The term of this Agreement shall commence on **NOVEMBER 1, 2017** and shall end at 11:59 p.m. San Francisco time on **FEBRUARY 28, 2019**.

3.2 Maximum Amount of Funds. In no event shall the amount of Grant Funds disbursed hereunder exceed **ONE HUNDRED TEN THOUSAND FIVE HUNDRED SIXTY-SEVEN DOLLARS (\$110,567)**. The City will not automatically transfer Grant Funds to SUNNYVALE upon execution of this Agreement. SUNNYVALE must submit a Reimbursement Request under Section 3.10 of this Agreement, approved by the UASI Management Team and City, before the City will disburse Grant Funds to SUNNYVALE.

3.3 Use of Funds.

(a) General Requirements. SUNNYVALE shall use the Grant Funds received under this Agreement for the purposes and in the amounts set forth in the Grant Plan. SUNNYVALE shall not use or expend Grant Funds for any other purpose, including but not limited to, for matching funds for other federal grants/cooperative agreements, lobbying or intervention in federal regulatory or adjudicatory proceedings, or to sue the federal government or any other government entity. SUNNYVALE shall not permit any federal employee to receive Grant Funds.

(b) Modification of Grant Plan. Under Sections 1.1(f) and 10.2 of this Agreement, SUNNYVALE may submit a written request to modify the Grant Plan. SUNNYVALE shall not appropriate, encumber or expend any additional or reallocated Grant Funds pursuant to such a request for modification until (1) the General Manager or designee has provided written approval for the request and (2) the parties have finally executed a modification of this Agreement under Section 10.2, to reflect the modified Grant Plan. In addition, if the modification request requires approval from the Approval Authority and/or Cal OES, as determined by the General Manager, SUNNYVALE shall not appropriate, encumber or expend any additional or reallocated Grant Funds pursuant to the modification request without approval from the Approval Authority and/or Cal OES.

(c) No Supplanting. SUNNYVALE shall use Grant Funds to supplement existing funds, and not replace (supplant) funds that have been appropriated for the same purpose.

(d) Obligations. SUNNYVALE must expend Grant Funds in a timely manner consistent with the grant milestones, guidance and assurances; and make satisfactory progress toward the goals, objectives, milestones and deliverables in this Agreement.

3.4 **Grant Assurances; Other Requirements; Cooperation with Monitoring.**

(a) SUNNYVALE shall comply with all Grant Assurances included in Appendix B, attached hereto and incorporated by reference as though fully set forth herein. SUNNYVALE shall require all subgrantees, contractors and other entities receiving Grant Funds through or from SUNNYVALE to execute a copy of the Grant Assurances, and shall ensure that they comply with those Grant Assurances.

(b) In addition to complying with all Grant Assurances, SUNNYVALE shall comply with all applicable statutes, regulations, executive orders, requirements, policies, guides, guidelines, information bulletins, Cal OES grant management memos, and instructions; the terms and conditions of the grant award; the approved application, and any conditions imposed by Cal OES or the Approval Authority. SUNNYVALE shall require and ensure that all subgrantees, contractors and other entities receiving Grant Funds through or from SUNNYVALE comply with all applicable statutes, regulations, executive orders, requirements, policies, guides, guidelines, information bulletins, Cal OES grant management memos, and instructions; the terms and conditions of the grant award; the approved application, and any conditions imposed by Cal OES or the Approval Authority.

(c) SUNNYVALE shall promptly comply with all standards, specifications and formats of San Francisco and the UASI Management Team, as they may from time to time exist, related to evaluation, planning and monitoring of the Grant Plan and compliance with this Agreement. SUNNYVALE shall cooperate in good faith with San Francisco and the UASI Management Team in any evaluation, inspection, planning or monitoring activities conducted or authorized by DHS, Cal OES, San Francisco or the UASI Management Team. For ensuring compliance with non-supplanting requirements, upon request by City or the UASI Management Team, SUNNYVALE shall supply documentation certifying that a reduction of non-federal resources occurred for reasons other than the receipt or expected receipt of Grant Funds.

3.5 **Administrative, Programmatic and Financial Management Requirements.** SUNNYVALE shall establish and maintain administrative, programmatic and financial management systems and records in accordance with federal and State of California requirements. This provision requires, at a minimum, that SUNNYVALE comply with the following non-exclusive list of regulations commonly applicable to DHS grants, as applicable to this Agreement and the Grant Plan:

(a) Administrative Requirements:

1. 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (formerly 44 CFR Part 13, OMB Circulars A-21, A-87, A-89, A-102, A-110, A-122, and A-133).

(b) Cost Principles:

1. 2 CFR Part 200, Subpart E - *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (formerly 44 CFR Part 13, OMB Circulars A-21, A-87, A-89, A-102, A-110, A-122, and A-133);
2. Federal Acquisition Regulations (FAR), Part 31.2 *Contract Principles and Procedures, Contracts with Commercial Organizations.*

(c) Audit Requirements:

1. 2 CFR Part 200 Subpart F - *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (formerly 44 CFR Part 13, OMB Circulars A-21, A-87, A-89, A-102, A-110, A-122, and A-133).

3.6 **Technology Requirements.**

(a) National Information Exchange Model ("NIEM"). SUNNYVALE shall use the latest NIEM specifications and guidelines regarding the use of Extensible Markup Language ("XML") for all awards of Grant Funds.

(b) Geospatial Guidance. SUNNYVALE is encouraged to use Geospatial technologies, which can capture, store, analyze, transmit and/or display location-based information (i.e., information linked to a latitude and longitude), and to align any geospatial activities with the guidance available on the Federal Emergency Management Agency ("FEMA") website.

(c) Criminal Intelligence Systems Operating Policies. Any information technology system funded or supported by Grant Funds shall comply with 28 CFR Part 23, *Criminal Intelligence Systems Operating Policies*, if applicable.

(d) SUNNYVALE is encouraged to use the DHS guidance in *Best Practices for Government Use of CCTV: Implementing the Fair Information Practice Principles*, if Grant Funds are used to purchase or install closed circuit television (CCTV) systems or to support operational CCTV systems.

3.7 **Procurement Requirements.**

(a) General Requirements. SUNNYVALE shall follow its own procurement requirements as long as those requirements comply with all applicable federal and State of California statutes, regulations, requirements, policies, guides, guidelines and instructions, including the most recent restrictions on the purchase of general purpose equipment (see FY 2016 HGSP Notice of Funding Opportunity ("NOFO") at pgs. 27-28) and on purchases of specified controlled equipment (see NOFO at pg. 59).

(b) Specific Purchases. If SUNNYVALE is using Grant Funds to purchase interoperable communication equipment, SUNNYVALE shall consult DHS's SAFECOM's coordinated grant guidance, which outlines standards and equipment information to enhance interoperable communication. If SUNNYVALE is using Grant Funds to acquire critical emergency supplies, prior to expending any Grant Funds, SUNNYVALE shall submit to the UASI Management Team for approval by Cal OES a viable inventory management plan, an effective distribution strategy, sustainment costs for such an effort, and logistics expertise to avoid situations where funds are wasted because supplies are rendered ineffective due to lack of planning.

(c) Bond requirement. SUNNYVALE shall obtain a performance bond for any equipment items over \$250,000 or any vehicle, aircraft or watercraft financed with Grant Funds.

3.8 **Subgrantee and Contractor Requirements.**

(a) SUNNYVALE shall ensure and independently verify that any subgrantee, contractor or other entity receiving Grant Funds through or from SUNNYVALE is not debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs, under Executive Orders 12549 and 12689, as implemented at 2 CFR Part 3000. SUNNYVALE shall obtain documentation of eligibility before disbursing Grant Funds to any subgrantee, contractor or other entity. SUNNYVALE shall maintain documentary proof of this verification in its files. SUNNYVALE shall establish procedures for the effective use of the "Excluded Parties List System," to assure that it does not

provide Grant Funds to excluded parties. SUNNYVALE shall also establish procedures to provide for effective use and/or dissemination of the list to assure that its grantees and subgrantees, including contractors, at any tier do not make awards in violation of the non-procurement debarment and suspension common rule.

(b) SUNNYVALE shall ensure that any subgrantee, contractor or other entity receiving Grant Funds through or from SUNNYVALE complies with the requirements of 44 CFR Part 18, *New Restrictions on Lobbying*; and

(c) SUNNYVALE shall ensure that any subgrantee, contractor or other entity receiving Grant Funds through or from SUNNYVALE complies with the requirements of 2 CFR Part 3001, *Requirements for Drug-Free Workplace (Financial Assistance)*.

3.9 **Monitoring Grant Performance.**

(a) City and the UASI Management Team are both authorized to perform periodic monitoring reviews of SUNNYVALE's performance under this Agreement, to ensure that the Grant Plan goals, objectives, performance requirements, timelines, milestone completion, budgets and other criteria are being met. Programmatic monitoring may include the Regional Federal Preparedness Coordinators, or other federal or state personnel, when appropriate. Monitoring may involve a combination of desk-based reviews and on-site monitoring visits, inspection of records, and verifications of grant activities. These reviews will involve a review and analysis of the financial, programmatic, performance and administrative issues relative to each program and will identify areas where technical assistance and other support may be needed. The reviews may include, but are not limited to:

1. Evaluating eligibility of expenditures;
2. Comparing actual grant activities to those approved by the Approval Authority and specified in the Grant Plan;
3. Ensuring that any advances have been deposited in an interest bearing account and disbursed in accordance with applicable guidelines; and
4. Confirming compliance with: Grant Assurances; information provided on performance reports and payment requests; and needs and threat assessments and strategies.

(b) SUNNYVALE is responsible for monitoring and auditing the grant activities of any subgrantee, contractor or other entity receiving Grant Funds through or from SUNNYVALE. This requirement includes but is not limited to mandatory on-site verification visits.

(c) If after any monitoring review, the DHS or Cal OES makes findings that require a Corrective Action Plan by SUNNYVALE, the City shall place a hold on all Reimbursement Requests from SUNNYVALE until the findings are resolved.

3.10 **Disbursement Procedures.** San Francisco shall disburse Grant Funds to SUNNYVALE as follows:

(a) SUNNYVALE shall submit to the UASI Management Team, in the manner specified for notices pursuant to Article 9, a document ("Reimbursement Request") substantially in the form attached as Appendix C, attached hereto and incorporated by reference as though fully set forth herein. The UASI Management Team shall serve as the primary contact for SUNNYVALE regarding any Reimbursement Request.

(b) The UASI Management Team will review all Reimbursement Requests for compliance with this Agreement and all applicable guidelines and requirements. The UASI Management Team will return to SUNNYVALE any Reimbursement Request that is submitted and not approved by the UASI Management Team, with a brief statement of the reason for the rejection of the Reimbursement Request.

(c) The UASI Management Team will submit any Reimbursement Request that is approved by the UASI Management Team to DEM. City through DEM shall review the Reimbursement Request for compliance with this Agreement and all applicable guidelines and requirements. City shall return to the UASI Management Team any Reimbursement Request that is not approved by City, with a brief explanation of the reason for the rejection of the Reimbursement Request.

(d) If a rejection relates only to a portion of the expenditures itemized in any Reimbursement Request, City shall have no obligation to disburse any Grant Funds for any other expenditures itemized in such Reimbursement Request unless and until SUNNYVALE submits a Reimbursement Request that is in all respects acceptable to the UASI Management Team and to City.

(e) If SUNNYVALE is not in compliance with any provision of this Agreement, City may withhold disbursement of Grant Funds until SUNNYVALE has taken corrective action and currently complies with all terms and conditions of the Agreement.

3.11 **Disallowance.** SUNNYVALE agrees that if it claims or receives reimbursement from City for an expenditure that is later disallowed by the State of California or the federal government, SUNNYVALE shall promptly refund the disallowed amount to City upon City's written request. At its option, City may offset all or any portion of the disallowed amount against any other payment due to SUNNYVALE hereunder or under any other Agreement with SUNNYVALE. Any such offset with respect to a portion of the disallowed amount shall not release SUNNYVALE from SUNNYVALE's obligation hereunder to refund the remainder of the disallowed amount.

3.12 **Sustainability.** Grant Funded programs that contain continuing personnel and operating expenses, over and above planning and implementation costs, must be sustained once the Grant Funding ends. If Equipment is purchased with grant funds the equipment must be sustained through the useful life of equipment. By executing this Agreement, SUNNYVALE acknowledges its responsibility and agrees to sustain continuing programs beyond the Grant Funding period. SUNNYVALE acknowledges and agrees that this sustainability requirement is a material term of the Agreement.

3.13 **EHP Requirements.**

(a) Grant Funded projects must comply with the federal Environmental and Historic Preservation ("EHP") program. SUNNYVALE shall not initiate any project with the potential to impact environmental or historic properties or resources until Cal OES and FEMA have completed EHP reviews and approved the project. Examples of projects that may impact EHP resources include: communications towers, physical security enhancements, new construction, and modifications to buildings, structures and objects that are 50 years old or greater. SUNNYVALE shall notify the UASI Management Team of any project that may require an EHP review. SUNNYVALE agrees to provide detailed project information to FEMA, Cal OES and/or the UASI Management Team, to cooperate fully in the review, and to prepare any documents requested for the review. SUNNYVALE shall comply with all conditions placed on the project as the result of the EHP review, and implement any treatment or mitigation measures deemed necessary to address potential adverse impacts. With prior approval of the UASI Management Team, SUNNYVALE may use Grant Funds toward the costs of preparing documents and/or implementing treatment or mitigation measures. Any change to the approved project scope of work will require re-evaluation for compliance with EHP requirements. If ground disturbing activities occur during project

implementation, SUNNYVALE shall notify the UASI Management Team and ensure monitoring of ground disturbance. If any potential archeological resources are discovered, SUNNYVALE shall immediately cease construction in that area and notify the UASI Management Team, which will notify the appropriate State Historic Preservation Office. If SUNNYVALE is using Grant Funds for a communication tower project, SUNNYVALE shall complete its Federal Communication Commission (“FCC”) EHP process before preparing its Cal OES/FEMA EHP materials, and shall include the FCC EHP materials in the Cal OES/FEMA submission.

(b) Any construction or other project that SUNNYVALE initiates without the necessary EHP review and approval will not be eligible for reimbursement. Failure of SUNNYVALE to meet federal, State, and local EHP requirements, obtain applicable permits, or comply with any conditions that may be placed on the project as the result of FEMA’s and/or Cal OES’s EHP review will result in the denial of Reimbursement Requests.

3.14 **National Energy Conservation Policy and Energy Policy Acts.** SUNNYVALE shall comply with the following requirements:

(a) Grant Funds may not be used in contravention of the Federal buildings performance and reporting requirements of Executive Order 13123, part 3 of Title V of the National Energy Conservation Policy Act (42 USC §8251 et seq.), or Subtitle A of Title I of the Energy Policy Act of 2005; and

(b) Grant Funds may not be used in contravention of Section 303 of the Energy Policy Act of 1992 (42 USC §13212).

3.15 **Royalty-Free License.** SUNNYVALE understands and agrees that FEMA reserves a royalty-free, non-exclusive and irrevocable license to reproduce, publish or otherwise use, and authorize others to use, for federal government purposes: (a) the copyright in any work developed using Grant Funds; and (b) any rights of copyright that SUNNYVALE purchases or acquires using Grant Funds. SUNNYVALE shall consult with the UASI Management Team and FEMA regarding the allocation of any patent rights that arise from, or are purchased with, Grant Funds.

3.16 **Publication Statements.** SUNNYVALE shall ensure that all publications created or developed under this Agreement prominently contain the following statement: “This document was prepared under a grant from the Federal Emergency Management Agencies Grant Programs Directorate (FEMA/GPD) within the US Department of Homeland Security. Points of view or opinions expressed in this document are those of the authors and do not necessarily represent the official position or policies of FEMA/GPD or the US Department of Homeland Security.”

ARTICLE 4 REPORTING REQUIREMENTS; AUDITS

4.1 **Regular Reports.** SUNNYVALE shall provide, in a prompt and timely manner, financial, operational and other reports, as requested by the UASI Management Team or by City, in form and substance satisfactory to the UASI Management Team or City. Such reports, including any copies, shall be submitted on recycled paper and printed on double-sided pages, to the maximum extent possible.

4.2 **Notification of Defaults or Changes in Circumstances.** SUNNYVALE shall notify the UASI Management Team and City immediately of (a) any Event of Default or event that, with the passage of time, would constitute an Event of Default; (b) any change of circumstances that would cause any of the representations or warranties contained in Article 5 to be false or misleading at any time during the term of this Agreement; and (c) any change of circumstances or events that would cause SUNNYVALE to be out of compliance with the Grant Assurances in Appendix B.

4.3 **Books and Records.** SUNNYVALE shall establish and maintain accurate files and records of all aspects of the Grant Plan and the matters funded in whole or in part with Grant Funds. Without limiting the scope of the foregoing, SUNNYVALE shall establish and maintain accurate financial books and accounting records relating to Authorized Expenditures and to Grant Funds received and expended under this Agreement, together with all invoices, documents, payrolls, time records and other data related to the matters covered by this Agreement, whether funded in whole or in part with Grant Funds. SUNNYVALE shall maintain all of the files, records, books, invoices, documents, payrolls and other data required to be maintained under this Section in a readily accessible location and condition for a period of not less than three (3) years after expiration of this Agreement or until any final audit by Cal OES has been fully completed, whichever is later.

4.4 **Inspection and Audit.** SUNNYVALE shall make available to the UASI Management Team and to City, and to UASI Management Team and City employees and authorized representatives, during regular business hours, all of the files, records, books, invoices, documents, payrolls and other data required to be established and maintained by SUNNYVALE under Section 4.3, and allow access and the right to examine those items. SUNNYVALE shall permit the UASI Management Team and City, and UASI Management Team and City employees and authorized representatives, to inspect, audit, examine and make excerpts and transcripts from any of the foregoing. The rights of the UASI Management Team and City pursuant to this Section shall remain in effect so long as SUNNYVALE has the obligation to maintain such files, records, books, invoices, documents, payrolls and other data under this Article 4. The DHS, the Comptroller General of the United States or designee, and Cal OES shall have the same inspection and audit rights as the City and UASI Management Team. SUNNYVALE shall cooperate with any federal or state audit.

4.5 **Audit Report.** If the amount specified in Section 3.2 of this agreement is \$750,000 or more, SUNNYVALE shall submit an organization-wide financial and compliance audit report. The audit must be performed in accordance with GAO's *Government Auditing Standards*, and 2 CFR Part 200 Subpart F - *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. SUNNYVALE shall submit its audit report to the UASI Management Team no later than six months after the end of SUNNYVALE's fiscal year.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

SUNNYVALE represents and warrants each of the following as of the date of this Agreement and at all times throughout the term of this Agreement:

5.1 **No Misstatements.** No document furnished or to be furnished by SUNNYVALE to the UASI Management Team or to City in connection with this Agreement, any Reimbursement Request or any other document relating to any of the foregoing, contains or will contain any untrue statement of material fact or omits or will omit a material fact necessary to make the statements contained therein not misleading, under the circumstances under which any such statement shall have been made.

5.2 **Eligibility to Receive Federal Funds.** By executing this Agreement, SUNNYVALE certifies that it is eligible to receive federal funds, and specifically certifies as follows:

(a) SUNNYVALE is not suspended, debarred or otherwise excluded from participation in federal assistance programs, as required by Executive Order 12549 and 12689, "Debarment and Suspension" and implemented at 2 CFR Part 3000.

(b) SUNNYVALE complies with 31 U.S.C. §1352, *Limitation on use of appropriated funds to influence federal contracting and financial transactions*, as implemented at 44 CFR Part 18 and 6 CFR Part 9.

(c) SUNNYVALE complies with the Drug-Free Workplace Act of 1988, as amended, 41 U.S.C. §701 et seq., as implemented in 2 CFR Part 3001, and will continue to provide a drug-free workplace as required under that Act and implementing regulations.

(d) SUNNYVALE is not delinquent in the repayment of any federal debt. See OMB Circular A-129.

SUNNYVALE acknowledges that these certifications of eligibility to receive federal funds are material terms of the Agreement.

5.3 NIMS Compliance. To be eligible to receive Grant Funds, SUNNYVALE must meet National Incident Management System ("NIMS") compliance requirements, and report full NIMS compliance via the National Incident Management System Capability Assessment Support Tool ("NIMSCAST"). By executing this Agreement, SUNNYVALE certifies that it is in full NIMS compliance, and that it has reported that compliance via the NIMSCAST. SUNNYVALE shall provide documentation of its NIMS compliance to the UASI Management Team. SUNNYVALE acknowledges that this certification is a material term of the Agreement.

ARTICLE 6 INDEMNIFICATION AND GENERAL LIABILITY

6.1 Indemnification. SUNNYVALE shall indemnify, protect, defend and hold harmless each of the Indemnified Parties from and against any and all Losses arising from, in connection with or caused by SUNNYVALE's performance of this Agreement, including, but not limited to, the following: (a) a material breach of this Agreement SUNNYVALE; (b) a material breach of any representation or warranty of SUNNYVALE contained in this Agreement; (c) any personal injury or death caused, directly or indirectly, by any act or omission of SUNNYVALE or its employees, subgrantees or agents; (d) any loss of or damage to property caused, directly or indirectly, by any act or omission of SUNNYVALE or its employees, subgrantees or agents; (e) the use, misuse or failure of any equipment or facility used by SUNNYVALE, or by any of its employees, subgrantees or agents, regardless of whether such equipment or facility is furnished, rented or loaned to SUNNYVALE by an Indemnified Party; (f) any tax, fee, assessment or other charge for which SUNNYVALE is responsible under Section 10.4; or (g) any infringement of patent rights, copyright, trade secret or any other proprietary right or trademark of any person or entity in consequence of the use by any Indemnified Party of any goods or services furnished by SUNNYVALE or its employees, subgrantees or agents to such Indemnified Party in connection with this Agreement. The foregoing indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and San Francisco's costs of investigating any claims against San Francisco.

6.2 Duty to Defend; Notice of Loss. SUNNYVALE acknowledges and agrees that its obligation to defend the Indemnified Parties under Section 6.1: (a) is an immediate obligation, independent of its other obligations hereunder; (b) applies to any Loss which actually or potentially falls within the scope of Section 6.1, regardless of whether the allegations asserted in connection with such Loss are or may be groundless, false or fraudulent; and (c) arises at the time the Loss is tendered to SUNNYVALE by the Indemnified Party and continues at all times thereafter. The Indemnified Party shall give SUNNYVALE prompt notice of any Loss under Section 6.1 and SUNNYVALE shall have the right to defend, settle and compromise any such Loss; provided, however, that the Indemnified Party shall have the right to retain its own counsel at the expense of SUNNYVALE if representation of such Indemnified Party by the counsel

retained by SUNNYVALE would be inappropriate due to conflicts of interest between such Indemnified Party and SUNNYVALE. An Indemnified Party's failure to notify SUNNYVALE promptly of any Loss shall not relieve SUNNYVALE of any liability to such Indemnified Party pursuant to Section 6.1, unless such failure materially impairs SUNNYVALE's ability to defend such Loss. SUNNYVALE shall seek the Indemnified Party's prior written consent to settle or compromise any Loss if SUNNYVALE contends that such Indemnified Party shares in liability with respect thereto.

6.3 **Incidental and Consequential Damages.** Losses covered under this Article 6 shall include any and all incidental and consequential damages resulting in whole or in part from SUNNYVALE's acts or omissions. Nothing in this Agreement shall constitute a waiver or limitation of any rights that any Indemnified Party may have under applicable law with respect to such damages.

6.4 **LIMITATION ON LIABILITY OF SAN FRANCISCO.** CITY'S OBLIGATIONS UNDER THIS AGREEMENT SHALL BE LIMITED TO THE AGGREGATE AMOUNT OF GRANT FUNDS ACTUALLY DISBURSED HEREUNDER. NOTWITHSTANDING ANY OTHER PROVISION CONTAINED IN THIS AGREEMENT OR ANY OTHER DOCUMENT OR COMMUNICATION RELATING TO THIS AGREEMENT, IN NO EVENT SHALL CITY BE LIABLE, REGARDLESS OF WHETHER ANY CLAIM IS BASED ON CONTRACT OR TORT, FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT OR INCIDENTAL DAMAGES, INCLUDING LOST PROFITS, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, THE GRANT FUNDS, THE GRANT PLAN OR ANY ACTIVITIES PERFORMED IN CONNECTION WITH THIS AGREEMENT.

ARTICLE 7

EVENTS OF DEFAULT AND REMEDIES; TERMINATION FOR CONVENIENCE

7.1 **Events of Default.** The occurrence of any one or more of the following events shall constitute an "Event of Default" under this Agreement:

(a) **False Statement.** Any statement, representation, certification or warranty contained in this Agreement, in any Reimbursement Request, or in any other document submitted to the UASI Management Team or to City under this Agreement is found by the UASI Management Team or by City to be false or misleading.

(b) **Failure to Perform Other Covenants.** SUNNYVALE fails to perform or breaches any provision or covenant of this Agreement to be performed or observed by SUNNYVALE as and when performance or observance is due and such failure or breach continues for a period of ten (10) days after the date on which such performance or observance is due.

(c) **Failure to Comply with Applicable Laws.** SUNNYVALE fails to perform or breaches any of the terms or provisions of Article 12.

(d) **Voluntary Insolvency.** SUNNYVALE (i) is generally not paying its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy, insolvency or other debtors' relief law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers of SUNNYVALE or of any substantial part of SUNNYVALE's property or (v) takes action for the purpose of any of the foregoing.

(e) **Involuntary Insolvency.** Without consent by SUNNYVALE, a court or government authority enters an order, and such order is not vacated within ten (10) days, (i) appointing a custodian, receiver, trustee or other officer with similar powers with respect to SUNNYVALE or with respect to any

substantial part of SUNNYVALE's property, (ii) constituting an order for relief or approving a petition for relief or reorganization or arrangement or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy, insolvency or other debtors' relief law of any jurisdiction or (iii) ordering the dissolution, winding-up or liquidation of SUNNYVALE.

7.2 **Remedies upon Event of Default.** Upon and during the continuance of an Event of Default, City may do any of the following, individually or in combination with any other remedy:

(a) **Termination.** City may terminate this Agreement by giving a written termination notice to SUNNYVALE and, on the date specified in such notice, this Agreement shall terminate and all rights of SUNNYVALE hereunder shall be extinguished. In the event of such termination, City will pay SUNNYVALE for Authorized Expenditures in any Reimbursement Request that was submitted and approved by the UASI Management Team and by City prior to the date of termination specified in such notice.

(b) **Withholding of Grant Funds.** City may withhold all or any portion of Grant Funds not yet disbursed hereunder, regardless of whether SUNNYVALE has previously submitted a Reimbursement Request or whether the UASI Management Team and/or City has approved the disbursement of the Grant Funds requested in any Reimbursement Request. Any Grant Funds withheld pursuant to this Section and subsequently disbursed to SUNNYVALE after cure of applicable Events of Default shall be disbursed without interest.

(c) **Return of Grant Funds.** City may demand the immediate return of any previously disbursed Grant Funds that have been claimed or expended by SUNNYVALE in breach of the terms of this Agreement, together with interest thereon from the date of disbursement at the maximum rate permitted under applicable law.

7.3 **Termination for Convenience.**

(a) City shall have the option, in its sole discretion, to terminate this Agreement, at any time during the term hereof, for convenience and without cause. City shall exercise this option by giving SUNNYVALE written notice of termination. The notice shall specify the date on which termination shall become effective.

(b) Upon receipt of the notice, SUNNYVALE shall commence and perform, with diligence, all actions necessary on the part of SUNNYVALE to effect the termination of this Agreement on the date specified by City and to minimize the liability of SUNNYVALE and City to third parties as a result of termination. All such actions shall be subject to the prior approval of the UASI Management Team.

(c) Within 30 days after the specified termination date, SUNNYVALE shall submit to the UASI Management Team an invoice for all Authorized Expenses incurred through the termination date. For Authorized Expenses incurred after receipt of the notice of termination, City will only reimburse SUNNYVALE if the Authorized Expenses received prior approval from the UASI Management Team as specified in subparagraph (b).

(d) In no event shall City be liable for costs incurred by SUNNYVALE or any of its contractors or subgrantees after the termination date specified by City.

(e) City's payment obligation under this Section shall survive termination of this Agreement.

7.4 **Remedies Nonexclusive.** Each of the remedies provided for in this Agreement may be exercised individually or in combination with any other remedy available hereunder or under applicable laws, rules

and regulations. The remedies contained herein are in addition to all other remedies available to City at law or in equity by statute or otherwise and the exercise of any such remedy shall not preclude or in any way be deemed to waive any other remedy.

ARTICLE 8 ASSIGNMENTS

8.1 **No Assignment by SUNNYVALE.** SUNNYVALE shall not, either directly or indirectly, assign, transfer, hypothecate, subcontract or delegate all or any portion of this Agreement or any rights, duties or obligations of SUNNYVALE hereunder without the prior written consent of the UASI Management Team; provided, however, that any contractor or subgrantee specifically referenced in Appendix A shall not require the consent of Management Team. This Agreement shall not, nor shall any interest herein, be assignable as to the interest of SUNNYVALE involuntarily or by operation of law without the prior written consent of City. A change of ownership or control of SUNNYVALE or a sale or transfer of substantially all of the assets of SUNNYVALE shall be deemed an assignment for purposes of this Agreement.

8.2 **Agreement Made in Violation of this Article.** Any agreement made in violation of Section 8.1 shall confer no rights on any person or entity and shall automatically be null and void.

8.3 **SUNNYVALE Retains Responsibility.** SUNNYVALE shall in all events remain liable for the performance by any subgrantee contractor, or assignee of all of the covenants, terms and conditions in this Agreement.

ARTICLE 9 NOTICES AND OTHER COMMUNICATIONS

9.1 **Requirements.** Unless otherwise specifically provided herein, all notices, consents, directions, approvals, instructions, requests and other communications hereunder shall be in writing, shall be addressed to the person and address set forth below and shall be (a) deposited in the U.S. mail, first class, certified with return receipt requested and with appropriate postage, (b) hand delivered or (c) sent via e-mail:

If to San Francisco:

San Francisco Department of Emergency Management
1011 Turk Street
San Francisco, CA 94102
Attn: Anne Kronenberg, Executive Director
Anne.Kronenberg@sfgov.org

If to the UASI Management Team:

UASI Management Team
711 Van Ness Avenue, Suite #420
San Francisco, CA 94102
Attn: Catherine Spaulding, Assistant General Manager
Catherine.Spaulding@sfgov.org

If to SUNNYVALE:

Sunnyvale Department of Public Safety
700 All America Way
Sunnyvale, CA 94086
Attn: Steve Drewniany
sdrewniany@sunnyvale.ca.gov

9.2 **Effective Date.** All communications sent in accordance with Section 9.1 shall become effective on the date of receipt. Such date of receipt shall be determined by: (a) if mailed, the return receipt, completed by the U.S. postal service; (b) if sent via hand delivery, a receipt executed by a duly authorized agent of the party to whom the notice was sent; or (c) if sent via facsimile, the date of telephonic confirmation of receipt by a duly authorized agent of the party to whom the notice was sent or, if such confirmation is not reasonably practicable, the date indicated in the facsimile machine transmission report of the party giving such notice.

9.3 **Change of Address.** From time to time any party hereto may designate a new address or recipient for notice for purposes of this Article 9 by written notice to the other party and the UASI Management Team.

ARTICLE 10 MISCELLANEOUS

10.1 **No Waiver.** No waiver by San Francisco of any default or breach of this Agreement shall be implied from any failure by the UASI Management Team or San Francisco to take action on account of such default if such default persists or is repeated. No express waiver by San Francisco shall affect any default other than the default specified in the waiver and shall be operative only for the time and to the extent therein stated. Waivers by San Francisco of any covenant, term or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term or condition. The consent or approval by the UASI Management Team or San Francisco of any action requiring further consent or approval shall not be deemed to waive or render unnecessary the consent or approval to or of any subsequent similar act.

10.2 **Modification.** This Agreement may not be modified, nor may compliance with any of its terms be waived, except by written instrument executed and approved in the same manner as this Agreement; provided, however, that the General Manager or designee may establish alternate procedures for modification of the Appendix A and the Grant Plan.

10.3 **Governing Law; Venue.** The formation, interpretation and performance of this Agreement shall be governed by the laws of the State of California, without regard to its conflict of laws principles. Venue for all litigation relative to the formation, interpretation and performance of this Agreement shall be in San Francisco.

10.4 **SUNNYVALE to Pay All Taxes.** SUNNYVALE shall pay to the appropriate governmental authority, as and when due, any and all taxes, fees, assessments or other governmental charges, including possessory interest taxes and California sales and use taxes, levied upon or in connection with this Agreement, the Grant Plan, the Grant Funds or any of the activities contemplated by this Agreement.

10.5 **Headings.** All article and section headings and captions contained in this Agreement are for reference only and shall not be considered in construing this Agreement.

10.6 **Entire Agreement.** This Agreement sets forth the entire Agreement between the parties, and supersedes all other oral or written provisions. The following Appendices are attached to and a part of this Agreement:

- Appendix A, Authorized Expenditures and Timelines
- Appendix B, Grant Assurances
- Appendix C, Form of Reimbursement Request

10.7 **Certified Resolution of Signatory Authority.** Upon request of San Francisco, SUNNYVALE shall deliver to San Francisco a copy of the corporate resolution(s) authorizing the execution, delivery and performance of this Agreement, certified as true, accurate and complete by the appropriate authorized representative of SUNNYVALE.

10.8 **Severability.** Should the application of any provision of this Agreement to any particular facts or circumstances be found by a court of competent jurisdiction to be invalid or unenforceable, then (a) the validity of other provisions of this Agreement shall not be affected or impaired thereby, and (b) such provision shall be enforced to the maximum extent possible so as to effect the intent of the parties and shall be reformed without further action by the parties to the extent necessary to make such provision valid and enforceable.

10.9 **Successors; No Third-Party Beneficiaries.** Subject to the terms of Article 8, the terms of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors and assigns. Nothing in this Agreement, whether express or implied, shall be construed to give any person or entity (other than the parties hereto and their respective successors and assigns and, in the case of Article 6, the Indemnified Parties) any legal or equitable right, remedy or claim under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

10.10 **Survival of Terms.** The obligations of SUNNYVALE and the terms of the following provisions of this Agreement shall survive and continue following expiration or termination of this Agreement: Sections 4.3 and 4.4, Article 6, this Article 10, and the Grant Assurances of Appendix B.

10.11 **Further Assurances.** From and after the date of this Agreement, SUNNYVALE agrees to do such things, perform such acts, and make, execute, acknowledge and deliver such documents as may be reasonably necessary or proper and usual to complete the transactions contemplated by this Agreement and to carry out the purpose of this Agreement in accordance with this Agreement.

10.12 **Disclosure of Subawards and Executive Compensation.** Pursuant to the Federal Funding Accountability and Transparency Act (FFATA) (P.L. 109-282) as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (P.L. 110-252), full disclosure to the public of entities or organizations receiving federal funds is now required. As defined by the Office of Management and Budget (OMB), all new Federal awards of \$25,000 or more as of October 1, 2010, are subject to FFATA reporting requirements. The Transparency Act definition of “Federal awards” includes not only prime awards for grantees, cooperators, and contractors, but also awards to sub-recipients. If applicable, SUNNYVALE must provide the following information on SUNNYVALE letterhead within 30 days of receipt of this Agreement.

1. Subawards greater than \$25,000:
 - a) Name of entity receiving award;
 - b) Amount of award;
 - c) Funding agency;
 - d) The Catalog of Federal Domestic Assistance program number;

- e) Award title (descriptive of the purpose of the funding action);
 - f) Location of the entity and primary location of performance including city, state, and Congressional district;
 - g) Dun & Bradstreet (D&B) DUNS Number of the entity, and its parent if applicable; and,
 - h) Total compensation and names of top five executives (same thresholds as for prime recipients).
2. The Total compensation and names of the top five executives if:
- a) 80% or more of annual gross revenues are from Federal awards (contracts, sub-contracts and Federal financial assistance), and \$25,000,000 or more in annual gross revenues from Federal awards; and,
 - b) Compensation information is not already available through reporting to the Securities and Exchange Commission.

10.13 **Cooperation with UASI Programs and Activities.**

(a) Subject to reasonable terms and conditions, SUNNYVALE agrees to participate in UASI-sponsored exercises, and to make available equipment acquired with Grant Funds for use as part of such exercises.

(b) To the extent permitted by law, SUNNYVALE agrees to share with the Approval Authority informational work products (such as plans, reports, data, etc.) created or acquired using Grant Funds.

ARTICLE 11 INSURANCE

11.1 **Types and Amounts of Coverage.** Without limiting SUNNYVALE's liability pursuant to Article 6 of this Agreement, SUNNYVALE shall maintain in force, during the full term of the Agreement, insurance in the following amounts and coverages:

(a) Workers' Compensation, in statutory amounts, with Employers' Liability Limits not less than \$1,000,000 each accident, injury, or illness; and

(b) Commercial General Liability Insurance with limits not less than \$1,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Contractual Liability, Personal Injury, Products and Completed Operations; and

(c) Commercial Automobile Liability Insurance with limits not less than \$1,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Owned, Non-Owned and Hired auto coverage, as applicable.

11.2 **Additional Requirements for General and Automobile Coverage.** Commercial General Liability and Commercial Automobile Liability Insurance policies must be endorsed to provide:

(a) Name as Additional Insured the City and County of San Francisco, its Officers, Agents, and Employees.

(b) That such policies are primary insurance to any other insurance available to the Additional Insureds, with respect to any claims arising out of this Agreement, and that insurance applies separately to each insured against whom claim is made or suit is brought.

11.3 **Additional Requirements Regarding Workers' Compensation.** Regarding Workers' Compensation, SUNNYVALE hereby agrees to waive subrogation which any insurer of SUNNYVALE may acquire from SUNNYVALE by virtue of the payment of any loss. SUNNYVALE agrees to obtain any endorsement that may be necessary to effect this waiver of subrogation. The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the City for all work performed by the SUNNYVALE, its employees, agents and subcontractors.

11.4 **Additional Requirements for All Policies.** All policies shall provide thirty days' advance written notice to the City of reduction or nonrenewal of coverages or cancellation of coverages for any reason. Notices shall be sent to the City address in Article 9, Notices and Other Communications.

11.5 **Required Post-Expiration Coverage.** Should any of the required insurance be provided under a claims-made form, SUNNYVALE shall maintain such coverage continuously throughout the term of this Agreement and, without lapse, for a period of three years beyond the expiration of this Agreement, to the effect that, should occurrences during the Agreement term give rise to claims made after expiration of the Agreement, such claims shall be covered by such claims-made policies.

11.6 **General Annual Aggregate Limit/Inclusion of Claims Investigation or Legal Defense Costs.** Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general annual aggregate limit shall be double the occurrence or claims limits specified above.

11.7 **Lapse in Insurance.** Should any required insurance lapse during the term of this Agreement, requests for reimbursement originating after such lapse may not be processed, in the City's sole discretion, until the City receives satisfactory evidence of reinstated coverage as required by this Agreement, effective as of the lapse date. If insurance is not reinstated, the City may, at its sole option, terminate this Agreement effective on the date of such lapse of insurance.

11.8 **Evidence of Insurance.** Before commencing any operations or expending any Grant Funds under this Agreement, SUNNYVALE shall furnish to City certificates of insurance and additional insured policy endorsements with insurers with ratings comparable to A-, VIII or higher, that are authorized to do business in the State of California, and that are satisfactory to City, in form evidencing all coverages set forth above. Failure to maintain insurance shall constitute a material breach of this Agreement.

11.9 **Effect of Approval.** Approval of the insurance by City shall not relieve or decrease the liability of SUNNYVALE hereunder.

11.10 **Insurance for Subcontractors and Evidence of this Insurance.** If a subcontractor or subgrantee will be used to complete any portion of this Agreement, SUNNYVALE shall ensure that the subcontractor or subgrantee shall provide all necessary insurance and shall name the City and County of San Francisco, its officers, agents and employees and the SUNNYVALE as additional insureds.

11.11 **Authority to Self-Insure.** Nothing in this Agreement shall preclude SUNNYVALE from self-insuring all or part of the insurance requirement in this Article. However, SUNNYVALE shall provide proof of self-insurance, in a form acceptable to San Francisco, in the amounts of each line of self-insurance.

ARTICLE 12 COMPLIANCE

12.1 **Nondiscrimination.** In the performance of this Agreement, SUNNYVALE agrees not to discriminate against any employee, San Francisco employee working with SUNNYVALE or any subgrantee of SUNNYVALE, applicant for employment with SUNNYVALE or subgrantee of SUNNYVALE, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

12.2 **Conflict of Interest.** Through its execution of this Agreement, SUNNYVALE acknowledges that it is familiar with the provisions of Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify City if it becomes aware of any such fact during the term of this Agreement. SUNNYVALE agrees that it will promptly notify City in writing of all violations of State or Federal criminal law involving fraud, bribery, or gratuities affecting or involving the use of Grant Funds.

12.3 **Compliance with ADA.** SUNNYVALE acknowledges that, pursuant to the ADA, programs, services and other activities provided by a public entity to the public, whether directly or through a grantee or contractor, must be accessible to the disabled public. SUNNYVALE shall not discriminate against any person protected under the ADA in connection with all or any portion of the Grant Plan and shall comply at all times with the provisions of the ADA.

12.4 **Prohibition on Political Activity with City Funds.** In accordance with San Francisco Administrative Code Chapter 12G, SUNNYVALE may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Agreement. SUNNYVALE agrees to comply with San Francisco Administrative Code Chapter 12G and any implementing rules and regulations promulgated by San Francisco's Controller. The terms and provisions of Chapter 12G are incorporated herein by this reference. In the event Contractor violates the provisions of this section, San Francisco may, in addition to any other rights or remedies available hereunder, (i) terminate this Agreement, and (ii) prohibit SUNNYVALE from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider SUNNYVALE's use of profit as a violation of this section.

12.5 **Submitting False Claims; Monetary Penalties.** Pursuant to San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for the statutory penalties set forth in that section. The text of Section 21.35, along with the entire San Francisco Administrative Code is available on the web at <http://www.municode.com/Library/clientCodePage.aspx?clientID=4201>. A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first specified herein.

CITY AND COUNTY OF SAN FRANCISCO:

CITY OF SUNNYVALE:

SAN FRANCISCO DEPARTMENT OF
EMERGENCY MANAGEMENT

By:

By:

ANNE KRONENBERG
EXECUTIVE DIRECTOR

KENT STEFFENS
INTERIM CITY MANAGER

Federal Tax ID #: 94-6000438

Approved as to Form:

Dennis J. Herrera
City Attorney

Approved as to Form:

John Nagel
City Attorney

By:

Matthew Lee
Deputy City Attorney

By:

Melissa Tronquet
Assistant City Attorney

Appendix A — Authorized Expenditures and Timelines

ENTITY: **SUNNYVALE**

Total allocation to be spent on the following solution areas:

<u>IJ Number and Title</u>	<u>Program Description</u>	<u>Projected Milestone Dates (to be completed on or about)</u>	<u>Deliverable Dates</u>	<u>Solution Areas</u>	<u>Amount</u>
<i>Project Title: Preventative Radiological, Nuclear Detection Equipment</i>					
IJ-2: Protect Critical Infrastructure and Key Resources	Funds to purchase Personal Radiation Detectors (PRD's) with built in dosimetry capability and secondary screening utilizing Radioisotope Identifying Device (RIID).	City governing Board approval: 12/22/17 Create Specifications/Submit Status Reports: 1/1/18 Contract Award: 3/1/18 Submit Quarterly Status Reports: 4/2/18 Issuance of PO: 4/14/18 Submit Quarterly Status Reports: 7/2/18 Receive Equipment: 8/1/18 Test Equipment: 8/15/18 Conduct/Complete Training: 8/16-9/3/18 Deploy Equipment: 9/4/18 Submit Quarterly Status Reports: 10/1/18	Project Completion date: 10/1/18 Final deadline for Claim Submittal: 11/1/18	<u>Equipment:</u> AEL# 07RD-01-PDGA 07RD-01-RIID	PROJECT NOT TO EXCEED \$110,567
		TOTAL ALLOCATION			TOTAL NOT TO EXCEED: <u>\$110,567</u>

EQUIPMENT

Reimbursement for Equipment Requires:

- An approved EHP memo, if applicable.
- A performance bond is required for any equipment item that exceeds \$250,000, or for any vehicle, aircraft, or watercraft, regardless of the cost. Failure to obtain and submit a performance bond to the UASI may result in disallowance of cost.

- As allowable under Federal guidelines, procurement of equipment must follow local policies and procedures for competitive purchasing (provided they are not in conflict with Federal regulations which supersede them). If sole source approval is needed, SUNNYVALE must transmit the request to the UASI for request to the State.
- Prior to reimbursement, SUNNYVALE must submit all invoices, AEL numbers, and a list of all equipment ID numbers and the deployed locations.
- SUNNYVALE must inventory, type, organize and track all equipment purchased in order to facilitate the dispatch, deployment, and recovery of resources before, during, and after an incident.

-
- **All requests for reimbursements must be submitted by January 31, 2019, unless an earlier deadline is set in this Appendix. SUNNYVALE should submit reimbursement requests on a quarterly basis, as applicable.**
 - **Authorized expenditures must fall into one of the following categories: Planning, Organization, Equipment, Training, or Exercises. Descriptions of authorized expenditures are in the following documents:**
 - *FY 2017 Homeland Security Grant Program Notice of Funding Opportunity:* https://www.fema.gov/media-library-data/1496691855715-4d78d65ebb300900ce6c945931eff2c6/FY_2017_HSGP_NOFO_20170601v2014_605.pdf
 - *California Supplement to the Federal Funding Opportunity Announcement*, dated September 2017, available at <http://www.caloes.ca.gov/GrantsManagementSite/Documents/FY%202017%20HSGP%20State%20Guidances.pdf#search=Fiscal%20Year%202017%20Homeland%20Security%20Grant%20Program%20California%20Supplement%20to%20the%20Federal%20Notice%20of%20Funding%20Opportunity%20September> as “FY 2017 Homeland Security Grant Program California Supplement to the Federal Notice of Funding Opportunity.”
 - *Authorized Equipment List:* <http://www.fema.gov/authorized-equipment-list>
 - *Cal OES Rules and Regulations, including the Recipient Handbook:* <http://www.caloes.ca.gov/GrantsManagementSite/Documents/2017%20Contra%20costa%20Handbook.pdf>
 - **Any equipment purchased under this Agreement must match the UASI 2017 Grant Application Workbook. Any modification to the inventory list in that Workbook must receive prior written approval from by the Bay Area UASI Program Manager.**
 - **No Management and Administration expenses are allowed, unless expressly identified and authorized in this Appendix.**
 - **Sustainability requirements may apply to some or all of the grant funded projects or programs authorized in this Appendix. See Agreement, ¶3.12.**

- **All EHP documentation must be submitted and approved prior to any expenditure of funds requiring EHP submission.**

Appendix B-- Grant Assurances

Name of Jurisdiction: SUNNYVALE DEPARTMENT OF PUBLIC SAFETY

Name of Authorized Agent: STEVE DREWNIAANY, Deputy Chief

Address: 700 All America Way

City: Sunnyvale State: CA Zip Code: 94086

Telephone Number: (408) 730-7123

E-Mail Address: sdrewniany@sunnyvale.ca.gov

As the duly authorized representative of SUNNYVALE, I hereby certify that SUNNYVALE has the legal authority to apply for federal assistance and the institutional, managerial and financial capability (including funds sufficient to pay any non-federal share of project cost) to ensure proper planning, management and completion of the project described in this application, within prescribed timelines.

I further acknowledge that SUNNYVALE is responsible for reviewing and adhering to all requirements within the:

- (a) Applicable Federal Regulations (see below);
- (b) Federal Program Notice of Funding Opportunity (NOFO);
- (c) California Supplement to the NOFO; and
- (d) Federal and State Grant Program Guidelines.

Federal Regulations

Government cost principles, uniform administrative requirements and audit requirements for federal grant programs are set forth in Title 2, Part 200 of the Code of Federal Regulations (C.F.R.). Updates are issued by the Office of Management and Budget (OMB) and can be found at <http://www.whitehouse.gov/omb/>.

Significant state and federal grant award requirements (some of which appear in the documents listed above) are set forth below. SUNNYVALE hereby agrees to comply with the following:

1. Proof of Authority

SUNNYVALE will obtain written authorization from the city council, governing board or authorized body in support of this project. This written authorization must specify that SUNNYVALE and the city council, governing board, or authorized body agree:

- (a) To provide all matching funds required for the grant project and that any cash match will be appropriated as required.
- (b) Any liability arising out of the performance of this agreement shall be the responsibility of SUNNYVALE and the city council, governing board or authorized body.
- (c) Grant funds shall not be used to supplant expenditures controlled by the city council, governing board or authorized body; and
- (d) The official executing this agreement is, in fact, authorized to do so.

This Proof of Authority must be maintained on file and readily available upon request.

2. Period of Performance

SUNNYVALE will initiate work after approval of the award and complete all work within the period of performance specified in the grant.

3. Lobbying and Political Activities

As required by Section 1352, Title 31 of the United States Code (U.S.C.), for persons entering into a contract, grant, loan or cooperative agreement from an agency or requests or receives from an agency a commitment providing for the United States to insure or guarantee a loan, SUNNYVALE certifies that:

- (a) No federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.
- (b) If any funds other than federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying", in accordance with its instructions.
- (c) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

SUNNYVALE will also comply with provisions of the Hatch Act (5 U.S.C. §§1501-1508 and §§7324- 7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with federal funds.

Finally, SUNNYVALE agrees that federal funds will not be used, directly or indirectly, to support the enactment, repeal, modification or adoption of any law, regulation or policy without the express written approval from the California Governor's Office of Emergency Services (Cal OES) or the federal awarding agency.

4. Debarment and Suspension

As required by Executive Orders 12549 and 12689, and 2 C.F.R. §200.212 and codified in 2 C.F.R. Part 180, Debarment and Suspension, SUNNYVALE will provide protection against waste, fraud, and abuse by debarring or suspending those persons deemed irresponsible in their dealings with the federal government. SUNNYVALE certifies that it and its principal, subgrantees, recipients or subrecipients:

- (a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency;
- (b) Have not within a three-year period preceding this application been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state, or local) transaction or contract under a public transaction; violation of federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
- (c) Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (federal, state, or local) with commission of any of the offenses enumerated in paragraph (2)(b) of this certification; and
- (d) Have not within a three-year period preceding this application had one or more public transaction (federal, state, or local) terminated for cause or default.

Where SUNNYVALE is unable to certify to any of the statements in this certification, he or she shall attach an explanation to this application.

5. Non-Discrimination and Equal Employment Opportunity

SUNNYVALE will comply with all federal statutes relating to non-discrimination. These include, but are not limited to, the following:

- (a) Title VI of the Civil Rights Act of 1964 (Public Law (P.L.) 88-352 and 42 U.S.C. §2000d et. seq.) which prohibits discrimination on the basis of race, color, or national origin and requires that recipients of federal financial assistance take reasonable steps to provide meaningful access to persons with limited English proficiency (LEP) to their programs and services;
- (b) Title IX of the Education Amendments of 1972, (20 U.S.C. §§1681-1683, and 1685-1686), which prohibits discrimination on the basis of sex in any federally funded educational program or activity;
- (c) Section 504 of the Rehabilitation Act of 1973, (29 U.S.C. §794), which prohibits discrimination against those with disabilities or access and functional needs;
- (d) Americans with Disabilities Act (ADA) of 1990, which prohibits discrimination on the basis of disability and requires buildings and structures be accessible to those with disabilities and access and functional needs (42 U.S.C. §§ 12101-12213.);
- (e) Age Discrimination Act of 1975, (42 U.S.C. §§ 6101-6107), which prohibits discrimination on the basis of age;
- (f) Public Health Service Act of 1912 (42 U.S.C. §§ 290), relating to confidentiality of patient records regarding substance abuse treatment;
- (g) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §3601 et seq.), relating to nondiscrimination in the sale, rental or financing of housing as implemented by the Department of Housing and Urban Development at 24 C.F.R. Part 100. The prohibition on disability discrimination includes the requirement that new multifamily housing with four or more dwelling units—i.e., the public and common use areas and individual apartment units

(all units in buildings with elevators and ground-floor units in buildings without elevators)— be designed and constructed with certain accessible features (See 24 C.F.R. § 100.201); ;

- (h) Executive Order 11246, which prohibits federal contractors and federally assisted construction contractors and subcontractors, who do over \$10,000 in Government business in one year from discriminating in employment decisions on the basis of race, color, religion, sex, sexual orientation, gender identification, or national origin;
- (i) Executive Order 11375, which bans discrimination on the basis of race, color, religion, sex, sexual orientation, gender identification, or national origin in hiring and employment in both the United States federal workforce and on the part of government contractors;
- (j) California Public Contract Code §10295.3, which prohibits discrimination based on domestic partnerships and those in same sex marriages;
- (k) DHS policy to ensure the equal treatment of faith-based organizations, under which all applicants and recipients must comply with equal treatment policies and requirements contained in 6 C.F.R. Part 19;
- (l) Any other nondiscrimination provisions in the specific statute(s) under which application for federal assistance is being made; and
- (m) The requirements of any other nondiscrimination statute(s) which may apply to the application.

In addition to the items listed in (a) through (m), SUNNYVALE will comply with California's Fair Employment and Housing Act (FEHA). FEHA prohibits harassment and discrimination in employment because of ancestry, familial status, race, color, religious creed (including religious dress and grooming practices), sex (which includes pregnancy, childbirth, breastfeeding and medical conditions related to pregnancy, childbirth, or breastfeeding), gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, mental and physical disability, genetic information, medical condition, age, pregnancy, denial of medical and family care leave, or pregnancy disability leave (California Government Code §§ 12940, 12945, 12945.2), military and veteran status, and/or retaliation for protesting illegal discrimination related to one of these categories, or for reporting patient abuse in tax supported institutions.

6. Drug-Free Workplace

As required by the Drug-Free Workplace Act of 1988 (41 U.S.C. §701 et seq.), SUNNYVALE certifies that it will maintain a drug-free workplace and a drug-free awareness program as outlined in the Act.

7. Environmental Standards

SUNNYVALE will comply with state and federal environmental standards, which may be prescribed pursuant to the following, as applicable:

- (a) California Environmental Quality Act (CEQA) (California Public Resources Code §§ 21000-21177), to include coordination with the city or county planning agency;
- (b) CEQA Guidelines (California Code of Regulations, Title 14, Division 6, Chapter 3, §§ 15000-15387);

- (c) Federal Clean Water Act (CWA) (33 U.S.C. § 1251 et seq.), which establishes the basic structure for regulating discharges of pollutants into the waters of the United States and regulating quality standards for surface waters;
- (d) Federal Clean Air Act of 1955 (42 U.S.C. § 7401) which regulates air emissions from stationary and mobile sources;
- (e) Institution of environmental quality control measures under the National Environmental Policy Act (NEPA) of 1969 (P.L. 91-190); the Council on Environmental Quality Regulations for Implementing the Procedural Provisions of NEPA; and Executive Order 12898 which focuses on the environmental and human health effects of federal actions on minority and low-income populations with the goal of achieving environmental protection for all communities;
- (f) Evaluation of flood hazards in floodplains in accordance with Executive Order 11988;
- (g) Executive Order 11514 which sets forth national environmental standards;
- (h) Executive Order 11738 instituted to assure that each federal agency empowered to enter into contracts for the procurement of goods, materials, or services and each federal agency empowered to extend federal assistance by way of grant, loan, or contract shall undertake such procurement and assistance activities in a manner that will result in effective enforcement of the Clean Air Act and the Federal Water Pollution Control Act Executive Order 11990 which requires preservation of wetlands;
- (i) The Safe Drinking Water Act of 1974, (P.L. 93-523);
- (j) The Endangered Species Act of 1973, (P.L. 93-205);
- (k) Assurance of project consistency with the approved state management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. §§1451 et seq.);
- (l) Conformity of Federal Actions to State (Clear Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. §§7401 et seq.);
- (m) Wild and Scenic Rivers Act of 1968 (16 U.S.C. § 1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system.

SUNNYVALE shall not be: 1) in violation of any order or resolution promulgated by the State Air Resources Board or an air pollution district; 2) subject to a cease and desist order pursuant to § 13301 of the California Water Code for violation of waste discharge requirements or discharge prohibitions; or 3) determined to be in violation of federal law relating to air or water pollution.

8. Audits

For subrecipients expending \$750,000 or more in federal grant funds annually, SUNNYVALE will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and Title 2 of the Code of Federal Regulations, Part 200, Subpart F Audit Requirements.

9. Access to Records

In accordance with 2 C.F.R. §200.336, SUNNYVALE will give the awarding agency, the Comptroller General of the United States and, if appropriate, the state, through any authorized representative, access to and the right to examine all records, books, papers, or documents related to the award.

SUNNYVALE will require any subrecipients, contractors, successors, transferees and assignees to acknowledge and agree to comply with this provision.

10. Conflict of Interest

SUNNYVALE will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.

11. Financial Management

False Claims for Payment SUNNYVALE will comply with 31 U.S.C §§ 3729-3733 which sets forth that no recipient shall submit a false claim for payment, reimbursement or advance.

12. Reporting - Accountability

SUNNYVALE agrees to comply with applicable provisions of the Federal Funding Accountability and Transparency Act (FFATA) (P.L. 109-282), specifically (a) the reporting of subawards obligating \$25,000 or more in federal funds and (b) executive compensation data for first-tier subawards. This includes the provisions of FFATA, which includes requirements for executive compensation, and also requirements implementing the Act for the non-federal entity at 2 C.F.R. Part 25 Financial Assistance Use of Universal Identifier and Central Contractor Registration and 2 C.F.R. Part 170 Reporting Subaward and Executive Compensation Information.

13. Whistleblower Protections

SUNNYVALE also must comply with statutory requirements for whistleblower protections at 10 U.S.C. § 2409, 41 U.S.C. § 4712, and 10 U.S.C. § 2324, 41 U.S.C. § 4304 and § 4310.

14. Human Trafficking

SUNNYVALE will comply with the requirements of Section 106(g) of the Trafficking Victims Protection Act of 2000, as amended (22 U.S.C. § 7104) which prohibits grant award recipients or a subrecipient from: (1) engaging in trafficking in persons during the period of time that the award is in effect: (2) procuring a commercial sex act during the period of time that the award is in effect: or (3) using forced labor in the performance of the award or subawards under the award.

15. Labor Standards

SUNNYVALE will comply with the following federal labor standards:

- (a) The Davis-Bacon Act (40 U.S.C. §§ 276a to 276a-7), as applicable, and the Copeland Act (40 U.S.C. § 3145 and 18 U.S.C. § 874) and the Contract Work Hours and Safety Standards Act (40 U.S.C. §§ 327-333), regarding labor standards for federally-assisted construction contracts or subcontracts; and
- (b) The Federal Fair Labor Standards Act (29 U.S.C. § 201 et al.) as they apply to employees of institutes of higher learning (IHE), hospitals and other non-profit organizations.

16. Worker's Compensation

SUNNYVALE must comply with provisions which require every employer to be insured to protect workers who may be injured on the job at all times during the performance of the work of this

Agreement, as per the workers compensation laws set forth in California Labor Code §§ 3700 et seq.

17. Property-Related

If applicable to the type of project funded by this federal award, SUNNYVALE will:

- (a) Comply with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of federal or federally-assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of federal participation in purchase;
- (b) Comply with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires subrecipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more;
- (c) Assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. § 470), Executive Order 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. § 469a-1 et seq.); and
- (d) Comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. § 4831 and 24 CFR Part 35) which prohibits the use of lead-based paint in construction or rehabilitation of residence structures.

18. Certifications Applicable Only to Federally-Funded Construction Projects

For all construction projects, SUNNYVALE will:

- (a) Not dispose of, modify the use of, or change the terms of the real property title or other interest in the site and facilities without permission and instructions from the awarding agency. Will record the federal awarding agency directives and will include a covenant in the title of real property acquired in whole or in part with federal assistance funds to assure nondiscrimination during the useful life of the project;
- (b) Comply with the requirements of the awarding agency with regard to the drafting, review and approval of construction plans and specifications; and
- (c) Provide and maintain competent and adequate engineering supervision at the construction site to ensure that the complete work conforms with the approved plans and specifications and will furnish progressive reports and such other information as may be required by the assistance awarding agency or State.

19. Use of Cellular Device While Driving is Prohibited

Applicants are required to comply with California Vehicle Code sections 23123 and 23123.5. These laws prohibit driving a motor vehicle while using an electronic wireless communications device to write, send, or read a text-based communication. Drivers are also prohibited from the use of a wireless telephone without hands-free listening and talking, unless to make an emergency call to 911, law enforcement, or similar services.

20. California Public Records Act and Freedom of Information Act

SUNNYVALE acknowledges that all information submitted in the course of applying for funding under this program, or provided in the course of an entity's grant management activities that are under Federal control, is subject to the Freedom of Information Act (FOIA), 5 U.S.C. § 552, and the California Public Records Act, California Government Code section 6250 et seq. SUNNYVALE should consider these laws and consult its own State and local laws and regulations regarding the release of information when reporting sensitive matters in the grant application, needs assessment, and strategic planning process.

HOMELAND SECURITY GRANT PROGRAM - PROGRAM SPECIFIC ASSURANCES / CERTIFICATIONS

21. Reporting Accusations and Findings of Discrimination

If during the past three years the recipient has been accused of discrimination on any basis the recipient must provide a list of all such proceedings, pending or completed, including outcome and copies of settlement agreements to the DHS Financial Assistance Office and the DHS Office for Civil Rights and Civil Liberties (CRCL) by e-mail at crcl@hq.dhs.gov or by mail at U.S. Department of Homeland Security Office for Civil Rights and Civil Liberties, Building 410, Mail Stop #0190, Washington, D.C. 20528.

If the courts or administrative agencies make a finding of discrimination on grounds of race, color, national origin (including LEP), sex, age, disability, religion, or familial status against the recipient, or the recipients settle a case or matter alleging such discrimination, recipients must forward a copy of the complaint and findings to the DHS Financial Assistance Office and the CRCL by e-mail or mail at the addresses listed above.

The United States has the right to seek judicial enforcement of these obligations.

22. Acknowledgment of Federal Funding from DHS

All recipients must acknowledge their use of federal funding when issuing statements, press releases, requests for proposals, bid invitations, and other documents describing projects or programs funded in whole or in part with federal funds.

23. Activities Conducted Abroad

All recipients must ensure that project activities carried on outside the United States are coordinated as necessary with appropriate government authorities and that appropriate licenses, permits, or approvals are obtained.

24. Best Practices for Collection and Use of Personally Identifiable Information (PII)

DHS defines personally identifiable information (PII) as any information that permits the identity of an individual to be directly or indirectly inferred, including any information that is linked or linkable to that individual. All recipients who collect PII are required to have a publically-available privacy policy that describes standards on the usage and maintenance of PII they collect. Recipients may also

find the DHS Privacy Impact Assessments: Privacy Guidance and Privacy template a useful resource respectively.

25. Copyright

All recipients must affix the applicable copyright notices of 17 U.S.C. §§ 401 or 402 and an acknowledgement of U.S. Government sponsorship (including the award number) to any work first produced under federal financial assistance awards.

26. Duplication of Benefits

Any cost allocable to a particular federal financial assistance award provided for in 2 C.F.R. Part 200, Subpart E may not be charged to other federal financial assistance awards to overcome fund deficiencies, to avoid restrictions imposed by federal statutes, regulations, or federal financial assistance award terms and conditions, or for other reasons. However, these prohibitions would not preclude recipients from shifting costs that are allowable under two or more awards in accordance with existing federal statutes, regulations, or the federal financial assistance award terms and conditions.

27. Energy Policy and Conservation Act

All recipients must comply with the requirements of 42 U.S.C. § 6201 which contain policies relating to energy efficiency that are defined in the state energy conservation plan issued in compliance with this Act.

28. Federal Debt Status

All recipients are required to be non-delinquent in their repayment of any federal debt. Examples of relevant debt include delinquent payroll and other taxes, audit disallowances, and benefit overpayments. See OMB Circular A-129.

29. Fly America Act of 1974

All recipients must comply with Preference for U.S. Flag Air Carriers: (air carriers holding certificates under 49 U.S.C. § 41102) for international air transportation of people and property to the extent that such service is available, in accordance with the International Air Transportation Fair Competitive Practices Act of 1974 (49 U.S.C. § 40118) and the interpretative guidelines issued by the Comptroller General of the United States in the March 31, 1981, amendment to Comptroller General Decision B-138942

30. Hotel and Motel Fire Safety Act of 1990

In accordance with Section 6 of the Hotel and Motel Fire Safety Act of 1990, all recipients must ensure that all conference, meeting, convention, or training space funded in whole or in part with federal funds complies with the fire prevention and control guidelines of the Federal Fire Prevention and Control Act of 1974, as amended, 15 U.S.C. § 2225a.

31. Non-supplanting Requirements

All recipients who receive federal financial assistance awards made under programs that prohibit supplanting by law must ensure that federal funds do not replace (supplant) funds that have been budgeted for the same purpose through non-federal sources.

32. Patents and Intellectual Property Rights

Unless otherwise provided by law, recipients are subject to the Bayh-Dole Act, Pub. L. No. 96-517, as amended, and codified in 35 U.S.C. § 200 et seq. All recipients are subject to the specific requirements governing the development, reporting, and disposition of rights to inventions and patents resulting from financial assistance awards located at 37 C.F.R. Part 401 and the standard patent rights clause located at 37 C.F.R. § 401.14.

33. SAFECOM

All recipients who receive federal financial assistance awards made under programs that provide emergency communication equipment and its related activities must comply with the SAFECOM Guidance for Emergency Communication Grants, including provisions on technical standards that ensure and enhance interoperable communications.

34. Terrorist Financing

All recipients must comply with Executive Order 13224 and U.S. law that prohibit transactions with, and the provisions of resources and support to, individuals and organizations associated with terrorism. Recipients are legally responsible to ensure compliance with the Order and laws.

35. Reporting of Matters Related to Recipient Integrity and Performance

If the total value of the recipient's currently active grants, cooperative agreements, and procurement contracts from all federal assistance offices exceeds \$10,000,000 for any period of time during the period of performance of this federal financial assistance award, you must comply with the requirements set forth in the government-wide Award Term and Condition for Recipient Integrity and Performance Matters located at 2 C.F.R. Part 200, Appendix XII, the full text of which is incorporated here by reference in the award terms and conditions.

36. USA Patriot Act of 2001

All recipients must comply with requirements of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act), which amends 18 U.S.C. §§ 175–175c.

37. Use of DHS Seal, Logo, and Flags

All recipients must obtain permission from their DHS Financial Assistance Office, prior to using the DHS seal(s), logos, crests or reproductions of flags or likenesses of DHS agency officials, including use of the United States Coast Guard seal, logo, crests or reproductions of flags or likenesses of Coast Guard officials.

IMPORTANT

The purpose of the assurance is to obtain federal and state financial assistance, including any and all federal and state grants, loans, reimbursement, contracts, etc. SUNNYVALE recognizes and agrees that state financial assistance will be extended based on the representations made in this assurance. This assurance is binding on SUNNYVALE, its successors, transferees, assignees, etc. Failure to comply with any of the above assurances may result in suspension, termination, or reduction of grant funds.

All appropriate documentation, as outlined above, must be maintained on file by SUNNYVALE and available for Cal OES or public scrutiny upon request. Failure to comply with these requirements may result in suspension of payments under the grant or termination of the grant or both and the subrecipient may be ineligible for award of any future grants if the Cal OES determines that any of the following has occurred: (1) the recipient has made false certification, or (2) violates the certification by failing to carry out the requirements as noted above.

All of the language contained within this document must be included in the award documents for all subawards at all tiers. All recipients are bound by the Department of Homeland Security Standard Terms and Conditions 2017, Version 7.0, hereby incorporated by reference, which can be found at: <https://www.dhs.gov/publication/fy15-dhs-standard-terms-and-conditions>.

The undersigned represents that he/she is authorized by SUNNYVALE to enter into this agreement for and on behalf of the said Applicant.

Signature of Authorized Agent: _____

Printed Name of Authorized Agent: _____

Title: _____ Date: _____

Appendix C -- Form of Reimbursement Request

REIMBURSEMENT REQUEST

_____, 2018

UASI Management Team
711 Van Ness Avenue, Suite 420
San Francisco, CA 94102

Re: FY 17 UASI Grant Reimbursement Request

Pursuant to Section 3.10 of the "Agreement between the City and County of San Francisco and the City of SUNNYVALE for the Distribution of FY 2017 UASI Grant Funds" (the "Agreement"), dated NOVEMBER 1, 2017, between the City of SUNNYVALE ("SUNNYVALE") and the City and County of San Francisco, SUNNYVALE hereby requests reimbursement as follows:

Total Amount of
Reimbursement
Requested in this Request: \$ _____

Maximum Amount of
Funds Specified in
Section 3.2 of the
Agreement: \$ _____

Total of All Funds
Disbursed Prior to this
Request: \$ _____

SUNNYVALE certifies that:

- (a) The total amount of funds requested pursuant to this Reimbursement Request will be used to reimburse SUNNYVALE for Authorized Expenditures, which expenditures are set forth on the attached Schedule 1, to which are attached true and correct copies of all required documentation of such expenditures.
- (b) After giving effect to the disbursement requested pursuant to this Reimbursement Request, the Funds disbursed as of the date of this disbursement will not exceed the maximum amount set forth in Section 3.2 of the Agreement, or the not to exceed amounts specified in Appendix A for specific projects and programs.

- (c) The representations, warranties and certifications made in the Agreement are true and correct in all material respects as if made on the date hereof, and SUNNYVALE is in compliance with all Grant Assurances in Appendix B of the Agreement. Furthermore, by signing this report, SUNNYVALE certifies to the best of their knowledge and belief that the report is true, complete and accurate and expenditures, disbursements, and cash receipts are for the purpose and objectives set forth in the terms and conditions of the federal award. SUNNYVALE is aware that any false, fictitious or fraudulent information or the omission of any material fact, may subject SUNNYVALE to criminal civil or administrative penalties for fraud, false statements, false claims or otherwise.
- (d) No Event of Default has occurred and is continuing.
- (e) The undersigned is an officer of SUNNYVALE authorized to execute this Reimbursement Request on behalf of SUNNYVALE.

Signature of Authorized Agent: _____

Printed Name of Authorized Agent: _____

Title: _____ Date: _____

SCHEDULE 1 TO REQUEST FOR REIMBURSEMENT

The following is an itemized list of Authorized Expenditures for which reimbursement is requested:

Project	Payee	Amount	Description	If final claim for project, check box
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

The following are attached as part of this Schedule 1 (Please check items that are applicable):

Planning:

- ☐ Invoice/Payroll Charges
- ☐ Payroll Register
- ☐ Cleared Check Payment
- ☐ Job Description
- ☐ Functional Timesheets
- ☐ Deliverables/Progress Reports

Organization:

- ☐ Invoice/Payroll Charges
- ☐ Payroll Register
- ☐ Cleared Check Payment
- ☐ Job Description
- ☐ Functional Timesheets
- ☐ Deliverables/Progress Reports

Equipment:

- ☐ Invoice
- ☐ Cleared Check Payment
- ☐ Purchase Order
- ☐ Packing Slip
- ☐ EHP Approval
- ☐ EOC Approval
- ☐ Watercraft or Aviation
- ☐ Sole Source
- ☐ Performance Bond
- ☐ Equipment Ledger (Please submit electronic copy to Grants Specialist)

Training:

- ☐ Invoice
- ☐ Cleared Check Payment
- ☐ Training Feedback Number
- ☐ EHP Approval
- ☐ Certificates/Proof of Participation
- ☐ Sign In Sheet
- ☐ Agenda

Exercise:

- ☐ Invoice
- ☐ Cleared Check Payment
- ☐ After Action Report
- ☐ EHP Approval
- ☐ Overtime Authorization

For inquiries/questions, please contact:

Print Name

Phone #: _____ Email: _____



City of Sunnyvale

Agenda Item

17-1042

Agenda Date: 12/12/2017

REPORT TO COUNCIL

SUBJECT

Appoint Applicants to the Charter Review Committee

DISCUSSION

On September 26, 2017 Council established a Charter Review Committee (CRC) to review and analyze City Charter Section 604 (Filling Vacancies in Council Seats). On October 17, 2017, Council established the number of members at 11 and directed a recruitment process similar to the City's boards and commissions. On November 28, 2017 the City Council amended the action previously taken on October 17 regarding the appointment process to allow selection of members by reviewing applications submitted and eliminating the in person interview. The CRC will meet as needed from January through April 2018, and is expected to complete its task by May 2018. Council will consider the recommendations of the CRC tentatively in June 2018 and may provide direction at that time to prepare for a ballot measure to submit a Charter Amendment to City voters in the November 6, 2018 General Municipal Election.

The CRC recruitment was advertised via the City website, display ads in the Sunnyvale Sun, posts on Nextdoor, Facebook and Twitter, on the Library display board, and email notifications to board and commission members, recent board and commission applicants, Neighborhood Association leaders, and Leadership Sunnyvale.

The Office of the City Clerk received 15 applications by the November 17, 2017 administrative deadline from the following individuals:

Linda Davis
Melinda Hamilton
Arthur Henrick
Dawn Hopkins
John Howe
Marc Ketzel
Richard Mehlinger
Amanda Richey
Steve Scandalis
Avanindar Singh
William Stewart Jr.
Lawrence Stone
Jack Walker
Carol Weiss
David Ybarra

Two additional applications were received after the deadline and are included for consideration at Council's discretion:

Hannalore Dietrich
Andrew LaManque

Following appointments, Office of the City Clerk staff will administer an oath of office and members will be asked to sign the City's Model of Excellence.

EXISTING POLICY

Council Policy 7.2.19 *Boards and Commissions* provides that the appointment process is conducted per one of the following two methods, at the discretion of the Mayor:

Individual Candidate Votes: Council will vote on each applicant. The candidate receiving the most affirmative votes and at least four affirmative votes will be appointed. The process is repeated for each board or commission.

Paper Votes: The City Clerk will distribute individual voting sheets to be completed by each Councilmember. The candidate receiving the most votes and at least four affirmative votes will be appointed.

The Mayor has selected Paper Ballot Voting for the Charter Review Committee appointment process.

Resolving ties: Should a tie between the candidates receiving the most affirmative votes occur, the affected applicants will be voted on again. If a tie remains, and the affected applicants each have received at least four affirmative votes, the Mayor would ask the city attorney to draw the name of the person to be appointed. If vacancies still exist after the appointment process is conducted, staff shall inform Council of alternative courses of action.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

ALTERNATIVES

1. Appoint 11 committee members from the applicants listed in this report.
2. Provide other direction to staff on how to proceed.

STAFF RECOMMENDATION

Staff makes no recommendation.

Prepared by: Lisa Natusch, Deputy City Clerk
Reviewed by: Teri Silva, Interim Assistant City Manager
Approved by: Kent Steffens, Interim City Manager

ATTACHMENT

1. Charter Review Committee Applications

CITY OF SUNNYVALE CHARTER REVIEW COMMITTEE APPLICATION

Office Use Only	
Date Received:	11/6/17
Voter registration Checked:	11/7/17

Please print or type answers to all questions. Write N/A if not applicable.

Eligibility requirements: Sunnyvale resident and registered voter in Sunnyvale. Contact the Office of the City Clerk at (408) 730-7483, cityclerk@sunnyvale.ca.gov with any questions.

IMPORTANT NOTICE

Information provided on this application becomes a public record after it is officially filed. This document will be published to the City website with the interview materials. Personal contact information will be redacted.

Applicant Name:	Davis	Linda	R
	Last	First	M.I
Current Residence	[REDACTED]	Sunnyvale	CA
	Street	City	State
			Zip
			94086

Email Address: [REDACTED]

Phone Number: [REDACTED]

How long have you been a resident of Sunnyvale? 32 years

Are you a currently-registered voter in Sunnyvale? Yes

When was the last time you voted?
Month/Year 11/2016

Have you previously served as a City Councilmember? No

If yes, when? 	Term served	
	Term served	

Have you served on a previous City of Sunnyvale Charter Review Committee? No

If yes, in what year?

Are you currently serving or have you served on a City of Sunnyvale board or commission? No

If yes, which one? 	Term currently serving	
	Term previously served	

Are you currently serving or have you served on a City of Sunnyvale staff advisory committee? No

If yes, which one? 	Term currently serving	
	Term previously served	

1. What motivated you to apply for the Charter Review Committee?

I would like to serve the City, and the limited schedule and focus for this committee accord with my current capacity.

2. What skills or attributes can you bring to the Charter Review Committee?

Two personal skills relevant to the committee's work:

- rigorous, well-structured thinking – a natural tendency, honed by academic & professional experience
- concise, easy-to-understand writing – learned by communicating complex subjects to diverse audiences.

I like the challenge of listening to different ideas or approaches and helping to construct a solution that is satisfactory to all, or at least a strong majority.

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

B.S. Engineering Physics, University of Tulsa; B.Phil Physics, Oxford University; Ph.D. Physics, University of Illinois at Urbana-Champaign. Experience relevant to the CRC's work: service on many nonprofit committees charged with bringing people together to deliver a project or product in the public interest.

4. Briefly describe your current or last occupation.

recent years – systems support and mentoring for League of Women Voters of Cupertino-Sunnyvale
2009-2011 – Vice President for Voter Service, League of Women Voters of California
1999-2003 – Budget Chair, League of Women Voters of California

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

I attend, watch on TV, or view/hear online many Council and commission meetings. I learn a great deal about my community this way – not only about City actions/decisions/policies, but also about the development/evolution of Sunnyvale and the interplay among the City, various governmental entities, and other players in public policy. Although already commendable, communications between Council-commissions-staff and City-public are areas needing continual attention.

6. Describe your involvement in community activities, volunteer and civic organizations.

Most of my community work in the past 30 years has revolved around voter participation and understanding of public policy. My voter education endeavors, mostly done under the auspices of the League of Women Voters, include:

- creating & delivering nonpartisan presentations on ballot measures – at libraries, churches & religious centers (of different faiths and denominations), corporations, civic organizations, alumni or professional groups, ethnic groups, senior centers, group residential facilities, schools, and more.
- coordinating creation of the "Easy Voter Guide", a concise guide of statewide elections written for new voters and busy voters – disseminated via libraries, schools, newspapers, organizations, election officials, etc.
- working with subsidized housing sites countywide to bring residents Internet access (in the late 1990's) and support their use of both online resources and nonpartisan print materials for informed voting.

I have also had an abiding concern for people in need. Years ago I volunteered at a woman's shelter, a homeless shelter, and a meals program. I will likely seek to serve such segments of my community in the future.

Applicant Name: Linda R Davis

7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe.

I have no concerns with respect to the application of The Code of Ethics and Conduct to myself or the Charter Review Committee. Instead, I see this document as tremendously useful. I feel confident that the Council will staff this committee with people willing to abide by these rules and guidelines. If any problem with ethics or conduct were to arise with the CRC, the Code of Ethics and Conduct would likely prove helpful.

I certify under penalty of perjury that all statements I have made on this application are true and correct. I hereby authorize the City of Sunnyvale to investigate the accuracy of this information from any person or organization, and I release the City of Sunnyvale and all persons and organizations from all claims and liabilities arising from such investigation or the supplying of information for such investigation. I acknowledge that any false statement or misrepresentation on this application or supplementary materials will be cause for refusal of appointment or immediate dismissal at any time during the period of my appointment.

Your application is not complete until this application is completed, signed and submitted to the Office of the City Clerk, 603 All America Way, Sunnyvale, CA 94086.

Signature of Applicant



Date 11/6/2017

Pursuant to the Americans with Disabilities Act (ADA), the City of Sunnyvale will make reasonable efforts to accommodate persons with qualified disabilities during the n interview process. Should you require special accommodations, please contact the Office of the City Clerk at (408) 730-7483 or cityclerk@sunnyvale.ca.gov at least 48 hours in advance of your scheduled interview.

Office Use Only

Date Received: 11/17/17

Voter registration
Checked: 11/17/17

Eligibility requirements: Sunnyvale resident and registered voter in Sunnyvale. Contact the Office of the City Clerk at (408) 730-7483, cityclerk@sunnyvale.ca.gov with any questions.

Information provided on this application becomes a public record after it is officially filed. This document will be published to the City website with the interview materials. Personal contact information will be redacted.

If yes, which one? _____ Term currently serving _____
 _____ Term previously served _____

Applicant Name: Melinda Hamilton

1. What motivated you to apply for the Charter Review Committee?

I enjoy being a part of the community and helping make Sunnyvale a great place. And since I don't plan to run for office again, this is as close as I'm going to get to influencing the city charter, aside from voting on it.

2. What skills or attributes can you bring to the Charter Review Committee?

I bring eight years of council experience, including a year as vice mayor and a two years as mayor. Having served on the council, I bring a deep understanding of what happens when a seat needs to be filled, either on a permanent or temporary basis, having been through the process twice on the dais. I have also read the city charter all the way through and am familiar with the contents.

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

UC San Diego, BA in Russian Studies, BA in Communications/Santa Clara University, MBA
10 years professional experience in high tech (Cisco, Lucent), nonprofits (California Society of CPAs) and journalism (Palo Alto Times Tribune, The Moscow Times)

4. Briefly describe your current or last occupation.

I'm currently the president of the Sunnyvale Education Foundation, a volunteer position supporting schools in the Sunnyvale School District.

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

Yes, I've attended many city council meetings. I can't even begin to list all the things I've learned but I hope they made me a better council member and a better citizen. I don't have any suggestions for improvement at this time.

6. Describe your involvement in community activities, volunteer and civic organizations.

Most of my community involvement for the last decade has been with my children's schools. I served on the board of my children's preschool. I was also a founding member of the Fairwood Explorer Alliance, the parent/teacher organization at Fairwood Explorer Elementary School in Sunnyvale, and a weekly parent volunteer at their schools. I'm also the co-leader/treasurer of my daughter's Girl Scout troop.

I am also the founding president of the Sunnyvale Education Foundation, now in its third year of operation, and I organized for the Sunnyvale Centennial Parade in 2012. Prior to my council tenure, I attended Leadership Sunnyvale (class of 1997); volunteered with Jewish Community Services, helping to acclimate recent Russian Jewish refugees; and was a coach for a girls social action team with Girls for a Change.

Applicant Name: Melinda Hamilton

7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe.

None at all.

I certify under penalty of perjury that all statements I have made on this application are true and correct. I hereby authorize the City of Sunnyvale to investigate the accuracy of this information from any person or organization, and I release the City of Sunnyvale and all persons and organizations from all claims and liabilities arising from such investigation or the supplying of information for such investigation. I acknowledge that any false statement or misrepresentation on this application or supplementary materials will be cause for refusal of appointment or immediate dismissal at any time during the period of my appointment.

Your application is not complete until this application is completed, signed and submitted to the Office of the City Clerk, 603 All America Way, Sunnyvale, CA 94086.

Signature of Applicant



Date 11/17/2017

Pursuant to the Americans with Disabilities Act (ADA), the City of Sunnyvale will make reasonable efforts to accommodate persons with qualified disabilities during the n interview process. Should you require special accommodations, please contact the Office of the City Clerk at (408) 730-7483 or cityclerk@sunnyvale.ca.gov at least 48 hours in advance of your scheduled interview.

Office Use Only

Date Received: 11/10/17

Voter registration
Checked: 11/13/17

If yes, which one? _____

Term currently serving	_____
Term previously served	_____

Applicant Name: Arthur Henrick

1. What motivated you to apply for the Charter Review Committee?

I remember the Approximately \$700,000 spent on a special election for a Council Seat in my area. I believe this was to fill a spot for only 3 months. This was a rather expensive endeavour.

2. What skills or attributes can you bring to the Charter Review Committee?

I am active in my church on a few committees: Building, finance and audit committees. I live local and wish to partake in a more active role in civil government.

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

I have a BS in Biochemistry and currently, a Senior Validation Engineer in the Medical Device Industry. I write complex documents and fine issues in Software.

4. Briefly describe your current or last occupation.

I write complex documents and fine issues in Software. I work with engineers and managers to complete tasks on time and accurately.

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

I have attended a few City Council meeting concerning the down town mall (still not finished). Also, a meetings about building so many homes in my area recently.

6. Describe your involvement in community activities, volunteer and civic organizations.

Currently, minimal involvement but wish to be a more active member.

Applicant Name: Arthur Henrick

7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe.

None. No issues what so ever.

I certify under penalty of perjury that all statements I have made on this application are true and correct. I hereby authorize the City of Sunnyvale to investigate the accuracy of this information from any person or organization, and I release the City of Sunnyvale and all persons and organizations from all claims and liabilities arising from such investigation or the supplying of information for such investigation. I acknowledge that any false statement or misrepresentation on this application or supplementary materials will be cause for refusal of appointment or immediate dismissal at any time during the period of my appointment.

Your application is not complete until this application is completed, signed and submitted to the Office of the City Clerk, 603 All America Way, Sunnyvale, CA 94086.

Signature of Applicant

[Signature] Date 11/10/2017

Pursuant to the Americans with Disabilities Act (ADA), the City of Sunnyvale will make reasonable efforts to accommodate persons with qualified disabilities during the n interview process. Should you require special accommodations, please contact the Office of the City Clerk at (408) 730-7483 or cityclerk@sunnyvale.ca.gov at least 48 hours in advance of your scheduled interview.

**CITY OF SUNNYVALE
CHARTER REVIEW COMMITTEE APPLICATION**

Office Use Only	
Date Received:	<u>11/17/17</u>
Voter registration Checked:	<u>11/17/17</u>

Please print or type answers to all questions. Write N/A if not applicable.

Eligibility requirements: Sunnyvale resident and registered voter in Sunnyvale. Contact the Office of the City Clerk at (408) 730-7483, cityclerk@sunnyvale.ca.gov with any questions.

IMPORTANT NOTICE

Information provided on this application becomes a public record after it is officially filed. This document will be published to the City website with the interview materials. Personal contact information will be redacted.

Applicant Name:	<u>Hopkins</u>	<u>Dawn</u>	<u>D.</u>
	Last	First	M.I
Current Residence	<u>[REDACTED]</u>	<u>Sunnyvale</u>	<u>CA</u>
	Street	City	State
			Zip

Email Address: [REDACTED]

Phone Number: [REDACTED]

How long have you been a resident of Sunnyvale? 3 years

Are you a currently-registered voter in Sunnyvale?

When was the last time you voted?
Month/Year Nov/2016

Have you previously served as a City Councilmember?

If yes, when? _____	Term served	_____
_____	Term served	_____

Have you served on a previous City of Sunnyvale Charter Review Committee?

If yes, in what year? _____

Are you currently serving or have you served on a City of Sunnyvale board or commission?

If yes, which one? <u>Heritage Preservation Commission</u>	Term currently serving	_____
	Term previously served	<u>2015-2019</u>
		<u>Apr 2006-2008</u>

Are you currently serving or have you served on a City of Sunnyvale staff advisory committee?

If yes, which one? _____	Term currently serving	_____
	Term previously served	_____

1. What motivated you to apply for the Charter Review Committee?

I believe it is important to be active in the community and without having to run a campaign this seems like a good way to contribute. It'll be a learning experience and I love learning.

2. What skills or attributes can you bring to the Charter Review Committee?

I'm very curious and ask lots of questions. I've never participated in a charter review and look forward to learning from the experience and make a contribution to the City I was born and raised in. I work well with others and enjoy doing research.

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

BA in Architectural Studies and Studio Art Minor from Connecticut College, MPA in Public/Nonprofit Management from Cornell University, and graduated from Leadership Sunnyvale.

4. Briefly describe your current or last occupation.

I worked for the Carnegie Foundation for the Advancement of Teaching as a Program Coordinator serving multiple program areas.

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

As an active commissioner, I regularly attend commission meeting. I've learned that I'm a better informed citizen because I serve on a commission and have presentation about what is happening in the City, like the Civic Center Project. My suggested improvement is a summary page of commission recommendations being given to City Council along with a brief summary of both the vote and discussion on the item.

6. Describe your involvement in community activities, volunteer and civic organizations.

I was a volunteer soccer coach with Sunnyvale Soccer Alliance for three years. I volunteer through my alumni groups both for organized volunteer events and coordinating alumni events. For two years, I managed the annual fundraising event for Soccer Silicon Valley. I also volunteer with Jewish Family and Children Services, the Board of my HOA and as a transporter for a few dog rescue groups. I'm serving for the second time on the Heritage Preservation Commission.

Applicant Name: Dawn Hopkins

7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe.

I do not have any concerns.

I certify under penalty of perjury that all statements I have made on this application are true and correct. I hereby authorize the City of Sunnyvale to investigate the accuracy of this information from any person or organization, and I release the City of Sunnyvale and all persons and organizations from all claims and liabilities arising from such investigation or the supplying of information for such investigation. I acknowledge that any false statement or misrepresentation on this application or supplementary materials will be cause for refusal of appointment or immediate dismissal at any time during the period of my appointment.

Your application is not complete until this application is completed, signed and submitted to the Office of the City Clerk, 603 All America Way, Sunnyvale, CA 94086.

Signature of Applicant _____

Date 11/17/17

Pursuant to the Americans with Disabilities Act (ADA), the City of Sunnyvale will make reasonable efforts to accommodate persons with qualified disabilities during the n interview process. Should you require special accommodations, please contact the Office of the City Clerk at (408) 730-7483 or cityclerk@sunnyvale.ca.gov at least 48 hours in advance of your scheduled interview.

**CITY OF SUNNYVALE
CHARTER REVIEW COMMITTEE APPLICATION**

Office Use Only	
Date Received:	<u>11/8/17</u>
Voter registration Checked:	<u>11/13/17</u>

Please print or type answers to all questions. Write N/A if not applicable.

Eligibility requirements: Sunnyvale resident and registered voter in Sunnyvale. Contact the Office of the City Clerk at (408) 730-7483, cityclerk@sunnyvale.ca.gov with any questions.

IMPORTANT NOTICE

Information provided on this application becomes a public record after it is officially filed. This document will be published to the City website with the interview materials. Personal contact information will be redacted.

Applicant Name:	<u>Howe</u>	<u>John</u>	<u>N</u>
	Last	First	M.I
Current Residence	<u>[REDACTED]</u>	<u>Sunnyvale</u>	<u>CA</u>
	Street	City	State
			Zip
Email Address:	<u>[REDACTED]</u>		
Phone Number:	<u>[REDACTED]</u>		
How long have you been a resident of Sunnyvale?	<u>40 years</u>		
Are you a currently-registered voter in Sunnyvale? Yes	<input checked="" type="checkbox"/>		
	When was the last time you voted? Month/Year <u>06/2016</u>		
Have you previously served as a City Councilmember? Yes	<input checked="" type="checkbox"/>		
If yes, when?	<u>November 2001 to November 2005</u>	Term served	<u>4 years - Council and Mayor</u>
	<u>November 2005 to January 2010</u>	Term served	<u>4 years - Council</u>
Have you served on a previous City of Sunnyvale Charter Review Committee? Yes	<input checked="" type="checkbox"/>		
If yes, in what year?	<u>6/1/07</u>		
Are you currently serving or have you served on a City of Sunnyvale board or commission? Yes	<input checked="" type="checkbox"/>		
If yes, which one?	<u>Planning Commission</u>	Term currently serving	<u>June 2020</u>
		Term previously served	<u>June 1994 to November 01</u>
Are you currently serving or have you served on a City of Sunnyvale staff advisory committee? No	<input checked="" type="checkbox"/>		
If yes, which one?	<u></u>		
		Term currently serving	<u></u>
		Term previously served	<u></u>

1. What motivated you to apply for the Charter Review Committee?

Some past experience with Council, including the time when Councilmember Otto Lee was activated into the military and we needed to appoint a Councilmember for about one year.
The past issue of a Councilmember resigning just before the term end and the Council appointing a replacement - and a cost of \$795,000 for an election - we just need to do better as a City.

2. What skills or attributes can you bring to the Charter Review Committee?

Council/Mayor - interest in our City. The ability to work well with diverse groups/individuals.

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

BS University of Santa Clara. Government Administration/Political Science.

4. Briefly describe your current or last occupation.

Realtor/Enrolled Agent, Assessment Appeals Board Santa Clara County.

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

Yes - Planning Commission. After 7 years of "retiring" from the Council, a year ago I was appointed to the Planning Commission - this is a real education. Planning issues from 1994 to 2010 - then an appointment - different people - different issues - different rules - yet remembering some of the exact same issues from years before.

6. Describe your involvement in community activities, volunteer and civic organizations.

Some are listed above. Also LAFCO, Recycling and Solid Waste, Leadership Sunnyvale, Sunnyvale Chamber of Commerce, President of Fremont Union High School Foundation.

Applicant Name: John Howe

7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe.

I have agreed to and follow the Code of Ethics.

I certify under penalty of perjury that all statements I have made on this application are true and correct. I hereby authorize the City of Sunnyvale to investigate the accuracy of this information from any person or organization, and I release the City of Sunnyvale and all persons and organizations from all claims and liabilities arising from such investigation or the supplying of information for such investigation. I acknowledge that any false statement or misrepresentation on this application or supplementary materials will be cause for refusal of appointment or immediate dismissal at any time during the period of my appointment.

Your application is not complete until this application is completed, signed and submitted to the Office of the City Clerk, 603 All America Way, Sunnyvale, CA 94086.

Signature of Applicant

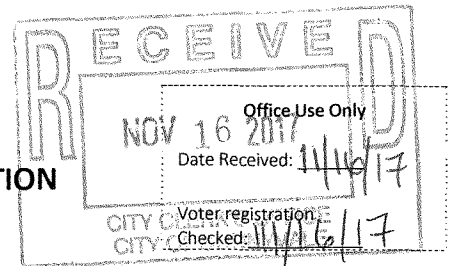


Date

11/4/17

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**CITY OF SUNNYVALE
CHARTER REVIEW COMMITTEE APPLICATION**



Please print or type answers to all questions. Write N/A if not applicable.

Eligibility requirements: Sunnyvale resident and registered voter in Sunnyvale. Contact the Office of the City Clerk at (408) 730-7483, cityclerk@sunnyvale.ca.gov with any questions.

IMPORTANT NOTICE

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Applicant Name: Ketzel Marc
Current Residence: [Redacted] Sunnyvale CA 94087
Street City State Zip

Email Address: [Redacted]

Phone Number: [Redacted]

How long have you been a resident of Sunnyvale? 32 years

Are you a currently-registered voter in Sunnyvale? Yes

When was the last time you voted?
Month/Year Nov 2016

Have you previously served as a City Councilmember?

If yes, when? _____ Term served _____
_____ Term served _____

Have you served on a previous City of Sunnyvale Charter Review Committee?

If yes, in what year? No

Are you currently serving or have you served on a City of Sunnyvale board or commission?

If yes, which one? Personnel Board -- two terms Term currently serving _____
Term previously served _____

Are you currently serving or have you served on a City of Sunnyvale staff advisory committee?

If yes, which one? _____ Term currently serving _____
Term previously served _____

1. What motivated you to apply for the Charter Review Committee?

Seems like the current charter is out of date, and it could be updated to avoid unnecessary administration and cost of holding special elections

2. What skills or attributes can you bring to the Charter Review Committee?

- 1) Political Science (Dual Major) Degree from University of Kansas
- 2) As part of the Personnel Board, we went through the process to update some of the administrative guidelines and policies.
- 3) Extensive private sector experience with employee and management committees to address issues.

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

BGS Degree from University of Kansas with double major in Political Science and Personnel Administration.
MS Degree from University of Wisconsin-Madison in Industrial Relations.

4. Briefly describe your current or last occupation.

VP HR at Samsung Research America

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

Yes. Support the practice to allow residents to comment on issues within the City.

6. Describe your involvement in community activities, volunteer and civic organizations.

Active volunteer at DCP Charter School in San Jose, Second Harvest and Habitat for Humanity. I also led the Corporate Citizenship Committee at Samsung Research.

Marc Ketzel
Applicant Name: _____

7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe.

No concerns. I have reviewed previously as part of the Personnel Board.

I certify under penalty of perjury that all statements I have made on this application are true and correct. I hereby authorize the City of Sunnyvale to investigate the accuracy of this information from any person or organization, and I release the City of Sunnyvale and all persons and organizations from all claims and liabilities arising from such investigation or the supplying of information for such investigation. I acknowledge that any false statement or misrepresentation on this application or supplementary materials will be cause for refusal of appointment or immediate dismissal at any time during the period of my appointment.

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Signature of Applicant



Date 11-15-17

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**CITY OF SUNNYVALE
CHARTER REVIEW COMMITTEE APPLICATION**

Office Use Only	
Date Received:	11/17/17
Voter registration Checked:	11/17/17

Please print or type answers to all questions. Write N/A if not applicable.

Eligibility requirements: Sunnyvale resident and registered voter in Sunnyvale. Contact the Office of the City Clerk at (408) 730-7483, cityclerk@sunnyvale.ca.gov with any questions.

IMPORTANT NOTICE

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Applicant Name:	Mehlinger	Richard	F
	Last	First	M.I
Current Residence	██████████	Sunnyvale	CA 94089
	Street	City	State Zip

Email Address: ██████████

Phone Number: ██████████

How long have you been a resident of Sunnyvale? 6 years

Are you a currently-registered voter in Sunnyvale? Yes ☐

When was the last time you voted?
Month/Year 11/2016

Have you previously served as a City Councilmember? No ☐

If yes, when?	Term served	
	Term served	

Have you served on a previous City of Sunnyvale Charter Review Committee? No ☐

If yes, in what year? _____

Are you currently serving or have you served on a City of Sunnyvale board or commission? No ☐

If yes, which one?	Term currently serving	
	Term previously served	

Are you currently serving or have you served on a City of Sunnyvale staff advisory committee? No ☐

If yes, which one?	Term currently serving	
	Term previously served	

1. What motivated you to apply for the Charter Review Committee?

I was motivated to apply for the Charter Review Committee by the absurdity and expense of last year's special election. This was fundamentally the result of a bug in our city charter: a point in a councilmember's term where a resignation forced a special election despite an upcoming general election a mere three months later. This cost our community nearly a million dollars, which could have been spent on the arts, housing, public safety, or any of a host of other worthy causes.

2. What skills or attributes can you bring to the Charter Review Committee?

Like many in the Bay Area, I'm an experienced software engineer. I routinely work with systems with many and complicated states. Those states must be fully enumerated, and the systems I work with must behave correctly in all of them. Unlike most software engineers, however, I double majored and then earned an M.A. in history. During those studies, I focused on the role simulations played in human organizations and decision making. Because of my academic background and professional experience, I feel like I would offer a valuable perspective to the Charter Review Committee, since the task of redesigning our vacancy policy is at once mathematical and human.

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

M.A., History, UC Riverside, 2011

B.S., Computer Science/History, Harvey Mudd College, 2009

4. Briefly describe your current or last occupation.

I'm currently a software engineer at Dropbox, working as a full stack web developer on their business product. Prior to that, I was a technical team lead at Infer, a machine learning startup based in Mountain View.

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

I've attended a number of City Council meetings, both in Sunnyvale and elsewhere. I'd say the most important thing I've learned is the extraordinary value of staff and commission reports to the council's decision making process, as well as the importance of public comment: the councilmembers genuinely do consider and reflect on both written and oral public comment. The only improvement I'd suggest is this: when the council knows well in advance that a meeting agenda is likely to extend into the wee hours, they should split the meeting up over two consecutive nights. I've been at council meetings (not in Sunnyvale) that went so late that the council was visibly impaired by exhaustion, and clearly not exercising their best judgment. Far better for such sessions to continue the next evening.

6. Describe your involvement in community activities, volunteer and civic organizations.

I am active in Livable Sunnyvale, the Sunnyvale Democratic Club, and St. Cyprian's Parish Faith and Justice committee. I've spoken to the city council on behalf of the Faith and Justice committee a number of times (though, to be clear, I keep these hats strictly separate, and would treat the Charter Review Committee likewise). In addition, I'm involved with Elevate Tutoring, a South Bay organization which employs first generation college students as tutors for underprivileged high school students, while at the same time providing mentoring and career guidance to their tutors. I am looking to become more involved in local government and civic society, and the Charter Review Commission seems like an excellent starting point.

Applicant Name: Richard Mehlinger

7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe.

I have no concerns with the city code of ethics and conduct.

I certify under penalty of perjury that all statements I have made on this application are true and correct. I hereby authorize the City of Sunnyvale to investigate the accuracy of this information from any person or organization, and I release the City of Sunnyvale and all persons and organizations from all claims and liabilities arising from such investigation or the supplying of information for such investigation. I acknowledge that any false statement or misrepresentation on this application or supplementary materials will be cause for refusal of appointment or immediate dismissal at any time during the period of my appointment.

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Signature of Applicant



Date 11/11/2017

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**CITY OF SUNNYVALE
CHARTER REVIEW COMMITTEE APPLICATION**

Office Use Only	
Date Received:	<u>11/17/17</u>
Voter registration Checked:	<u>11/17/17</u>

Please print or type answers to all questions. Write N/A if not applicable.

Eligibility requirements: Sunnyvale resident and registered voter in Sunnyvale. Contact the Office of the City Clerk at (408) 730-7483, cityclerk@sunnyvale.ca.gov with any questions.

IMPORTANT NOTICE

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Applicant Name:	<u>Richey</u>	<u>Amanda</u>	<u>R</u>
	Last	First	M.I
Current Residence	<u>[REDACTED]</u>	<u>Sunnyvale</u>	<u>CA 94085</u>
	Street	City	State Zip

Email Address: [REDACTED]

Phone Number: [REDACTED]

How long have you been a resident of Sunnyvale? 1.5 years

Are you a currently-registered voter in Sunnyvale? Yes

When was the last time you voted?
Month/Year 11/2016

Have you previously served as a City Councilmember? No

If yes, when? _____	Term served	_____
_____	Term served	_____

Have you served on a previous City of Sunnyvale Charter Review Committee? No

If yes, in what year? _____

Are you currently serving or have you served on a City of Sunnyvale board or commission? No

If yes, which one? _____	Term currently serving	_____
	Term previously served	_____

Are you currently serving or have you served on a City of Sunnyvale staff advisory committee? No

If yes, which one? _____	Term currently serving	_____
	Term previously served	_____

1. What motivated you to apply for the Charter Review Committee?

As a new resident, I am looking for opportunities to be involved with my community and, as a tax payer, I am interested in ensuring that tax dollars are spent in the most efficient manner. I first heard of this opportunity from my husband, who serves on the Personnel Board, and in a subsequent email from Lisa Natusch (Deputy City Clerk) to previous applicants to City boards and commissions. After researching the issue, I understand the need to evaluate the current Charter and I would like to be part of finding a solution for our City.

2. What skills or attributes can you bring to the Charter Review Committee?

I am a corporate lawyer and my professional skills focus on analyzing and understanding issues in order to craft language in contracts to solve certain issues and prevent certain outcomes within the broader context of applicable law. These skills are necessary to (i) understand how Charter Section 604 resulted in an \$800,000 spend for the City, (ii) explore and analyze alternatives to identify a better approach that avoids costly special elections, and (iii) propose and draft a revised Charter that achieves the goals of the City Council. Additionally, I understand it will be a large committee with 11 members. I manage large teams in strategic transactions, which requires detailed organization and collaboration amongst various specialists and experts. My organizational skills and my ability to work in a collaborative environment will attribute to creating a successful committee.

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

Santa Clara University School of Law, J.D., Law (2010-2013), summa cum laude

The College of Idaho, International Political Economy and Theater major, Music minor (2005-2009), cum laude

4. Briefly describe your current or last occupation.

Ropes & Gray, Associate (October 2013 - Present). I am an intellectual property corporate lawyer and represent clients in business and intellectual property transactions, including technology licensing and transfer, mergers and acquisitions, supply and distribution arrangements, and other strategic commercial arrangements.

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

I have listened to City Council meetings and Housing and Human Services Commission meetings. My only suggestion would be to expand the required notice obligations for certain new developments in the instance of surrounding residential areas. I became more engaged in City Council meetings during certain phases of the Peery Park development, where I felt more residents within SNAIL should have received formal notice of certain proposal.

6. Describe your involvement in community activities, volunteer and civic organizations.

In Sunnyvale, I volunteer at the legal clinic the Columbia Neighborhood Center. Additionally, I do pro bono legal work for Centro Legal de la Raza, representing a mother and her three daughters in her ongoing asylum case, and Peninsula Bridge, an organization that transforms the lives of highly motivated, low income students by preparing and supporting them for success in college preparatory high schools, representing and advising families in ongoing legal and immigration matters.

Applicant Name: Amanda Richey

7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe.

No.

I certify under penalty of perjury that all statements I have made on this application are true and correct. I hereby authorize the City of Sunnyvale to investigate the accuracy of this information from any person or organization, and I release the City of Sunnyvale and all persons and organizations from all claims and liabilities arising from such investigation or the supplying of information for such investigation. I acknowledge that any false statement or misrepresentation on this application or supplementary materials will be cause for refusal of appointment or immediate dismissal at any time during the period of my appointment.

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Signature of Applicant



Date

11/14/17

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RECEIVED

NOV 10 2017

Office Use Only

Date Received: 11/10/17

CITY CLERK'S OFFICE
CITY OF MINNEAPOLIS

Viewer registration
Checked: 11/13/17

Eligibility requirements: Sunnyvale resident and registered voter in Sunnyvale. Contact the Office of the City Clerk at (408) 730-7483, cityclerk@sunnyvale.ca.gov with any questions.

Information provided on this application becomes a public record after it is officially filed. This document will be published to the City website with the interview materials. Personal contact information will be redacted.

If yes, which one? _____ Term currently serving _____
 _____ Term previously served _____

1. What motivated you to apply for the Charter Review Committee?

**** See Attached Supplemental Page ****

2. What skills or attributes can you bring to the Charter Review Committee?

Expertise with cross-functional teams and legal contracts. Experienced with study groups, municipal codes and elections law. Creative, detail oriented, self-motivated and proactive.

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

- * Bachelor of Science, Electronics Engineering Technology, DeVry Institute of Technology, Phoenix, Arizona
- * Project Management Professional, PMP, Project Management Institute, 2003-2010
- * Steering Team member, 2016 Sunnyvale Measure M, Sunnyvale Public Lands Act
- * Year Round School Study Committee, Cupertino Union School District

4. Briefly describe your current or last occupation.

Last position: Technical Program Manager, Nvidia Corporation. Manage internal and external cross-functional teams across development engineering, product marketing, operations and sales for timely development and delivery of notebook graphics programs. Determine and drive strategy and tactics, schedules and deployment.

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

**** See Attached Supplemental Page ****

6. Describe your involvement in community activities, volunteer and civic organizations.

Involvement in volunteer, community activities and civic organizations has included:

- * Board of Directors Associate, IEEE Technology and Engineering Management Society, Santa Clara Valley chapter
- * Steering Team member, 2016 Sunnyvale Measure M, Sunnyvale Public Lands Act
- * Scouting leader, Boy Scouts of America 20+ years
- * Sunnyvale SNAP graduate.
- * Registered Sunnyvale Emergency Services Volunteer.
- * 2016 Twin Pines Manor Apartments fire: Responded to Sunnyvale Public Safety emergency call out for SNAP team assistance to escort residents to retrieve critical belongings and medicines from damaged and evacuated apartments.
- * Occasional volunteer at Sunnyvale Community Services
- * Year Round School Study Committee, Cupertino Union School District
- * Youth sports coach

Applicant Name: Stephen Scandalis

7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe.

No concerns.

I certify under penalty of perjury that all statements I have made on this application are true and correct. I hereby authorize the City of Sunnyvale to investigate the accuracy of this information from any person or organization, and I release the City of Sunnyvale and all persons and organizations from all claims and liabilities arising from such investigation or the supplying of information for such investigation. I acknowledge that any false statement or misrepresentation on this application or supplementary materials will be cause for refusal of appointment or immediate dismissal at any time during the period of my appointment.

Your application is not complete until this application is completed, signed and submitted to the Office of the City Clerk, 603 All America Way, Sunnyvale,

Signature of Applicant



Date

11/10/17

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Supplemental Page for Stephen Scandalis
CITY OF SUNNYVALE
CHARTER REVIEW COMMITTEE APPLICATION

1) What motivated you to apply for the Charter Review Committee?

I would like to help determine whether an amendment to the City Charter Section 604 (Filling Vacancies in Council Seats) can be developed to reduce the likelihood of edge cases causing the need for a special election to fill a council vacancy while 1) maintaining and respecting the voter intent in passing Proposition D on the November 4, 1975 Sunnyvale Municipal Election and 2) to avoid conveying additional appointment capabilities to the city council.

I believe it is imperative to maintain and respect the intent of Sunnyvale voters who passed citizen initiative Proposition D on the November 4, 1975 Sunnyvale Municipal Election. Proposition D required a charter amendment that vacancies be filled by election, except in the case of a death resulting in an unexpired term of six months or less. The 1975 measure was proposed, qualified and approved to avoid any increase of the large number of council vacancies and unelected appointments which were occurring, many through council member resignations. These occurrences lead to several council appointments and seatings of unelected council members. This caused an appearance of trying to game the system and the creation of a mechanism to favor certain appointees to fill vacancies and an attempt to create an incumbency advantage at the next general election.

5) Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

Yes, I have attended many Sunnyvale city council, board and commission and study group meetings since the 1970's. What I've learned is:

1) Agenda items and study group hearings draw greater public participation and better participation and input from the public when staff reports, consultant reports and council comments and discussions are more succinct and brief. When this is achieved it allows more time for the public to comment and weigh in on topics and helps everyone better follow the proceedings.

2) Topics of high interest to the public are better attended when scheduled early on agendas. City council and staff, as well as members of the public, are fresher and engage more constructively when high interest agenda topics are scheduled earlier.

3) Continued and renewed efforts to end all council meetings by 11:00 PM helps maintain greater public participation and reduces burn-out of city staff, council members and the public. Council meetings which run too late risk having an empty gallery or just 1-2 people remaining because of running too late.

**CITY OF SUNNYVALE
CHARTER REVIEW COMMITTEE APPLICATION**

Office Use Only	
Date Received:	<u>11/6/17</u>
Voter registration Checked:	<u>11/7/17</u>

Please print or type answers to all questions. Write N/A if not applicable.

Eligibility requirements: Sunnyvale resident and registered voter in Sunnyvale. Contact the Office of the City Clerk at (408) 730-7483, cityclerk@sunnyvale.ca.gov with any questions.

IMPORTANT NOTICE

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Applicant Name:	<u>Singh</u>	<u>Avanindar</u>	<u>P.</u>
	Last	First	M.I
Current Residence	<u>[REDACTED]</u>	<u>Sunnyvale</u>	<u>CA</u>
	Street	City	State
			Zip

Email Address: [REDACTED]

Phone Number: [REDACTED]

How long have you been a resident of Sunnyvale? Since 12-15

Are you a currently-registered voter in Sunnyvale? Yes ☒

When was the last time you voted?
Month/Year 11/2016

Have you previously served as a City Councilmember? No ☒

If yes, when?	Term served	
	Term served	

Have you served on a previous City of Sunnyvale Charter Review Committee? No ☒

If yes, in what year? _____

Are you currently serving or have you served on a City of Sunnyvale board or commission? Yes ☒

If yes, which one?	<u>Housing & Human Services Commission</u>	Term currently serving	<u>3/2017 (expires 6/18)</u>
		Term previously served	

Are you currently serving or have you served on a City of Sunnyvale staff advisory committee? No ☒

If yes, which one?	Term currently serving	
	Term previously served	

Singh, Avanindar
Applicant Name: _____

1. What motivated you to apply for the Charter Review Committee?

I am currently vice chair of the Housing & Human Services Commission. It has been a very rewarding form of public service. I enjoy learning about complex issues (including how services are delivered/systems design), balancing tradeoffs, and deliberating with a group about recommendations for another body (the Council). I believe that the subject matter of this Charter Review Committee is important and would like to participate with other community members to evaluate options (including remaining with the current rules) for improving our community when it comes to filling vacancies.

2. What skills or attributes can you bring to the Charter Review Committee?

From my experience on the Commission, I believe I possess the following skills that would fit well with the work of the Committee: (1) actively listening to others and considering their viewpoints, (2) not having rigid opinions about how to design systems including considering costs, benefits, and collateral effects, (3) eagerness to learn about and scrutinize how other communities handle this issue.

Much of my work as an attorney focuses on advising people about options. I do not make final decisions. I work hard to understand my clients' goals, to consider the strengths and weaknesses of different approaches, and to provide my clients with informed advice. In many ways, that appears to be the work of the Charter Review Committee with the client being the City of Sunnyvale (its council and citizens).

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

Juris Doctorate, cum laude, Harvard University 2009

B.A., political science and philosophy with highest honors, University of California, Davis 2006

Trainings related to participation on Housing & Human Services Commission (including chair/vice chair training)

4. Briefly describe your current or last occupation.

I am a deputy public defender with the Office of the Public Defender in Santa Clara County. I have handled serious felony matters at every stage (arraignment, plea, preliminary examination, motions, trial, sentencing). I am currently in a unit where I advise other attorneys on complex legal issues, provide training, and litigate motions (including motions to dismiss and motions to suppress evidence).

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

Yes. I attended a Council meeting when I was sworn in. I have watched meetings online. Prior to my appointment, I attended Housing Commission meetings to learn how they operate. I learned about the importance of listening. There have been times where I review materials and form an opinion. After listening to members of the public (with different perspectives) my views have shifted. But that only occurs by being fully engaged with the community members. I would consider more use of video recording of commission meetings.

6. Describe your involvement in community activities, volunteer and civic organizations.

I am in my fourth year of coaching Mock Trial at Mountain View High School. I work with a class of approximately 20 students. The students put on a trial by playing witnesses, conducting examinations, and participating in legal argument. We have been able to trace the development of students from 9th to 12th grade. It has been very rewarding.

I am active with Asian Pacific Islander Minority bar associations. I was previously co-chair of the judicial endorsements committee of APABA-SV. I participated with a coalition of API bar associations on the judicial endorsement process where we interviewed applicants for appointment and election. I am currently chair of the policy committee of the Asian American Criminal Trial Lawyers' Association.

I produce a podcast on issues of criminal justice and society. The podcast is a hobby, but it has been a rewarding way to engage in a public discussion about criminal justice reform.

Applicant Name: Singh, Avanindar

7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe.

I certify under penalty of perjury that all statements I have made on this application are true and correct. I hereby authorize the City of Sunnyvale to investigate the accuracy of this information from any person or organization, and I release the City of Sunnyvale and all persons and organizations from all claims and liabilities arising from such investigation or the supplying of information for such investigation. I acknowledge that any false statement or misrepresentation on this application or supplementary materials will be cause for refusal of appointment or immediate dismissal at any time during the period of my appointment.

Your application is not complete until this application is completed, signed and submitted to the Office of the City Clerk, 603 All America Way, Sunnyvale, CA 94086.

Signature of Applicant



Date 11/6/2017

Pursuant to the Americans with Disabilities Act (ADA), the City of Sunnyvale will make reasonable efforts to accommodate persons with qualified disabilities during the interview process. Should you require special accommodations, please contact the Office of the City Clerk at (408) 730-7483 or cityclerk@sunnyvale.ca.gov at least 48 hours in advance of your scheduled interview.

**CITY OF SUNNYVALE
CHARTER REVIEW COMMITTEE APPLICATION**

Office Use Only	
Date Received:	11/8/17
Voter registration	
Checked:	11/13/17

Please print or type answers to all questions. Write N/A if not applicable.

Eligibility requirements: Sunnyvale resident and registered voter in Sunnyvale. Contact the Office of the City Clerk at (408) 730-7483, cityclerk@sunnyvale.ca.gov with any questions.

IMPORTANT NOTICE

Information provided on this application becomes a public record after it is officially filed. This document will be published to the City website with the interview materials. Personal contact information will be redacted.

Applicant Name: STEWART JR WILLIAM G

Current Residence: [REDACTED] [REDACTED] [REDACTED] [REDACTED] SUNNYVALE CA 94089-1623

Street City State Zip

Email Address: [REDACTED]

Phone Number: [REDACTED]

How long have you been a resident of Sunnyvale? 6 MONTHS

Are you a currently-registered voter in Sunnyvale? YES

When was the last time you voted?
Month/Year WHENEVER A BALLOT
WAS MADE AVAILABLE. I DO
NOT REMEMBER SPECIFIC
DATES. BUT, I ALWAYS VOTE.

Have you previously served as a City Councilmember?

If yes, when? NO Term served _____
Term served _____

Have you served on a previous City of Sunnyvale Charter Review Committee?

If yes, in what year? NO

Are you currently serving or have you served on a City of Sunnyvale board or commission?

If yes, which one? NO Term currently serving _____
Term previously served _____

Are you currently serving or have you served on a City of Sunnyvale staff advisory committee?

If yes, which one? NO Term currently serving _____
Term previously served _____

1. What motivated you to apply for the Charter Review Committee?

I BELIEVE SUNNYVALE IS THE BEST CITY I HAVE EVER RESIDED IN, AND I WANT ONLY THE BEST FOR ALL OUR CITIZENS.

2. What skills or attributes can you bring to the Charter Review Committee?

I HAVE SERVED IN OFFICIAL POSITIONS OF MANY COMMITTEES OVER THE YEARS. I HAVE ALSO SERVED AS PRESIDENT OF A HOMEOWNER'S ASSOCIATION AND A CITY PLANNING COMMITTEE. I AM WELL PREPARED WITH PLenty OF TIME (I AM RETIRED) AND SUBBURB ORGANIZATIONAL SKILLS.

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

3 PRIMARY CAREERS: 1) CIVIL ENGINEER, BUILDING ROADS AND BRIDGES; 2) AIR TRAFFIC CONTROLLER; AND 3) VIRTUALLY EVERY PHASE OF THE COMPUTER INDUSTRY.

4. Briefly describe your current or last occupation.

CURRENTLY RETIRED (SINCE 1993)

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

I HAVE NO SPECIFIC AGENDA... OPEN TO REQUESTS FOR EVALUATION.

6. Describe your involvement in community activities, volunteer and civic organizations.

- PRESIDENT, SAN DIEGO ^{AIRSPACE} AVIATION USERS GROUP, WORKING WITH THE FAA AND LOCAL GOVERNMENT TO EVALUATE AND RECOMMEND CHANGES TO THE LOCAL AIRSPACE.
- PRESIDENT, HERITAGE SQUARE HOMEOWNERS ASSOCIATION, 516 HOMES
- CHAIRMAN, ATLANTA MACINTOSH USERS GROUP, TOOK GROUP FROM 300 TO 3,000 MEMBERS.
- PRESIDENT, SAN DIEGO EASTERN AREA PLANNING COMMITTEE, HELD PUBLIC MEETINGS TO CONSIDER AND COMMENT ON LOCAL DEVELOPMENT.

Applicant Name: _____

7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe.

NB

I certify under penalty of perjury that all statements I have made on this application are true and correct. I hereby authorize the City of Sunnyvale to investigate the accuracy of this information from any person or organization, and I release the City of Sunnyvale and all persons and organizations from all claims and liabilities arising from such investigation or the supplying of information for such investigation. I acknowledge that any false statement or misrepresentation on this application or supplementary materials will be cause for refusal of appointment or immediate dismissal at any time during the period of my appointment.

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Signature of Applicant



Date

11/1/17

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**CITY OF SUNNYVALE
CHARTER REVIEW COMMITTEE APPLICATION**

Office Use Only	
Date Received:	<u>11/17/17</u>
Voter registration Checked:	<u>11/17/17</u>

Please print or type answers to all questions. Write N/A if not applicable.

Eligibility requirements: Sunnyvale resident and registered voter in Sunnyvale. Contact the Office of the City Clerk at (408) 730-7483, cityclerk@sunnyvale.ca.gov with any questions.

IMPORTANT NOTICE

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Applicant Name: Stone Laurence E.

Current Residence: [Redacted] Sunnyvale, CA 94081
Street City State Zip

Email Address: [Redacted]

Phone Number: [Redacted]

How long have you been a resident of Sunnyvale? 47 years

Are you a currently-registered voter in Sunnyvale? Yes. When was the last time you voted?
Month/Year 11/16

Have you previously served as a City Councilmember? Yes.

If yes, when? 1975-1983 1985-1993 Term served 16 1/2 yrs, 3 years as Mayor
Term served

Have you served on a previous City of Sunnyvale Charter Review Committee?

If yes, in what year? Twice, can't recall years

Are you currently serving or have you served on a City of Sunnyvale board or commission? No

If yes, which one? _____ Term currently serving _____
Term previously served _____

Are you currently serving or have you served on a City of Sunnyvale staff advisory committee? No

If yes, which one? _____ Term currently serving _____
Term previously served _____

Applicant Name: Lawrence Stone

1. What motivated you to apply for the Charter Review Committee?

⊗ PLEASE SEE ATTACHED PDF FOR ANSWERS.

2. What skills or attributes can you bring to the Charter Review Committee?

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

4. Briefly describe your current or last occupation.

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

6. Describe your involvement in community activities, volunteer and civic organizations.

Applicant Name: Lawrence Stone

7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe.

I certify under penalty of perjury that all statements I have made on this application are true and correct. I hereby authorize the City of Sunnyvale to investigate the accuracy of this information from any person or organization, and I release the City of Sunnyvale and all persons and organizations from all claims and liabilities arising from such investigation or the supplying of information for such investigation. I acknowledge that any false statement or misrepresentation on this application or supplementary materials will be cause for refusal of appointment or immediate dismissal at any time during the period of my appointment.

Your application is not complete until this application is completed, signed and submitted to the Office of the City Clerk, 603 All America Way, Sunnyvale, CA 94086

Signature of Applicant



Date 11-17-17

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SUNNYVALE CHARTER COMMITTEE APPLICATION
for Lawrence E. Stone
Friday, November 17, 2017

1. What motivated you to apply for the Charter Review Committee?

Carmen and I selected Sunnyvale as our home 40 years ago. Within a very few years, we became passionate boosters and supporters of all things Sunnyvale, and have remained deeply committed to the city's future and success. As Sunnyvale's charter is akin to a government constitution, I am applying to serve on this committee to make sure that the Charter remains relevant and fresh for modern times and changing mores.

2. What skills or attributes can you bring to the Charter Review Committee?

I believe I can serve as a bridge to the history of the City Charter helping fellow Charter Committee Members, Councilmembers and the public better understand the strengths and weaknesses of the various ideas and suggestions for change. I have seen most of them during my 40-year service to Sunnyvale and Santa Clara County.

I have always kept an open mind. As demonstrated in my current capacity as the Santa Clara County Assessor, and previously as a Councilmember and Mayor of Sunnyvale, I have listened and remained open to ideas for

change. My willingness to work collaboratively and consider all sides has been a strength recognized by the voters in ten successful elections, four in Sunnyvale and six in Santa Clara County.

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

Please see the attached vitae. Over 40-year career, in addition to elected office, I have served as a founder, chair or board member of dozens of community and civic organizations. As an elected official and as a volunteer, I have had considerable experience in building consensus and navigating the often controversial issues that will come before the Charter Review Committee.

4. Briefly describe your current or last occupation.

I currently serve as the elected Santa Clara County Assessor, a position I have held for 23 years. In addition, I co-founded a successful Bay Area real estate investment and development firm.

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

I do not bring to the Committee an agenda or specific proposals. Instead, I believe it is critical for members to be open to new ideas, and examine the City Charter in its entirety for its relevancy.

6. Describe your involvement in community activities, volunteer and civic organizations.

I encourage you to review my vitae which provides a few examples of my deep commitment to community service, including as a member of the Board for the Sunnyvale Chamber of Commerce; bringing Hands on the Arts Festival to Sunnyvale, which celebrates its 30th year in 2018; co-sponsoring Sunnyvale's arts commission, and earlier this year receiving the Murphy Lifetime Community Contribution Award from the Sunnyvale Chamber of Commerce.

7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe.

Absolutely no concerns; I strongly support.

**CITY OF SUNNYVALE
CHARTER REVIEW COMMITTEE APPLICATION**

Office Use Only	
Date Received:	<u>11/17/17</u>
Voter registration Checked:	<u>11/17/17</u>

Please print or type answers to all questions. Write N/A if not applicable.

Eligibility requirements: Sunnyvale resident and registered voter in Sunnyvale. Contact the Office of the City Clerk at (408) 730-7483, cityclerk@sunnyvale.ca.gov with any questions.

IMPORTANT NOTICE

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Applicant Name:	<u>Walker</u>	<u>Jack</u>	<u>A</u>
	Last	First	M.I
Current Residence	<u>[REDACTED]</u>	<u>Sunnyvale</u>	<u>CA</u>
	Street	City	State
			<u>94087</u>
			Zip

Email Address: [REDACTED]

Phone Number: [REDACTED]

How long have you been a resident of Sunnyvale? 32 years

Are you a currently-registered voter in Sunnyvale? Yes

When was the last time you voted?
Month/Year

Have you previously served as a City Councilmember? Yes

If yes, when?	<u>1995 - 2003</u>	Term served	<u>8 years</u>
		Term served	

Have you served on a previous City of Sunnyvale Charter Review Committee? No

If yes, in what year?

Are you currently serving or have you served on a City of Sunnyvale board or commission? Yes

If yes, which one?	<u>Planning Commission</u>	Term currently serving	
		Term previously served	<u>1991-1994</u>

Are you currently serving or have you served on a City of Sunnyvale staff advisory committee? No

If yes, which one?	<u> </u>	Term currently serving	
		Term previously served	

Applicant Name: Jack Walker

1. What motivated you to apply for the Charter Review Committee?

I am concerned about the recent unscheduled vacancy on the Council and want to review the Charter's provisions related to filling a future vacancy.

2. What skills or attributes can you bring to the Charter Review Committee?

Having served on the Council and Planning Commission, I understand the issues of concern. Having worked with the public before, during and after my service on the Council, I also understand and appreciate the need for public input on all governmental issues.

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

See attached VITA

4. Briefly describe your current or last occupation.

I currently am employed by Stellartech Research Corporation in Milpitas, CA as a Engineering Project Manager

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

6. Describe your involvement in community activities, volunteer and civic organizations.

I currently serve on the Fremont Union High School District's Bond and Parcel Tax Citizens' Oversight Committee. For previous activities, see the attached VTA

Applicant Name: Jack Walker

7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe.

I've no concerns.

I certify under penalty of perjury that all statements I have made on this application are true and correct. I hereby authorize the City of Sunnyvale to investigate the accuracy of this information from any person or organization, and I release the City of Sunnyvale and all persons and organizations from all claims and liabilities arising from such investigation or the supplying of information for such investigation. I acknowledge that any false statement or misrepresentation on this application or supplementary materials will be cause for refusal of appointment or immediate dismissal at any time during the period of my appointment.

Your application is not complete until this application is completed, signed and submitted to the Office of the City Clerk, 603 All America Way, Sunnyvale, CA 94086.

Signature of Applicant



Date 11/17/2017

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VITA

Jack Walker

Personal:

Born: Los Angeles, California, [REDACTED]

Sunnyvale Resident since 1982

Children: Jennifer, 33, Leah, 27

Current Address: [REDACTED]

Current Telephone: [REDACTED]

Current email: [REDACTED]

Education:

BSEE, California Polytechnic San Luis Obispo, 1982

Public Service:

Member, Fremont Union High School District's Bond and Parcel Tax Citizens' Oversight Committee, 2016-present

Member, Fremont Union High School Measure B Oversight Committee 2008-2014
Committee Co-Chair, 2008-2012

Member Sunnyvale Chamber of Commerce, 2007 - present

Board Member, Sunnyvale Chamber of Commerce, 2007 -2011

Chair, Sunnyvale Chamber of Commerce, 2009-2010

Sunnyvale City Council: 1995 – 2003

Council Subcommittees:

Chair, Telecommunications subcommittee

Chair, Council Policies, Procedures and Protocols subcommittee

Santa Clara County Solid Waste Commission: 1996-2003

Vice Chair: 2003

Santa Clara County Water Commission: 1996-2000

Santa Clara County Northwest Flood Control District: 1996-2003

Chair: 1999/2000

Santa Clara County North Central Flood Control District: 1996 - 1998

Santa Clara County Transportation Agency Policy Advisory Board: 1996-1997

Santa Clara County Transportation Agency Tasman West Advisory Board: 1996-1999

League of California Cities, Peninsula Division: 1995-2003

President: 1999

Member, League of California Cities Environmental Quality Policy Committee: 1996 - 2000

Member, Moffett Field Restoration Advisory Board, 1997-1999

Member, Moffett Field Community Advisory Committee, 1996

Sunnyvale Planning Commission, 1991-1994

Chair: 1994

Leadership Sunnyvale, 1991

President, Raynor Park Neighborhood Association 1987, 1989

Current Employment:

Project Engineering Manager, Stellartech Research Corporation

Patents:

- US Patent # 4,524,314

"Rear Travel Guidance System" - This patent covers work I did for Logisticon/Portec in developing a new steering algorithm for their electronic vehicle guidance/steering products.

- US Patent # 5,123,417

"Apparatus and Method for Displaying Ultrasonic Data" - This patent is the result of a project to develop a display system for 2-Dimensional ultrasonic doppler information.

CITY OF SUNNYVALE

CHARTER REVIEW COMMITTEE APPLICATION

Office Use Only

Date Received: 11/17/17

Voter registration

Checked: 11/17/17

Please print or type answers to all questions. Write N/A if not applicable.

Eligibility requirements: Sunnyvale resident and registered voter in Sunnyvale. Contact the Office of the City Clerk at (408)

730 - 7483, cityclerk@sunnyvale.ca.gov with any questions.

IMPORTANT NOTICE

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published to the City website with the interview materials. Personal contact information will be redacted.

Applicant Name:

Last First M.I

Weiss, Carol L.

Current Residence

 Sunnyvale, CA 94087

Street City State Zip

Email Address:



Phone Number:



How long have you been a resident of Sunnyvale? 41 years

Are you a currently - registered voter in Sunnyvale? Yes When was the last time you voted?

Month/Year 11/17

Have you previously served as a City Councilmember? No

If yes, when? Term served

Have you served on a previous City of Sunnyvale Charter Review Committee? __Yes__

If yes, in what year? 2011

Are you currently serving or have you served on a City of Sunnyvale board or commission?
_Yes__

If yes, which one? Term currently serving Planning Commission

Term previously served N/A

Are you currently serving or have you served on a City of Sunnyvale staff advisory committee?
____No__

If yes, which one? Term currently serving N/A

Term previously served N/A

Page 2 of 3

Applicant Name: _Carol L. Weiss_____

1. What motivated you to apply for the Charter Review Committee?

For the past year and a half, I have been aware of a problem in the current charter that needs to be addressed and I want to be part of the solution that this Charter Review Committee will address.

2. What skills or attributes can you bring to the Charter Review Committee?

I served as Chair of a past Charter Review Committee, in 2011, and had to draw upon as well as rein in the divergent and often conflicting personalities that served on that committee with me and arrive at a solution and at consensus.

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

B.A. Vassar College Minor in Political Science

M.A. Northeastern University Political Science: Public Administration

Chair, Santa Clara County Drug Advisory Commission

Member, Santa Clara County Human Relations Commission, Chair of its Social Equity Committee

2011 - Chair, Sunnyvale's Charter Review Committee

4. Briefly describe your current or last occupation.

Currently, Retired.

Previously, Taught A.P. Government, Economics, U.S. History at Milpitas H.S.

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

Yes, I have attended many Council and Commission meetings. I have noted the extreme lack of diversity in the composition of these, compared with the city's population. I think the city needs to do some outreach to get more of its varied citizen groups involved. I also think the city needs examine the numbered seat system of its council, as I am concerned that it may be subject to a lawsuit similar to what a few of our neighboring cities are undergoing.

6. Describe your involvement in community activities, volunteer and civic organizations.

I refer you to my answers to questions 2 and 3.

Page 3 of 3

Applicant Name: Carol L Weiss

Revised 10/4/2017 page 3 of 3

7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe. NO

I certify under penalty of perjury that all statements I have made on this application are true and correct. I hereby authorize the City of Sunnyvale to investigate the accuracy of this information from any person or organization, and I release the City of Sunnyvale and all persons and organizations from all claims and liabilities arising from such investigation or the supplying of information for such investigation. I acknowledge that any false statement or misrepresentation on this application or supplementary materials will be cause for refusal of appointment or immediate dismissal at any time during the period of my appointment.

Your application is not complete until this application is completed, signed and submitted to the Office of the City Clerk,

603 All America Way, Sunnyvale, CA 9408

Signature of

Date *17 November 2017*

Pursuant to the Americans with Disabilities Act (ADA), the City of Sunnyvale will make reasonable efforts to accommodate persons with qualified disabilities during the interview process. Should you require special accommodations, please contact the Office of the City Clerk at (408) 730 - 7483 or cityclerk@sunnyvale.ca.gov at least 48 hours in advance of your scheduled interview.

**CITY OF SUNNYVALE
CHARTER REVIEW COMMITTEE APPLICATION**

Office Use Only	
Date Received:	11/17/17
Voter registration Checked:	11/17/17

Please print or type answers to all questions. Write N/A if not applicable.

Eligibility requirements: Sunnyvale resident and registered voter in Sunnyvale. Contact the Office of the City Clerk at (408) 730-7483, cityclerk@sunnyvale.ca.gov with any questions.

IMPORTANT NOTICE

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Applicant Name: Ybarra David

Current Residence: [Redacted] Last [Redacted] First Sunnyvale, CA 94087 M.I.
Street City State Zip

Email Address: [Redacted]

Phone Number: [Redacted]

How long have you been a resident of Sunnyvale? 30 yrs

Are you a currently-registered voter in Sunnyvale? yes When was the last time you voted?
Month/Year Nov 2016

Have you previously served as a City Councilmember? NO

If yes, when? _____ Term served _____
_____ Term served _____

Have you served on a previous City of Sunnyvale Charter Review Committee? NO

If yes, in what year? _____

Are you currently serving or have you served on a City of Sunnyvale board or commission? NO

If yes, which one? _____ Term currently serving _____
Term previously served _____

Are you currently serving or have you served on a City of Sunnyvale staff advisory committee? NO

If yes, which one? _____ Term currently serving _____
Term previously served _____

Applicant Name: Ybarra, David

1. What motivated you to apply for the Charter Review Committee?

Prior to my retirement I served five California municipalities, including the City of Sunnyvale, in one management capacity or another. I am still interested in making local governments more effective, efficient, and accountable.

2. What skills or attributes can you bring to the Charter Review Committee?

As a management analyst in local government, I often had to prepare proposals for consideration by City Councils or other decision making boards. I did research, took input from potentially affected communities, and analyzed data to generate proposals that could yield the desired outcomes for the municipalities I served. In Calistoga I advised the city council on the replacement of a departed Council Member when the issue was left to the council alone.

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

MBA – Stanford Graduate School of Business, 1974

Graduate – Program for Senior Executives in State and Local Government, JFK School, Harvard.

4. Briefly describe your current or last occupation.

Senior Management Analyst – Washoe County, NV

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

6. Describe your involvement in community activities, volunteer and civic organizations.

Napa County Airport Advisory Commission – 2012-16

Napa Valley College – Citizens Bond Oversight Committee - 2006

Applicant Name: Ybarra, David

7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe.

NO

I certify under penalty of perjury that all statements I have made on this application are true and correct. I hereby authorize the City of Sunnyvale to investigate the accuracy of this information from any person or organization, and I release the City of Sunnyvale and all persons and organizations from all claims and liabilities arising from such investigation or the supplying of information for such investigation. I acknowledge that any false statement or misrepresentation on this application or supplementary materials will be cause for refusal of appointment or immediate dismissal at any time during the period of my appointment.

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Signature of Applicant



Date Nov 17, 2017

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**CITY OF SUNNYVALE
CHARTER REVIEW COMMITTEE APPLICATION**

Office Use Only	
Date Received:	11/20/17
Voter registration Checked:	11/20/17

Please print or type answers to all questions. Write N/A if not applicable.

Eligibility requirements: Sunnyvale resident and registered voter in Sunnyvale. Contact the Office of the City Clerk at (408) 730-7483, cityclerk@sunnyvale.ca.gov with any questions.

IMPORTANT NOTICE

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Applicant Name:	Dietrich	Hannalore		
	Last	First	M.I	
Current Residence	[REDACTED]	Sunnyvale	CA	94087
	Street	City	State	Zip
Email Address:	[REDACTED]			
Phone Number:	[REDACTED]			
How long have you been a resident of Sunnyvale?	20+ yrs			
Are you a currently-registered voter in Sunnyvale? Yes	<input checked="" type="checkbox"/>	When was the last time you voted?	Month/Year 05/2017	
Have you previously served as a City Councilmember? No	<input checked="" type="checkbox"/>			
If yes, when?		Term served		
		Term served		
Have you served on a previous City of Sunnyvale Charter Review Committee? No	<input checked="" type="checkbox"/>			
If yes, in what year?				
Are you currently serving or have you served on a City of Sunnyvale board or commission? Yes	<input checked="" type="checkbox"/>			
If yes, which one?	Heritage Preservation Commission	Term currently serving	2018	
		Term previously served		
Are you currently serving or have you served on a City of Sunnyvale staff advisory committee? No	<input checked="" type="checkbox"/>			
If yes, which one?		Term currently serving		
		Term previously served		

Applicant Name: Hannalore Dietrich

1. What motivated you to apply for the Charter Review Committee?

Do my civic duty as a constituent in the City of Sunnyvale and remain involved in City politics.

2. What skills or attributes can you bring to the Charter Review Committee?

Assisted Jim Griffith run successfully for City Council and as Mayor in the City of Sunnyvale. Assisted Gustav Larssen with his run for City Council. Have been the Chair of the Housing Commission and am now the Chair of the Heritage Preservation Commission. Graduate of Leadership Sunnyvale and have a Masters of Public Administration.

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

BA German, MPA Public Administration, volunteer - Friends of the Sunnyvale Library and formerly volunteer for the Sunnyvale Library, Intership with the City of Campbell and day in the city of Mountain View.

4. Briefly describe your current or last occupation.

Administrative Assistant - Schlumberger

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

Yes, have attended many city council meetings and commission meetings. The City is doing a wonderful job with their city council meetings and commission meetings, especially with there is a city council liaison at the commission/board meetings.

6. Describe your involvement in community activities, volunteer and civic organizations.

Volunteer: Sunnyvale Library, Friends of the Sunnyvale Library, City of Mt. View Attorney's Office, The Tech Museum, JustServe Specialist for website JustServe.org

Applicant Name: Hannalore Dietrich

7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe.

No

I certify under penalty of perjury that all statements I have made on this application are true and correct. I hereby authorize the City of Sunnyvale to investigate the accuracy of this information from any person or organization, and I release the City of Sunnyvale and all persons and organizations from all claims and liabilities arising from such investigation or the supplying of information for such investigation. I acknowledge that any false statement or misrepresentation on this application or supplementary materials will be cause for refusal of appointment or immediate dismissal at any time during the period of my appointment.

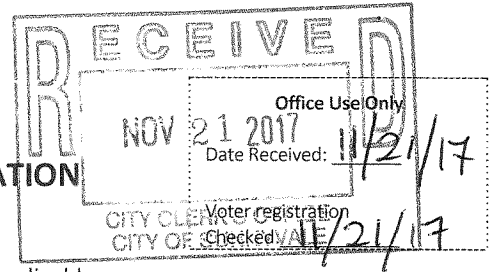
Your application is not complete until this application is completed, signed and submitted to the Office of the City Clerk, 603 All America Way, Sunnyvale, CA 94086.

Signature of Applicant

Date 11/5/2017

Pursuant to the Americans with Disabilities Act (ADA), the City of Sunnyvale will make reasonable efforts to accommodate persons with qualified disabilities during the interview process. Should you require special accommodations, please contact the Office of the City Clerk at (408) 730-7483 or cityclerk@sunnyvale.ca.gov at least 48 hours in advance of your scheduled interview.

**CITY OF SUNNYVALE
CHARTER REVIEW COMMITTEE APPLICATION**



Please print or type answers to all questions. Write N/A if not applicable.

Eligibility requirements: Sunnyvale resident and registered voter in Sunnyvale. Contact the Office of the City Clerk at (408) 730-7483, cityclerk@sunnyvale.ca.gov with any questions.

IMPORTANT NOTICE

Information provided on this application becomes a public record after it is officially filed. This document will be published to the City website with the interview materials. Personal contact information will be redacted.

Applicant Name: LaManque Andrew
Last First M.I.
Current Residence [REDACTED] Sunnyvale CA 94087
Street City State Zip

Email Address: [REDACTED]

Phone Number: [REDACTED]

How long have you been a resident of Sunnyvale? 13 years

Are you a currently-registered voter in Sunnyvale? **Yes**

When was the last time you voted?
Month/Year 11/2016

Have you previously served as a City Councilmember? **No**

If yes, when? _____ Term served _____
_____ Term served _____

Have you served on a previous City of Sunnyvale Charter Review Committee? **No**

If yes, in what year? _____

Are you currently serving or have you served on a City of Sunnyvale board or commission? **No**

If yes, which one? _____ Term currently serving _____
Term previously served _____

Are you currently serving or have you served on a City of Sunnyvale staff advisory committee? **No**

If yes, which one? _____ Term currently serving _____
Term previously served _____

Applicant Name: _____

1. What motivated you to apply for the Charter Review Committee?

I am interested in serving and being more involved as a citizen of the city.

2. What skills or attributes can you bring to the Charter Review Committee?

I am open minded, a good listener, and have good analytical skills.

3. Education: List college degrees and majors, and any relevant training or experience that demonstrates your ability to effectively serve on the Charter Review Committee.

I have a BS degree in Management Science / Finance, MA in Economics, and PhD in Educational Administration. I am use to working with committee bylaws in my work.

4. Briefly describe your current or last occupation.

I currently work in education in a planning related administrative position. In the past I have worked in institutional research which requires analyzing data and understanding trends in demographic changes.

5. Have you attended a City Council, board or commission meeting? If so, please describe what you learned and what improvements you would suggest the City consider.

6. Describe your involvement in community activities, volunteer and civic organizations.

I have participated as a member of the School Site Council at the local elementary school.

Before moving to California I was an elected member of a rural Town Board.

Applicant Name: _____


7. The City has a Code of Ethics and Conduct for Elected and Appointed Officials that appointed members are required to follow. Do you have any concerns in this area? If so, please describe.

No

I certify under penalty of perjury that all statements I have made on this application are true and correct. I hereby authorize the City of Sunnyvale to investigate the accuracy of this information from any person or organization, and I release the City of Sunnyvale and all persons and organizations from all claims and liabilities arising from such investigation or the supplying of information for such investigation. I acknowledge that any false statement or misrepresentation on this application or supplementary materials will be cause for refusal of appointment or immediate dismissal at any time during the period of my appointment.

Your application is not complete until this application is completed, signed and submitted to the Office of the City Clerk, 603 All America Way, Sunnyvale, CA 94086.

Signature of Applicant



Date 11/10/2017

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City of Sunnyvale

Agenda Item

17-1069

Agenda Date: 12/12/2017

REPORT TO COUNCIL

SUBJECT

Review Draft Work Plan for 2017 Housing Strategy (Study Issue)

BACKGROUND

The 2017 Housing Strategy study issue, CDD 17-09, was ranked number one by Council among all proposed Community Development Department (CDD) study issues in 2017. The study issue paper is included as Attachment 1 to this report. This study issue consists of a combination of several more narrowly focused study issues proposed by commissions and/or Council on housing policy issues. Staff proposed this study as a more holistic and integrated alternative to doing several highly specific but possibly disjointed study issues. The scope of this study was further refined through Council direction during the study issues workshop in February and the March 28, 2017 hearing on the proposed timeline for the ranked study issues (RTC No. 17-0156). A budget supplement to provide \$200,000 in funding for this project was approved by Council as part of the 2017-18 Adopted Budget. That budget is available for consultant studies and/or contract staff as may be needed to complete the study, manage the public outreach process, and finalize the reports and related materials for Council and commissions' consideration.

EXISTING POLICY

General Plan: 2015-2023 Housing Element

Goal A: Assist in the provision of adequate housing to meet the diverse needs of Sunnyvale's households of all income levels.

See Attachment 3 for the list of all General Plan Housing Element goals and policies.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

DISCUSSION

Although this study originated from a diverse set of issues, the general goal of the 2017 Housing Strategy is to refine the City's long-term housing strategy to identify potential improvements to existing programs and approaches, and/or potential new approaches to increase affordable housing stock and/or improve affordability of housing in the City.

Staff has prepared a draft Work Plan and Scope of Work (Attachment 2) for this study issue based on the original paper and input received to date from Council. In addition, the Scope of Work has been expanded slightly since March to accommodate additional tasks needed to analyze and respond to

new State laws related to housing (the “2017 Housing Package”). Some of the new laws in that package require cities to modify their current procedures for development review, dwelling unit data collection and reporting related to new residential developments. One of those laws, the “Palmer fix” bill, allows cities to adopt or reinstate prior inclusionary housing requirements for rental housing. That change will also be analyzed through this study, as it provides the City with another tool to use to generate more affordable rental units within new developments.

In addition to the shifting landscape of California laws related to development review, zoning, and housing production, the federal tax reform legislation currently being considered in Congress may create new challenges to affordable rental housing production and/or for first-time home buyers. For these reasons, staff recommends that Council provide staff with flexibility to adjust the scope of work as needed to respond to significant state or federal legislation or other policy actions that may be enacted in the near term that may create significant impacts on the City’s current or planned housing efforts.

Context for Study

The City will be undertaking this study in a time of significant change in State law related to housing development and pending significant changes to federal housing policy and subsidy levels which will impact staff workload. In addition, the City continues to experience historically high volumes of development activity (of all types). During the same time-period when this study will be undertaken, staff will also be completing certain periodic activities required by the federal government, including the 2018-19 Assessment of Fair Housing (AFH) and 2020 HUD Consolidated Plan (ConPlan) update, and preparation for the 2020 Census. This background workload will raise issues related to, and help to inform the development of the Housing Strategy. It will also require the City to focus the scope of this study so that it can be completed with the budget and staff resources available.

Work Plan and Scope of Work

Attachment 2 is the detailed workplan and scope of work for the Housing Strategy. The workplan schedule is approximately one year to complete the review and return to City Council with a final report. The scope of work states the goal of (and context for) the study and lists the main study items, summarized below.

- 1) **Rent stabilization** programs for Sunnyvale mobile home parks
- 2) **Age-friendliness** of housing in Sunnyvale
- 3) **Supply-side** housing efforts, such as:
 - More generous affordable housing project financing
 - Land acquisition financing program for non-profit developers
 - Enacting a rental inclusionary ordinance consistent with AB 1505, and/or
 - Updating the condominium conversion ordinance;
- 4) **Demand-side** approaches, such as:
 - Educational programs on financial literacy, homebuyer education, tenant education, or
 - Other possible demand-side approaches not currently offered by the City;
- 5) If contract funding is available after items 1-4 are addressed, any of the following items may be added to the scope:
 - **Development Review**: Refine development review procedures, refine tracking or reporting procedures, and/or other operational changes
 - **Funding**: Analyze new State laws to identify any new planning and/or funding

opportunities

- **Accessory Dwelling Units (ADUs):** Consider methods to improve code compliance and health and safety among properties with unpermitted ADUs
- **Housing Element Objectives:** Describe and analyze options related to housing policy objectives not yet completed from 2015 Housing Element

Community Engagement

The study will include a variety of outreach techniques designed to reach a broad spectrum of: local residents and workers; public agencies such as school districts; non-profit organizations; faith communities and cultural organizations; neighborhood associations; residential developers and real estate industry professionals; local employers and/or business associations; mobile home park residents and interest groups; housing policy groups; equity and environmental groups; city boards and commissions; and, any other interested stakeholders.

Staff maintains an outreach database of more than 200 parties interested in housing and community development issues in the local area, an affordable housing ("BMR") interest list of more than 1,000 affordable home-seekers and other interested parties, and has a list of several hundred email subscribers to the Housing e-newsletter. Staff will use these communication channels, as well as "Update Sunnyvale", Open City Hall, and news posts and related content on the City website to invite all existing contacts and other community members to participate in this process and to keep interested parties informed about the 2017 Housing Strategy. The community will be invited to participate in review and conversation through periodic meetings and hearings. Staff has tentatively included a late February presentation to the Housing and Human Services Commission to present the work plan, scope of work, and any additional progress staff may have to report at that time.

FISCAL IMPACT

The recommended action will not impact the General Fund, as the funding for this study is included in the 2017/18 Adopted Budget.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

ALTERNATIVES

1. Approve Work Plan and Scope of Work as shown in Attachment 2 to the report.
2. Approve Work Plan and Scope of Work with modifications as specified by Council.
3. Other direction.

STAFF RECOMMENDATION

Alternative 1: Approve Work Plan and Scope of Work as shown in Attachment 2 to the report.

Though staff recommends Alternative 1, Council may choose Alternative 2 to provide direction to further focus or refine the scope of work or work plan.

Prepared by: Suzanne Isé, Housing Officer

Reviewed by: Trudi Ryan, Director, Community Development Department

Reviewed by: Teri Silva, Interim Assistant City Manager

Approved by: Kent Steffens, Interim City Manager

ATTACHMENTS

1. Study Issue Paper CDD 17-09
2. Draft Work Plan and Scope of Work
3. General Plan Housing Element Goals and Policies



City of Sunnyvale

Agenda Item

17-0219

Agenda Date: 2/17/2017

2017 COUNCIL STUDY ISSUE

NUMBER

CDD 17-09

TITLE 2017 Housing Strategy

BACKGROUND

Lead Department: Community Development

Support Department(s): Office of the City Attorney, Office of the City Manager

Sponsor(s):

City Manager

History:

1 year ago: N/A

2 years ago: N/A

SCOPE OF THE STUDY

What are the key elements of the study?

This study issue is offered as an alternative to the housing related studies that have been proposed:

- CDD 17-03 Rent Stabilization for Mobile Home Parks
- CDD 17-05 Consider Revising Certain Requirements of the Sunnyvale Municipal Code Chapter 19.72: Mobile Home Park Conversions
- CDD 17-06 Explore Introduction of a Rent Stabilization Ordinance

As discussed during the Strategic Policy Priority setting process, City staff relayed that the larger message taken from the collection of submitted housing study issues is that there is a desire to make sure that the City's housing policies, particularly for affordable housing, were appropriately meeting the needs of the community and goals of the City Council. Rather than absorbing a collection of issues to examine, it may be that these individual study issues combined will not fully address the housing needs of the community and staff would like the opportunity for the City Council to consider a more comprehensive approach that exceeds the topics submitted (and, in some cases, may integrate them fully) as it manages limited staff resources.

Plus, there is the following potential study issue, as previously sponsored by the Planning Commission and later voted to drop:

- CDD 17-07 Review and Consider Increasing the Below Market Rate (BMR) Ownership Housing Requirements (Chapter 19.67 of the Municipal Code)

As an alternative, staff feels that the City's sponsored Study Issue would complement several other

planned activities for the Housing Division in 2017.

- Legislative Advocacy: Monitoring (and advocating on the City's behalf, as needed) federal and state housing policy changes, including matters related to funding, key federal program regulations, and new legislation (mainly at the state level). State legislation already in process or expected to appear includes a variety of topics important to the City, such as: clean-up bills related to 2016 accessory dwelling unit bills; bills proposing to significantly change local permit processes ("by-right" bills) and/or the CEQA process related to housing development, and bills related to local jurisdictions' performance under current housing laws, such as the housing element law and various related laws. By the end of January 2017 there were at least seven new housing-related bills in various stages of preparation, at the state legislature. Various changes in federal housing policy, federal rule-making, and funding availability have either begun to occur or are expected to occur within the fiscal year, particularly during the federal appropriations process for the next federal fiscal year. Some federal policy makers have already suggested significant cuts to federal programs, even complete elimination of the Community Development Block Grant (CDBG) under which the City receives approximately \$1 million in grant funds annually
- Major Capital Projects: (new or rehabilitated housing developments completed with City financing and oversight). Staff is currently managing several major affordable housing development projects at various stages in the pipeline, including two new construction projects (Benner Plaza and the Block 15 affordable housing site in Downtown) and several rehabilitation projects (Eight Trees, Crescent Terrace, Orchard Gardens). In addition, many older properties previously assisted by the City have reached a phase where time-consuming compliance and asset management activities are required, such as updating and modifying existing agreements to allow for the exit of limited investor partners, revisiting loan terms, etc.
- Housing Element Policy Objectives: The adopted 2015-2023 Housing Element includes several actions requiring further study that are supposed to be completed within the next year or two. These include: a study of options to expand areas where accessory dwelling units (ADUs) can be developed, primarily by lowering the minimum lot size requirement; a study of options for requiring landlords to provide relocation assistance for tenants of standard rental units (apartments, etc.) when those units are removed from the market through redevelopment or substantial rehabilitation requiring temporary or permanent relocation; a study of possible incentive programs or policies for Priority Development Areas to encourage development of more affordable units; and a study of funding policies and priorities for the City's current housing mitigation fee revenues
- Development Review (Housing Related): There are several major developments already entitled or in the application phase that will require significant amount of time from the Housing and legal staff this year; completing the project's Below Market Rate, Density Bonus, and/or fee-related agreements, due to the variety of options developers can pursue in complying with the City's BMR and/or fee requirements. These projects include the AMD site redevelopment, Butcher's Corner, Town Center, and several density bonus rental projects (Sobrato on Karlstad and Greystar on Kifer, among others). In addition, the large number of affordable units currently in the pipeline (~500) will require significant work by Housing staff in assisting developers to market and lease or sell these units, as applicable, such as through lotteries, waiting lists, or general marketing efforts. Development review efforts also include oversight of proposed and/or approved mobile home park conversions and/or subdivisions of various kinds, and any tenant relocation efforts in process. In addition, properties with expiring affordable units, such as the recent Grove Garden project and upcoming expirations in BMR

rental projects, require significant staff effort to assist tenants in finding other housing.

Staff has proposed this study to undertake a more comprehensive look at the City's current market conditions, current policies, programs, planned studies, proposed studies, and existing pipeline of affordable units, in the context of external forces that impact the City's housing stock, including federal, state, and private sector actions. The intended outcome of this study would be a comprehensive strategy that would offer the City guidance in using its limited funding and staffing resources in the most effective way to positively impact current local housing conditions for local residents and workers, focusing on issues such as affordability, accessibility, quality, and sustainability (both in the financial and environmental sense). The study could also propose changes in the City's existing practices that promote the Council's desired goals.

Additional ideas that may be analyzed as part of this study could include any of those on the list below, which were presented at the City Council strategic planning sessions in 2017.

Supply-side (producer) approaches

- Relax development standards to reduce development costs
- Further streamline development review process / Expand by-right zoning (state may impose on cities anyway)
- More generous project funding/underwriting standards*
- Develop Land Acquisition Assistance Program*
- Condo conversion ordinance update*

Demand-side (consumer) approaches

- Expand down payment & renter assistance programs
- Expand current programs to new income levels (e.g., above 120% AMI)
- Increase Education Programs (financial literacy, homebuyer education, tenant education)*
- BMR expansion (related to proposed Study Issue: CDD-17-07)
- Rent stabilization (related to other proposed Study Issues: CDD 17-03 and CDD 17-06)
- Other mobile home related items (related to proposed Study Issue: CDD 17-05)

*Staff has preliminarily identified these strategies as being the most impactful for Sunnyvale.

What precipitated this study?

There is growing concern about the affordability and availability of housing in Sunnyvale and the region. There are several other proposed study issues focused on specific concerns or solutions; this study is proposed as a more holistic examination of the overall local housing context, to analyze which strategies could be implemented by the City most effectively and to assist the largest number of local residents and/or housing seekers. These strategies could consist of modifications/enhancements to existing housing programs, integration of proposed study issues, introduction of new programs, changes to City policies or regulations, or other strategies.

Planned Completion Year: 2017/2018

FISCAL IMPACT**Cost to Conduct Study**

Level of staff effort required (opportunity cost): Major

Amount of funding above current budget required: \$ 200,000

Funding Source: Will seek budget supplement

Explanation of Cost:

There is minimal capacity in the Community Development Department for housing-related studies this year due to the large number of affordable housing development projects, policy projects, development review-related workload, legislative advocacy and general operational workload currently impacting staff, as described above. The funding would be used to hire one or more specialized consultants with expertise in these areas, such as an economic/financial firm and housing policy/programs firm, as well as short-term provisional or contract staff to manage the consultant contracts, plan and manage public outreach efforts, and respond to public inquiries related to the study. The work of the staff and consultants would be overseen by the Housing Officer.

Cost to Implement Study Results

Unknown. Study would include assessment of potential costs.

Explanation of Cost: The study will include an assessment of existing revenue sources for housing programs and projects, and whether changes in how the various housing activities are administered and/or current City codes or policies could be modified to reduce project or program costs.

EXPECTED PARTICIPATION IN THE PROCESS

Council-approved work plan: Yes

Council Study Session: Yes

Reviewed by Boards/Commissions: Housing and Human Services; possibly Planning Commission if changes to zoning regulations are proposed.

STAFF RECOMMENDATION

Position: Support

Explanation: The study is recommended as an alternative to the other housing-related study issues proposed for 2017 to provide a more comprehensive review of options for improving the production and availability of affordable housing and addressing other areas of public concern related to housing.

Prepared By: Suzanne Ise, Housing Officer

Reviewed By: Trudi Ryan, Director, Community Development

Reviewed By: Kent Steffens, Assistant City Manager

Approved By: Deanna J. Santana, City Manager

Draft Work Plan and Scope of Work for 2017 Housing Strategy
Study Issue CDD 17-09

WORK PLAN

Task	Responsible Party	Complete by
Prepare Draft Work Plan & Scope of Work	Staff (CDD)	Nov. 17, 2017
Review & Approve Draft Work Plan & Scope of Work	Council	Dec. 12, 2017
Issue RFP for Consultants, begin internal data gathering/research for project	Staff (CDD, Purchasing)	Jan. 30, 2018
Interim Progress Report to HHSC (Work Plan/Scope of Work Overview)	Staff	March 1, 2018
Select consultant, award contract, begin study	Staff (CDD), consultant	March 15, 2018
Hire part-time staff support (if needed)	Staff (CDD, HR)	April 30, 2018
Review initial findings/report from consultant, begin community outreach	Staff, consultant	May 15, 2018
Continue community engagement, analyze results, refine strategy	Staff, consultant	Aug. 2018
Hold hearings on study findings, recommended strategy (HHSC, possibly Planning Commission depending on extent of strategy related to zoning code and/or land use issues)	Staff, consultant HHSC, (PC)	Sep – Nov. 2018
Incorporate B/C recommendations, public input, hold Council study session (if needed), prepare final report to Council, final Council action	Staff, consultant, Council	Dec. 2018 – Jan 2019

Draft Work Plan and Scope of Work for 2017 Housing Strategy
Study Issue CDD 17-09

SCOPE OF WORK

- Goal:** The goal of the 2017 Housing Strategy is to refine the City's long-term housing strategy to identify potential improvements to existing programs and approaches, and/or potential new approaches to increase affordable housing stock and/or improve affordability of the local housing market.
- Context:** The City is undertaking this study in a time of significant change in State law related to housing development and pending substantial changes to federal housing policy and subsidy levels. In addition, the local context includes all-time historically high volumes of development activity (of all types), and periodic operational activities in CDD, including the 2018-19 Assessment of Fair Housing (AFH) and 2020 HUD Consolidated Plan (ConPlan) update, and preparation for the 2020 Census. The City must complete the AFH, ConPlan update and Census activities to meet federal requirements. This context will raise issues related to, and help to inform the development of the Housing Strategy. In addition, mandatory workloads related to these state and federal requirements will require that the City maintain discipline by carefully focusing the scope of this study so that it can be completed with the budget and staff resources available. If not, additional budget and staffing resources will be needed, or the timeline for completion may need to be extended.

Scope of study, consistent with Council direction to date, includes the following:

- 1) Describe and analyze options, pros and cons of space rent stabilization programs for Sunnyvale mobile home parks, potential costs and funding structures for implementation of such a program, and feasibility of park acquisition options (by residents, co-op and/or non-profit entities). Provide a high-level overview of the general effectiveness of current mobile home park conversion policy (Chapter 19.72); and
- 2) Review the age-friendliness of housing in Sunnyvale. Describe cost-effective, legally feasible options for improving its age-friendliness through City policy or practice;
- 3) Describe and analyze options related to supply-side housing efforts, such as, but not limited to: more generous affordable housing project financing, land acquisition financing program for non-profit developers, enacting a rental inclusionary ordinance consistent with AB 1505, and/or updating the condominium conversion ordinance;
- 4) Describe and analyze options related to demand-side approaches, such as, but not limited to: educational programs on financial literacy, homebuyer education,

Draft Work Plan and Scope of Work for 2017 Housing Strategy
Study Issue CDD 17-09

tenant education, or other possible demand-side approaches not currently offered by City;

- 5) If contract funding is available after items 1-4 are addressed, any of the following items may be added to the scope, after initial negotiations with selected consultant and at the direction of the CDD Director:
- a) Refining development review procedures for housing developments, refining tracking or reporting procedures, and/or other operational changes that may be needed to comply with the mandatory aspects of new State laws (the “2017 Housing Package”);
 - b) Analyzing new State laws to identify any new planning and/or funding opportunities that may be worthwhile for the City to explore;
 - c) Consider methods to improve code compliance and health and safety among properties with unpermitted ADUs, without triggering displacement or other adverse impacts to neighborhoods;
 - d) Describe & analyze options related to housing policy objectives not yet completed from the 2015 Housing Element (i.e., apartment tenant relocation assistance policy; PDA incentives/policies; and HMF funding policies/priorities);

The purpose of this study is to provide the City with an updated strategy that recognizes and builds on the strategies described in the current Housing Element and 2015-2020 HUD Consolidated Plan, to guide future housing policy to address current and future community needs.

DELIVERABLES:

- A. **Draft report** on initial findings, conclusions, and recommended options for implementation. Report would consider cost/benefit of each recommended option, and highlight options projected to have most net positive impact on Sunnyvale's housing market (in terms of affordability, accessibility, quality, urban design, workforce needs, transportation, sustainability, etc.), within available private and/or public investment parameters. Analysis would consider fiscal impacts of policy changes and/or program implementation, potential administrative burden, infringement on private property rights, and/or other potential unintended negative impacts, as well as positive impacts. Report to provide brief background overview of existing housing policy tools and programs being implemented by City.
- B. Implement a **public engagement plan** with multiple channels (in person meetings, online input, newsletters, etc.) for public input for the project team and policymakers to consider. Implement outreach plan and provide meeting notes, summary and analysis of feedback received, how it might influence final strategy.

Draft Work Plan and Scope of Work for 2017 Housing Strategy
Study Issue CDD 17-09

- C. **Final report** with recommended strategy to guide the City for the remainder of the 2015-2023 Housing Element period. Strategy should provide structure for effective use of limited funding and staffing to improve housing conditions for Sunnyvale residents and workers, while avoiding, to the extent possible, negative impacts noted above. Provide projections of implementation costs and/or revenues for recommended programs, and recommend options for program design, administrative structure, and/or policy approaches to minimize implementation costs to the extent possible.



Goals and Policies

This section of the Housing Element presents the goals and policies the City intends to implement to address Sunnyvale's identified housing needs.

Provision of New Housing and Home Buyer Assistance

Goal A Assist in the provision of adequate housing to meet the diverse needs of Sunnyvale's households of all income levels.

- Policy A.1** Encourage diversity in the type, size, price and tenure of residential development in Sunnyvale, including single-family homes, townhomes, apartments, mixed-use housing, transit-oriented development, and live-work housing.
- Policy A.2** Facilitate the development of affordable housing through regulatory incentives and concessions, and/or financial assistance.
- Policy A.3** Utilize the Below Market Rate (BMR) Housing requirements as a tool to integrate affordable units within market rate developments, and increase the availability of affordable housing throughout the community.
- Policy A.4** Continue to require office, residential, and industrial development to mitigate the demand for affordable housing.
- Policy A.5** Work with Sunnyvale's major employers, educational and health care institutions to facilitate and encourage the development of workforce housing. Promote the City's affordable housing programs with local employers.
- Policy A.6** Provide first time homebuyer assistance to low and moderate income households, with priority to buyers who currently work and/or live in Sunnyvale.
- Policy A.7** Support collaborative partnerships with non-profit organizations, affordable housing builders, and for-profit developers to gain greater access to various sources of affordable housing funds.
- Policy A.8** Encourage developers to use State density bonus incentive when applicable to provide affordable housing units.



Housing Conservation and Maintenance

Goal B **Maintain and enhance the condition and affordability of existing housing in Sunnyvale.**

Policy B.1 Encourage property owners to maintain rental and ownership units in sound condition through the City's neighborhood preservation and housing rehabilitation programs.

Policy B.2 Provide community outreach and comprehensive neighborhood improvement programs within Sunnyvale's Neighborhood Enhancement areas to improve housing conditions and the overall quality of life.

Policy B.3 Strengthen multi-family neighborhoods through partnerships with non-profit housing organizations in the acquisition and rehabilitation of older residential properties and maintenance as long term affordable housing.

Policy B.4 Work with property owners, tenants, and non-profit purchasers to facilitate the preservation of publicly-assisted rental housing to maintain affordability to lower income households.

Policy B.5 Support the provision of rental assistance by the Santa Clara County Housing Authority to lower income households.

Policy B.6 Preserve Sunnyvale's mobile home parks as an affordable housing option. Maintain at least 400 acres of mobile home park zoning.

Policy B.7 Regulate the conversion of rental apartments to condominium ownership, and only permit conversions when the citywide vacancy rate for rental units warrants, and a benefit to the overall housing supply can be shown.



Removal of Governmental Constraints

Goal C Minimize the impact of governmental constraints on the maintenance, improvement and development of housing.

Policy C.1 Monitor and revise when appropriate all regulations, ordinances, departmental processing procedures and fees related to the rehabilitation and construction of housing units to assess the impact on housing costs and/or future supply.

Policy C.2 Maintain provisions for supportive and transitional housing and emergency shelters in the City's Zoning Code.

Policy C.3 Maintain reduced parking standards for special needs housing and housing in close proximity to public transit.

Provision of Adequate Housing Sites

Goal D Provide adequate sites for the development of new housing through appropriate land use and zoning to address the diverse needs of Sunnyvale's residents and workforce.

Policy D.1 Provide sites for development of housing that responds to diverse community needs in terms of density, tenure type, unit size, accessibility, location and cost.

Policy D.2 Continue to accommodate new residential development into specific plan areas and areas near transit and employment and activity centers, such as the El Camino Real corridor and Lawrence Station area.

Policy D.3 Require new development to build to at least 75 percent of the maximum zoning density, unless an exception is granted by the City Council.

Policy D.4 Assist residential developers in identifying sites through dissemination of the sites inventory.

Policy D.5 Provide opportunities and incentives for mixed use, multi-family infill, and transit-oriented development in Downtown Sunnyvale as part of the City's overall revitalization strategy for the area.



- Policy D.6** Provide expanded areas for higher density housing through the conversion of underutilized industrial areas to residential use, if the sites are consistent with General Plan standards for residential uses (i.e., no health hazards exist).
- Policy D.7** Take advantage of existing infrastructure and public improvements to provide additional housing by allowing accessory living units within residential neighborhoods.

Equal Housing Opportunities and Special Needs

Goal E Promote equal housing opportunities for all residents, including Sunnyvale's special needs populations, so that residents can reside in the housing of their choice.

- Policy E.1** Support the provision of fair housing services and tenant/landlord mediation to residents.
- Policy E.2** Implement City ordinances regarding prohibition of discrimination in housing.
- Policy E.3** Continue to address the special housing needs of seniors through provision of affordable housing, and housing-related services, such as home rehabilitation programs, paint grants, and maintenance, shared housing match, and housing counseling (i.e. reverse mortgage counseling, etc.) and various referral services.
- Policy E.4** Continue to address the special needs of persons with disabilities through provision of supportive housing, accessibility grants, and development of procedures for reasonable accommodation.
- Policy E.5** Encourage the provision and distribution of residential care facilities throughout the community.
- Policy E.6** Participate in the County Collaborative on Affordable Housing and Homeless Issues to support its efforts to prevent and end homelessness. Facilitate and sponsor the provision of permanent supportive housing for homeless people. Support local service providers that offer facilities and support services to homeless individuals and families, and persons at risk of homelessness.
- Policy E.7** Encourage developers to design and develop housing projects that accommodate the needs of large families, single-parent



households, and/or families with children, such as including units with three or more bedrooms, on-site child care facilities, and/or family-friendly open space and common areas.

Neighborhood Quality

Goal F **Maintain sustainable neighborhoods with quality housing, infrastructure and open space that fosters neighborhood character and the health of residents.**

- Policy F.1** Continue efforts to balance the need for additional housing with other community values, including preserving the character of established neighborhoods, high quality design, and promoting a sense of identity in each neighborhood.
- Policy F.2** Promote neighborhood vitality by providing adequate community facilities, infrastructure, landscaping and open space, parking, and public health and safety within new and existing neighborhoods.
- Policy F.3** Continue a high quality of maintenance for public streets, rights-of-way, and recreational areas, and provide safe and accessible pedestrian, bike, and transit linkages (accessibility) between jobs, residences, transportation hubs, and goods and services.
- Policy F.4** Continue to implement a citizen-oriented, proactive education program regarding neighborhood preservation. Encourage resident involvement in identifying and addressing neighborhood needs in partnership with the City.
- Policy F.5** Promote the preservation of historically and architecturally significant buildings and neighborhoods through land use, design and housing policies.
- Policy F.6** Require the use of sustainable and green building design in new and existing housing.
- Policy F.7** Continue to permit and encourage a mix of residential, neighborhood-serving retail, and job-producing land uses, as long as there is neighborhood compatibility and no unavoidable environmental impacts.



City of Sunnyvale

Agenda Item

17-1160

Agenda Date: 12/12/2017

REPORT TO COUNCIL

SUBJECT

Approve Two Resolutions Authorizing the Advance Refunding of the City's Water Revenue Bonds, Series 2010 and Wastewater Revenue Bonds, Series 2010, Approval of the Official Documents Related to the Transactions, and Award a Contract in an Amount of \$193,000 plus Incidental Expenses to Jones Hall, A Professional Law Corporation for Bond and Disclosure Counsel Services, and Find that these Actions are Exempt from CEQA

REPORT IN BRIEF

Staff recommends that the City Council adopt a resolution which authorizes, including the approval of all official documents and related actions, the issuance of a City of Sunnyvale Water Revenue Refunding Bonds, Series 2017 (the "2017 Water Refunding Bonds") in an amount not to exceed \$20,000,000 and at an interest rate not to exceed 4.5%, to advance refund the City's outstanding Water Revenue Bonds, Series 2010 for debt service savings.

Staff also recommends that the City Council adopt a resolution which authorizes, including the approval of all official documents and related actions, the issuance of a City of Sunnyvale Wastewater Revenue Refunding Bonds, Series 2017 (the "2017 Wastewater Refunding Bonds" and, with the 2017 Water Refunding Bonds, the "2017 Refunding Bonds") in an amount not to exceed \$27,500,000 and at an interest rate not to exceed 4.5%, to advance refund the City's outstanding Wastewater Revenue Bonds, Series 2010 for debt service savings.

The City has one outstanding water revenue bond issue and one outstanding wastewater revenue bond issue. The City of Sunnyvale Water Revenue Bonds, Series 2010 (the "2010 Water Bonds") advance refunded the portion of the Sunnyvale Financing Authority Water and Wastewater Bonds issued in 2001 (the "2001 Water and Wastewater Bonds") that was allocable to Water System improvements, and financed new capital improvements to the City's Water System. The City of Sunnyvale Wastewater Revenue Bonds, Series 2010 (the "2010 Wastewater Bonds" and, with the 2010 Water Bonds, the "2010 Bonds") advance refunded the portion of the 2001 Water and Wastewater Bonds that was allocable to Wastewater System improvements, and financed new capital improvements to the City's Wastewater System.

The 2010 Water Bonds carry interest rates of 4.00% to 5.25% through April 1, 2040 (final maturity); the 2010 Wastewater Bonds carry interest rates of 5.00% to 5.25% through April 1, 2040. At the present time, interest rates are significantly lower than when the 2010 Bonds were issued. The lower interest rates present the opportunity for the City to substantially reduce annual debt service on the 2010 Bonds. Each of the 2010 Bonds is callable on or after April 1, 2020.

Based on interest rates as of November 30, 2017, (a) the 2017 Water Refunding Bonds will create annual cash flow savings of approximately \$180,000, aggregate debt service savings of

approximately \$4.1 million and net present value savings of approximately \$2.1 million and (b) the 2017 Wastewater Refunding Bonds will create annual cash flow savings of approximately \$250,000, aggregate debt service savings of approximately \$5.6 million and net present value savings of approximately \$2.8 million.

Staff is conducting an accelerated refunding process to close the refundings by the end of the calendar year. This is to capture savings prior to the passage of the proposed House's Tax Cuts and Jobs Act (HR-1), which would eliminate the ability of public agencies to issue tax-exempt advance refunding bonds, such as the 2017 Refunding Bonds, after December 31, 2017.

BACKGROUND

On June 29, 2010, the City issued the 2010 Water Bonds in the amount of \$24,085,000. The 2010 Water Bonds refinanced, on an advance refunding basis, the portion of the 2001 Water and Wastewater Bonds that were allocable to Water System improvements, and financed various capital improvements to the City's Water System. Presently, \$18,550,000 of the 2010 Water Bonds remains outstanding. The 2010 Water Bonds are callable on or after April 1, 2020.

On June 29, 2010, the City also issued the 2010 Wastewater Bonds in the amount of \$35,380,000. The 2010 Wastewater Bonds refinanced, on an advance refunding basis, the portion of the 2001 Water and Wastewater Bonds that were allocable to Wastewater System improvements, and financed various capital improvements to the City's Wastewater System. Presently, \$26,005,000 of the 2010 Wastewater Bonds remains outstanding. The 2010 Wastewater Bonds are callable on or after April 1, 2020.

The 2010 Water Bonds carry interest rates of 4.00% to 5.25% through April 1, 2040 (final maturity); the 2010 Wastewater Bond carry interest rates of 5.00% to 5.25% through April 1, 2040 (final maturity). Current interest rates are significantly lower than when the 2010 Bonds were issued. The lower interest rates present the opportunity for the City to substantially reduce annual debt service on the 2010 Bonds.

On November 2, 2017, the House Ways and Means Committee introduced the "Tax Cuts and Jobs Act" ("HR-1"). HR-1 contains a provision that eliminates the ability of local governments to issue tax-exempt advance refunding bonds after December 31, 2017. On November 9, 2017, the Senate Finance Committee issued its Chairman's Mark, which does not alter HR-1's prohibition against tax-exempt advance refunding bonds after December 31, 2017. On November 16, 2017, the full House of Representatives approved HR-1. On December 2, 2017, the Senate passed a similar tax reform measure. These two bills are now being reconciled and prepared for the President's signature.

EXISTING POLICY

Sunnyvale Municipal Code Chapter 3.70 - Sunnyvale Municipal Utilities Revenue Bond Law authorizes the City Council to fund utility improvements through the issuance of utility revenue bonds.

Council Policy 7.1.8 - Debt Management, provides comprehensive guidelines for the issuance and financial management of debt issued by the City.

ENVIRONMENTAL REVIEW

The proposed actions are exempt from environmental review under the California Environmental Quality Act (CEQA) pursuant to Section 15378(b)(4) of the CEQA Guidelines (fiscal activities that do

not involve commitment to any specific project that may result in a significant impact on the environment).

DISCUSSION

Benefits of Refunding the 2010 Bonds

Today's interest rates are lower than when the 2010 Bonds were issued. Ten-year and 30-year Treasury interest rates are at approximately 2.40% and 2.83%; California tax-exempt bond yields for the expected final maturity (April 1, 2040) of the 2017 Bonds are approximately 3.25%. These low interest rates present the opportunity to reduce annual debt service by refunding the 2010 Bonds.

In this case, the 2010 Bonds are eligible for an advance refunding. This is different than a current refunding. In a current refunding, all outstanding bonds are refunded within 90 days of the close of the refunding transaction. In an advance refunding, some or all of the outstanding bonds will remain in an escrow account until they are eligible to be refunded, secured by proceeds from the sale of the advance refunding transaction. In order to take advantage of savings now, staff is recommending the advance refunding of the 2010 Bonds.

Based on interest rates as of November 30, 2017, (a) the 2017 Water Refunding Bonds will create annual cash flow savings of approximately \$180,000, aggregate debt service savings of approximately \$4.1 million and net present value savings of approximately \$2.1 million and (b) the 2017 Wastewater Refunding Bonds will create annual cash flow savings of approximately \$250,000, aggregate debt service savings of approximately \$5.6 million and net present value savings of approximately \$2.8 million.

The interest rates on the 2017 Refunding Bonds will be set on the sale date anticipated to be on or about December 18, 2017. Interest rates may change between the date of this report and December 18, 2017, especially given the heavy issuance calendar for December. The City, therefore, will not know the precise savings until the 2017 Refunding Bonds are sold. Under City Policy, the City would not sell the 2017 Refunding Bonds unless it achieves at least 3% net present value savings. Currently the potential savings equal approximately 10% of the refunded principal amount.

Proposed Financing Approach

There are two ways that the City can sell debt: public offering (which was used in connection with the 2010 Bonds) or a direct purchase/private placement (which was used most recently in 2014 in connection with the issuance of the City's solid waste refunding obligations (the "2014 Note")).

In a public offering, the City needs to obtain ratings and prepare an Official Statement that describes the terms of the offering and relevant security features. Publicly offered bonds can be sold on a competitive or negotiated basis. In a competitive sale, the bonds are offered for sale on a predetermined date and time; any firm can bid, with the award being made to the firm bidding the lowest true interest cost. In a negotiated sale, the City would work with an underwriter to prepare the bonds for sale. The advantage of a public offering over a direct purchase/private placement typically is a lower interest rate.

With a direct purchase/private placement, a bank would purchase the bonds from, or make a loan to, the City without the need for an Official Statement, underwriter, disclosure counsel, or a rating. The rate is initially determined through a request for proposal ("RFP") process. The advantages of a direct

purchase/private placement are lower transaction costs and greater administrative ease.

According to the City's Municipal Advisor, Ross Financial, because of the length of the final maturity (2040) and the complexity of the 2017 Refunding Bonds (requires both tax-exempt and taxable series, as explained below), a public offering is more cost-effective than a direct purchase/private placement in the current market. Given the complexity of the 2017 Refunding Bonds and the expected surge in issuance volume in December due to HR-1's proposed elimination of advance refunding transactions after December 31, 2017, Ross Financial has recommended that the 2017 Refunding Bonds be sold through a negotiated sale. Staff recommends J.P. Morgan serve as underwriter for the negotiated sale. Although the December 31 issuance deadline did not provide sufficient time to undertake a formal request for proposal for underwriters for the 2017 Refunding Bonds, J.P. Morgan was selected in the City's most recent request for proposal process, which was made in connection with the issuance of the 2014 Note.

Legal Structure of the Proposed 2017 Refunding Bonds

Both the 2017 Water Refunding Bonds and the 2017 Wastewater Refunding Bonds will be structured with two series: (a) a tax-exempt series and (b) a taxable series. The tax-exempt series will advance refund that portion of 2010 Water Bonds and 2010 Wastewater Bonds which financed new Water and Wastewater improvement projects (approximately 71% and 61% of each issue, respectively). The taxable series will refund the advance refunding portions of the 2010 Water Bonds and 2010 Wastewater Bonds (approximately 29% and 39%, respectively). Under current Federal tax law, the City may advance refund a prior bond on a tax-exempt basis only once; a second-time advance refunding would need to be implemented on a taxable basis. Under HR-1, that one time tax-exempt refunding ability would be eliminated.

Key Security Features

The security features of the 2017 Refunding Bonds remain very similar to those carried in the 2010 Bonds. The 2017 Water Refunding Bonds will be secured by and payable through a pledge of the City's Water System revenues. The 2017 Wastewater Refunding Bonds will be secured by and payable through a pledge of the City's Wastewater System revenues. These are the same pledges as with the 2010 Bonds.

Each of the 2010 Water Bonds and 2010 Wastewater Bonds were additionally secured by a debt service reserve equal to 50% of maximum annual debt service on the respective Bonds. Since their issuance, investors and rating agencies have placed less importance on reserve funds for utility revenue bonds. J.P. Morgan does not believe that the absence of a reserve fund will have an adverse effect on the marketing of the 2017 Refunding Bonds or the final interest rates. The existing reserve funds will be used to reduce the size of the 2017 Refunding Bonds, thereby increasing annual debt service savings.

To assure bondholders that the City will have adequate Net Revenues to pay annual debt service on the 2017 Refunding Bonds, the City will covenant to set Water System and Wastewater System rates so as to yield Net Revenues equal to at least 120% of annual debt service, and any parity obligations (e.g., the Clean Water State Revolving Fund Loan). These are the same rate covenants that pertain to the 2010 Bonds.

The City is permitted to issue additional bonds on a parity with the 2017 Water Refunding Bonds and 2017 Wastewater Refunding Bonds (i.e., additional bonds that are paid on the same basis as the 2017 Refunding Bonds) subject to certain restrictions. The most important restriction is that at the

time of issuance of parity bonds, historical Net Revenues, with certain adjustments, must equal at least 120% of the aggregate maximum debt service on outstanding 2017 Water Refunding Bonds and 2017 Wastewater Refunding Bonds, as the case may be, and the new proposed parity debt issue. These are the same additional parity debt provisions that pertain to the 2010 Water Bonds and 2010 Wastewater Bonds.

Under federal securities laws, the City is obligated to file annual reports with an electronic national repository selected by the Securities and Exchange Commission (the "S.E.C."), updating information on the Water System and Wastewater and other important relevant information relating to the 2017 Refunding Bonds.

Financing Team

Issuing bonds of any type requires the engagement of a specialized financing team to assist the City in both the analysis and sale of the bonds, as well as developing the complex legal documents required. Staff is recommending the following financing team, with the exception of the underwriter and verification agent is the same as used on the 2010 Bonds.

Bond Counsel and Disclosure: Jones Hall, A Professional Law Corporation
San Francisco, CA

Municipal Advisor: Ross Financial
San Francisco, CA

Underwriter: J.P. Morgan
San Francisco, CA

Trustee/Escrow Agent: U.S. Bank National Association
San Francisco, CA

Verification Agent: Causey, Demgen & Moore P.C.
Denver, CO

Contracts

Jones Hall. Staff is recommending Council approval of a contract with the law firm of Jones Hall to serve as Bond and Disclosure Counsel in an amount not to exceed \$193,000 plus out-of-pocket expenses for Bond Counsel services for each of the 2017 Water Refunding Bonds and 2017 Wastewater Refunding Bonds. Jones Hall's fee will be paid from the proceeds of each transaction and is contingent on its execution. Bond Counsel is responsible for drafting legal documents and ensuring that the 2017 Refunding Bonds are issued in compliance with all applicable state and federal laws. Bond Counsel will deliver an opinion that the 2017 Refunding Bonds are legally issued and that interest on the tax-exempt series of the 2017 Refunding Bonds is tax-exempt under Federal tax law. Disclosure Counsel is responsible for preparing the disclosure documents (the "Official Statements") for the 2017 Refunding Bonds. Jones Hall is a leading California bond counsel firm and serves numerous local governments throughout the State. The firm served as Bond Counsel and Disclosure Counsel on the 2010 Bonds, the 2014 Note and other solid waste transactions, Certificates of Participation and Mello-Roos Bonds.

Ross Financial. Additionally, a contract in an amount not to exceed \$27,500, plus expenses (not to exceed \$1,000), has been awarded under the City Manager's award authority to Ross Financial to serve as the City's Municipal Advisor for each of the 2017 Water Refunding Bonds and 2017 Wastewater Refunding Bonds (a total of \$55,000 plus expenses). As with Bond Counsel services, this fee will be paid from the proceeds of the 2017 Refunding Bonds and is contingent upon its closing. The Municipal Advisor is responsible for working with the Underwriter in developing the bond structure, reviewing cash flow analyses, recommending the manner of sale, overseeing the rating agency process, assisting in the drafting of the Official Statement, overseeing the bond pricing and confirming its fairness and, in general, coordinating the transaction. Ross Financial is a San Francisco-based financial advisory firm that is focused solely on municipal bonds. Its principal, Peter Ross, has nearly 40 years' experience in the municipal bond market, having served in the capacities of bond counsel, underwriter and financial advisor over the course of his career. Ross Financial served as Financial Advisor in connection with the 2010 Bonds, as well as the 2014 Note and other solid waste transactions, Certificates of Participation and other City financings. The firm provides municipal advisory services for many prominent municipalities in California, including the City of San José, the City and County of San Francisco, the City of Burbank, Santa Clara Valley Transportation Authority, San Mateo County Transit District and the Peninsula Corridor Joint Powers Board (Caltrain).

J.P. Morgan. J.P. Morgan is a leading underwriter of municipal securities nationwide. It most recently was the purchaser of the City's 2014 Note. J.P. Morgan is ranked third nationally in 2017, with managed transactions that aggregate \$24.1 billion. The City will contract with J.P. Morgan to purchase the 2017 Water Refunding Bonds and 2017 Wastewater Refunding via separate Bond Purchase Agreements (described below). J.P. Morgan is compensated in the form of an underwriter's discount, representing the difference between the price at which it will sell the 2017 Refunding Bonds to the public and the price at which it will purchase the 2017 Refunding Bonds from the City. Under the Resolutions for each of the 2017 Refunding Bonds, the underwriter's discount may not exceed 0.50% of the par amount of the respective 2017 Water Refunding Bonds and 2017 Wastewater Refunding Bonds.

Documents to be Approved by the City *Resolutions*

For each of the 2017 Water Refunding Bonds and 2017 Wastewater Refunding Bonds, staff is recommending that the City Council adopt a resolution, which authorizes the execution and delivery of the documents described below and approve related agreements and actions.

The Indentures of Trust

The 2017 Water Refunding Bonds will be issued under an Indenture of Trust, dated as of December 1, 2017, between the City and U.S. Bank National Association as Trustee. The 2017 Wastewater Refunding Bonds will be issued under an Indenture of Trust, dated as of December 1, 2017, between the City and U.S. Bank National Association as Trustee.

The indentures set forth the terms under which the 2017 Refunding Bonds are issued and their repayment provisions, establishes funds and accounts to be held by U.S. Bank, creates the pledge of Net Revenues and the other security features described above, contains covenants relating to maintaining the Water and Wastewater Systems, establishes procedures for the legal defeasance of

the bonds, and miscellaneous other provisions. The Indentures are similar in substance to the Indentures under which the 2010 Bonds were issued, except with respect to the debt service reserve fund. The attached Indentures are in substantially final form, with only final pricing details needing completion. Staff is requesting the Council approve the Indentures in this form, subject to the parameters in the Resolution.

Escrow Agreements

The Escrow Deposit and Trust Agreements, dated as of December 1, 2017, are between U.S. Bank, as escrow agent (the “Escrow Agent”), and the City. Under these agreements, the City will direct that a portion of the 2017 Refunding Bonds be deposited in irrevocable refunding escrows held by the Escrow Agent. The Escrow Agent will apply those funds to pay debt service on the 2010 Bonds through the April 1, 2020 call dates, at which time the remaining 2010 Bonds will be called and redeemed. Because of this arrangement, the 2010 Bonds will be considered legally “defeased” at the time the 2017 Refunding Bonds are issued. The attached Escrow Agreements are in substantially final form, with only final reinvestment details needing completion. Staff is requesting the Council approve the Indentures in this form, subject to the parameters in the Resolution.

Bond Purchase Agreements

The Bond Purchase Agreements, to be dated as of sale date for the 2017 Refunding Bonds, are between J.P. Morgan and the City. The Bond Purchase Agreements set forth the final interest rates on the respective 2017 Refunding Bonds and the terms under which J.P. Morgan will purchase such 2017 Refunding Bonds. The attached Bond Purchase Agreements are in substantially final form, with only final pricing details needing completion. Staff is requesting the Council approve the Indentures in this form, subject to the parameters in the Resolution.

Official Statements

The 2017 Refunding Bonds will be marketed to potential investors by means of separate Official Statements. Each Official Statement contains information on the terms of the 2017 Refunding Bonds, the security and sources of repayment, the Water System and Wastewater System, as applicable, and Bond owner risks. Prior to the sale of the 2017 Refunding Bonds, the Official Statements will be distributed by J.P. Morgan in “Preliminary” form. Following the pricing of the 2017 Refunding Bonds and the inclusion of final pricing information, the Official Statements will become “Final”.

The Official Statement is viewed by the S.E.C. as the City’s document, and each Councilmember is legally responsible for its contents. Each Councilmember is charged with the responsibility of reading the Official Statements prior to their distribution by J.P. Morgan in the marketing of the 2017 Refunding Bonds.

The attached Official Statements are in substantially final form, with only final pricing details needing completion. Staff is requesting the City Council approve the Indentures in this form, subject to the parameters in the Resolution.

FISCAL IMPACT

The 2017 Water Refunding Bonds will refinance the 2010 Water Bonds to their final maturity of April 1, 2040. Based on interest rates as of November 30, 2017, the 2017 Water Refunding Bonds will

create annual cash flow savings of approximately \$180,000, aggregate debt service savings of approximately \$4.1 million and net present value savings of approximately \$2.1 million.

The 2017 Wastewater Refunding Bonds will refinance the 2010 Wastewater Bonds to their final maturity of April 1, 2040. Based on interest rates as of November 30, 2017, the 2017 Wastewater Refunding Bonds will create annual cash flow savings of approximately \$250,000, aggregate debt service savings of approximately \$5.6 million and net present value savings of approximately \$2.8 million.

As these funds are for each utility, the savings benefit the ratepayers of each utility by reducing the annual debt service expense in each utility enterprise fund. The value of the savings to utility rates from the 2017 Refunding Bonds is approximately 0.3% annually for water rates and 0.6% annually for wastewater rates.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

ALTERNATIVES

1. Approve two resolutions authorizing the advance refunding of the City's Water Revenue Bonds, Series 2010 and Wastewater Revenue Bonds, Series 2010, and approval of the Official Documents Related to the Transactions and find the actions exempt from environment review under the California Environmental Quality Act pursuant to Section 15378(b)(4) of the CEQA Guidelines.
2. Authorize the City Attorney to execute an Agreement, in substantially the same form as in Attachment 11, in an Amount of \$193,000 plus Incidental Expenses to Jones Hall, A Professional Law Corporation for Bond and Disclosure Counsel Services
3. Do not adopt the Resolutions and continue the current financing in place. If H.R. 1, or similar legislation is adopted, the City would need to wait until April 1, 2020 before it could conduct a current refunding of the 2010 Bonds on a tax-exempt basis and do not authorize the City Attorney to execute an Agreement with Jones Hall for Bond and Disclosure Counsel Services.

STAFF RECOMMENDATION

Alternatives 1 and 2: 1) Approve two resolutions authorizing the advance refunding of the City's Water Revenue Bonds, Series 2010 and Wastewater Revenue Bonds, Series 2010, and approval of the Official Documents Related to the Transactions and find the actions exempt from environment review under the California Environmental Quality Act (CEQA) pursuant to Section 15378(b)(4) of the CEQA Guidelines; and 2) Authorize the City Attorney to execute an Agreement, in substantially the same form as Attachment 11 to the Report, in an Amount of \$193,000 plus Incidental Expenses to Jones Hall, A Professional Law Corporation for Bond and Disclosure Counsel Services.

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

Reviewed by: Teri Silva, Interim Assistant City Manager

Approved by: Kent Steffens, Interim City Manager

ATTACHMENTS

1. Resolution Authorizing the Issuance and Sale of Water Refunding Bonds
2. Water Refunding Bonds Indenture of Trust
3. Water Refunding Bonds Escrow Deposit and Trust Agreement
4. Water Refunding Bonds Preliminary Official Statement
5. Water Refunding Bonds Bond Purchase Contract
6. Resolution Authorizing the Issuance and Sale of Wastewater Refunding Bonds
7. Wastewater Refunding Bonds Indenture of Trust
8. Wastewater Refunding Bonds Escrow Deposit and Trust Agreement
9. Wastewater Refunding Bonds Preliminary Official Statement
10. Wastewater Refunding Bonds Bond Purchase Contract
11. Legal Services Agreement with Jones Hall, A Professional Law Corporation

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SUNNYVALE AUTHORIZING ISSUANCE AND SALE OF
WATER REVENUE REFUNDING BONDS, AND
APPROVING RELATED DOCUMENTS AND ACTIONS**

WHEREAS, the City is authorized pursuant to the provisions of Chapter 3.70 (commencing with Section 3.70.010) of the Sunnyvale Municipal Code (the "Bond Law"), enacted pursuant to the charter of the City and an ordinance adopted on the date hereof, entitled "Ordinance Of The City Of Sunnyvale Enacting The City Of Sunnyvale Municipal Utilities Revenue Bond Law, Relating To The Financing Of Public Utility Enterprises," to issue its revenue bonds for the purposes of financing improvements to a utility enterprise of the City; and

WHEREAS, in order to finance and refinance improvements to City's municipal water utility enterprise (the "Water System"), on June 29, 2010, the City issued its bonds captioned "City of Sunnyvale Water Revenue Bonds, Series 2010" in the original principal amount of \$24,085,000 (the "2010 Bonds") which are secured by a pledge of and lien on the net revenues of the Water System; and

WHEREAS, the City, after due investigation and deliberation, has determined that it is in the interests of the City at this time to provide for the issuance of its bonds captioned "City of Sunnyvale Water Revenue Refunding Bonds, Series 2017A," in the maximum principal amount of \$12,500,000 (the "Series A Bonds"), and its bonds captioned "City of Sunnyvale Taxable Water Revenue Refunding Bonds, Series 2017A-T," in the maximum principal amount of \$6,500,000 (the "Taxable Series A-T Bonds" and, together with the Series A Bonds, the "Bonds") in order to provide funds to pay, defease and redeem the 2010 Bonds and thereby realize debt service savings; and

WHEREAS, the Bonds will be issued under the Bond Law and an Indenture of Trust (the "Indenture") between the City and U.S. Bank National Association, as trustee (the "Trustee"); and

WHEREAS, the City Council wishes at this time to give its approval to the transactions described herein, and the form of the agreements and documents relating thereto.

NOW, THEREFORE, BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF SUNNYVALE THAT:

Section 1. Authorization of Bonds. The City Council hereby authorizes the issuance of the Series A Bonds by the City under and pursuant to the Bond Law and the Indenture, in an aggregate maximum principal amount of \$19,000,000, for the primary purpose of providing funds to pay, defease and refund the 2010 Bonds.

Section 2. Approval of Indenture.. The City Council hereby approves the Indenture by and between the City and the Trustee, in substantially the form on file with the City Clerk, together with such additions thereto and changes therein as the City Manager or the Director of Finance may deem necessary, desirable or appropriate; provided that the execution thereof by the City Manager or the Finance Director shall be conclusive evidence of the approval of any such additions and changes. The City Manager and the Finance Director are each hereby separately authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest, the final form of the Escrow Agreement for and in the name and on behalf of the City. The City Council hereby authorizes the delivery and performance of the Escrow Agreement.

Section 3. Approval of Escrow Agreement. In order to provide for the refunding of the 2010 Bonds, the City Council hereby approves the Escrow Deposit and Trust Agreement between the City and U.S. Bank Trust National Association, as escrow agent thereunder, in substantially the form on file with the City Clerk, together with such additions thereto and changes therein as the City Manager or the Director of Finance may deem necessary, desirable or appropriate; provided that the execution thereof by the City Manager or the Finance Director shall be conclusive evidence of the approval of any such additions and changes. The City Manager and the Finance Director are each hereby separately authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest, the final form of the Escrow Agreement for and in the name and on behalf of the City. The City Council hereby authorizes the delivery and performance of the Escrow Agreement.

Section 4. Sale of Bonds. The City Council hereby approves the sale of the Bonds pursuant to a Bond Purchase Agreement between the City and J.P. Morgan Securities LLC, as Underwriter of the Bonds (the "Underwriter"), in the form on file with the Director of Finance, so long as: the principal amount of the Series A Bonds does not exceed \$12,500,000; the principal amount of the Taxable Series A-T Bonds does not exceed \$6,500,000; the true interest cost with respect to the Bonds does not exceed 4.0%; and the Underwriter's discount on the Bonds does not exceed 0.5% of the aggregate principal amount of the Bonds.

Section 5. Official Statement. The City Council hereby approves and deems final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the Preliminary Official Statement describing the Bonds in the form on file with the City Clerk, together with such modifications thereof as may be approved by the City Manager or the Director of Finance, each of whom is hereby authorized and directed to (a) execute and deliver to the Underwriter a certificate deeming the Preliminary Official Statement to be final as of its date within the meaning of such Rule, (b) approve any changes in or additions to cause the Official Statement to be put in final form, and (c) execute the final Official Statement for and in the name and on behalf of the City. The City Council hereby authorizes the distribution of the Preliminary Official Statement and the Final Official Statement by the Underwriter.

Section 6. Official Actions. The Mayor, the City Manager, the Director of Finance, the City Clerk and any and all other officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, including execution and delivery of any and all certificates, requisitions, agreements, notices, consents and other documents, which they, or any of them, may deem necessary or advisable in order to

consummate the transactions as described herein. Whenever in this resolution any officer of the City is authorized to execute or attest any document or take any action, such execution, attestation or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

Section 7. Effective Date. This Resolution shall take effect upon its passage and adoption.

Adopted by the City Council at a regular meeting held on _____, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:
RECUSAL:

ATTEST:

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:

City Attorney

CERTIFICATION

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the City of Sunnyvale City Council held on _____.

ATTEST:

City Clerk

(SEAL)

INDENTURE OF TRUST

between the

CITY OF SUNNYVALE

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of December 1, 2017

Relating to

\$ _____
City of Sunnyvale
Water Revenue Refunding Bonds, Series 2017A

and

\$ _____
City of Sunnyvale
Taxable Water Revenue Refunding Bonds, Series 2017A-T

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INDENTURE OF TRUST

This INDENTURE OF TRUST, dated as of December 1, 2017, is between the CITY OF SUNNYVALE, a municipal corporation and charter city organized and existing under the laws of the State of California (the "City"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in San Francisco, California, and being qualified to accept and administer the trusts hereby created (the "Trustee").

BACKGROUND:

1. The City is authorized pursuant to the provisions of Chapter 3.70 (commencing with Section 3.70.010) of the Sunnyvale Municipal Code, enacted pursuant to the charter of the City and Ordinance No. 2917-10, adopted April 6, 2010 (collectively, the "Bond Law"), to issue its revenue bonds for the purposes of financing and refinancing improvements to a utility enterprise of the City.

2. The City owns and operates a public utility enterprise for obtaining, conserving, treating, distributing, storing and supplying water for domestic use, irrigation, sanitation, industrial use, fire protection, recreation, or any other public or private uses within the service area of the City (the "Water System").

3. In order to finance and refinance improvements to the Water System, on June 29, 2010, the City issued its bonds captioned "City of Sunnyvale Water Revenue Bonds, Series 2010" in the original principal amount of \$24,085,000 (the "2010 Bonds") which are secured by a pledge of and lien on the net revenues of the Water System.

4. The 2010 Bonds are subject to redemption on any date on or after April 1, 2020, at a redemption price equal to the principal amount of the 2010 Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

5. The City, after due investigation and deliberation, has determined that it is in the interests of the City at this time to provide for the issuance of its bonds captioned "City of Sunnyvale Water Revenue Refunding Bonds, Series 2017A," in the aggregate principal amount of \$_____ (the "Series A Bonds"), and its bonds captioned "City of Sunnyvale Taxable Water Revenue Refunding Bonds, Series 2017A-T," in the aggregate principal amount of \$_____ (the "Taxable Series A-T Bonds" and, together with the Series A Bonds, the "Bonds") in order to provide funds to pay, defease and redeem the 2010 Bonds and thereby realize debt service savings.

6. The Bonds will be issued under the Bond Law, this Indenture, and a resolution of the City Council of the City adopted on December _____, 2017, and will be secured by a pledge of and lien on the net revenues of the Water System.

7. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured, and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the City Council has authorized the execution and delivery of this Indenture.

8. All acts and proceedings required by law necessary to make the Bonds, when executed by the City, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the City, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Indenture have been in all respects duly authorized

A G R E E M E N T :

In order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the City and the Trustee hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in Appendix A when used in this Indenture.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

ISSUANCE OF BONDS

SECTION 2.01. *Authorization and Purpose of Bonds.* The City has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the City is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The City hereby authorizes the issuance of the Series A Bonds, designated the "City of Sunnyvale Water Revenue Refunding Bonds, Series 2017A," in the aggregate principal amount of \$_____, and the Taxable Series A-T Bonds, designated the "City of Sunnyvale Taxable Water Revenue Refunding Bonds, Series 2017A-T," in the aggregate principal amount of \$_____.

The Bonds are being issued for the purposes of providing funds to pay, defease and redeem the 2010 Bonds in full. The Bonds are authorized and issued under, and are subject to the terms of, this Indenture and the Bond Law.

SECTION 2.02. *Terms of the Bonds.*

(a) General. The Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date.

The Series A Bonds will be dated as of the Closing Date and will mature on April 1 in the years and in the respective principal amounts and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum as set forth in the following table:

Series A Bonds

Maturity Date (April 1)	Principal Amount	Interest Rate
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		

The Taxable Series A-T Bonds will be dated as of the Closing Date and will mature on April 1 in the years and in the respective principal amounts and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum as set forth in the following table:

Taxable Series A-T Bonds

Maturity Date (April 1)	Principal Amount	Interest Rate
------------------------------------	-----------------------------	--------------------------

(b) Calculation of Interest. Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (ii) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (iii) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

(c) Payments. Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

SECTION 2.03. *Redemption of Bonds.*

(a) Optional Redemption of Series A Bonds. The Series A Bonds maturing on or before April 1, 20__, are not subject to redemption prior to their respective stated maturities. The Series A Bonds maturing on or after April 1, 20__, are subject to redemption in whole, or in part among maturities on such basis and in such respective principal amounts as set forth in a Certificate of the City filed with the Trustee, and in any event by lot within a maturity as provided in subsection (c) below, at the option of the City, from any available source of funds, on any Business Day on or after April 1, 20__, at a redemption price equal to 100% of the principal amount thereof to be redeemed together with accrued interest to the redemption date, without premium.

The City shall give the Trustee written notice of its intention to redeem Series A Bonds under this subsection (a), and the manner of selecting such Series A Bonds for redemption from among the maturities thereof and the redemption price thereof, in sufficient time to enable the Trustee to give notice of such redemption in accordance with this Section.

(b) Optional Redemption of Taxable Series A-T Bonds.

[The Series 2017A-T Bonds maturing on or before April 1, 20____, are not subject to optional redemption prior to maturity. The Series 2017A-T Bonds maturing on or after April 1, 20____, are subject to redemption prior to their respective maturity dates, at the option of the City, as a whole or in part, as to maturities as determined by the City (and if partial maturities, then by lot), on any date on or after April 1, 20____, from any source of available funds, at the principal amount of the Series 2017A-T Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.]

[OR]

[The Taxable Series A-T Bonds may be redeemed, in whole or in part, at the option of the City, at any time at a redemption price equal to the greater of

(i) 100% of the principal amount of the Taxable Series A-T Bonds to be redeemed, or

(ii) the sum of the present values of the applicable remaining scheduled payments of principal and interest on the Taxable Series A-T Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Taxable Series A-T Bonds are to be redeemed, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus ____ basis points,

plus in each case, accrued and unpaid interest on the Taxable Series A-T Bonds being redeemed to the date fixed for redemption.

For purposes of the foregoing, the following definitions shall apply:

“Treasury Rate” means, with respect to any redemption date, with respect to the Taxable Series A-T Bonds of a particular maturity, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue with respect thereto, computed as of the second business day immediately preceding that redemption date, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price with respect thereto for that redemption date.

“Comparable Treasury Issue” means, with respect to the Taxable Series A-T Bonds of a particular maturity, the United States Treasury security selected by the Independent Investment Banker which has an actual maturity comparable to the remaining average life of the Taxable Series A-T Bonds of such maturity to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the

remaining average life of the Taxable Series A-T Bonds of such maturity to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date, with respect to the Taxable Series A-T Bonds of a particular maturity, (A) the average of the applicable Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker for the Taxable Series A-T Bonds obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Quotations.

“Independent Investment Banker” means one of the Reference Treasury Dealers as designated by the City.

“Reference Treasury Dealer” means each of four firms, as designated by the City, and their respective successors; provided, however, that if any of them ceases to be a primary U.S. Government securities dealer in the City of New York (a “Primary Treasury Dealer”), the City will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date for the Taxable Series A-T Bonds of a particular maturity, the average, as determined by the Independent Investment Banker and communicated to the City, of the bid and asked prices for the applicable Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker and communicated to the Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding that redemption date.

“Business Day” means any day, other than a Saturday or Sunday, and other than a day on which the Trustee is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed.

(c) Mandatory Sinking Redemption of Series A Bonds. The Series A Term Bonds are subject to mandatory redemption in whole, or in part by lot, from sinking payments, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on April 1 in the years as set forth in the following tables:

Series A Term Bonds Maturing April 1, 20__

Sinking Payment Redemption Date (April 1)	Principal Amount
---	---------------------

(Maturity)

Series A Term Bonds Maturing April 1, 20__

Sinking Fund Redemption Date (April 1)	Principal Amount
--	---------------------

(Maturity)

If some but not all of the Series A Term Bonds have been redeemed under the optional redemption provisions set forth above, the total amount of all future sinking payments will be reduced by the aggregate principal amount of such Series A Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro-rata basis as determined by the City.

(d) Notice of Redemption. The Trustee on behalf and at the expense of the City shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories, and shall file such notice electronically with the Municipal Securities Rulemaking Board, at least 30 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Office of the Trustee identified in such notice for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

(e) Selection of Series A Bonds of the Same Maturity for Redemption. Whenever provision is made in this Section for the redemption of less than all of the Series A Bonds of a single maturity, the Trustee shall select the Series A Bonds of such maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, all Series A Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Series A Bonds which may be separately redeemed.

(f) Selection of Taxable Series A-T Bonds for Redemption. If less than all of the Taxable Series A-T Bonds are to be redeemed, the particular maturities of Taxable Series A-T Bonds to be redeemed at the option of the City will be determined by the City in its sole discretion.

If the Taxable Series A-T Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Taxable Series A-T Bonds, if less than all of the Taxable Series A-T Bonds of a maturity are called for prior redemption, the particular Taxable Series A-T Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Taxable Series A-T Bonds

are held in book-entry form, the selection for redemption of such Taxable Series A-T Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Taxable Series A-T Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

The City intends that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the City nor the Underwriter can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of Taxable Series A-T Bonds on such basis.

If the Taxable Series A-T Bonds are no longer registered in book-entry-only form, each owner will receive an amount of Taxable Series A-T Bonds equal to the original face amount then beneficially held by that owner, registered in such investor's name. Thereafter, any redemption of less than all of the Taxable Series A-T Bonds of any maturity will continue to be paid to the registered owners of such Taxable Series A-T Bonds on a pro-rata basis, based on the portion of the original face amount of any such Taxable Series A-T Bonds to be redeemed.

(g) Partial Redemption of a Particular Bond. If only a portion of any Bond is called for redemption, then upon surrender of such Bond the City will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the City, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

(h) Effect of Redemption. From and after the date fixed for redemption, if notice of redemption has been duly mailed and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. The Trustee will cancel and destroy all Bonds redeemed under this Section.

(h) Right to Rescind Notice of Optional Redemption. The City has the right to rescind any notice of the optional redemption of Bonds under subsection (a) of this Section by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The City and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall cause notice of such rescission to be mailed, first class mail, postage prepaid, to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books, and to the Municipal Securities Rulemaking Board and the Securities Depositories.

SECTION 2.04. *Book Entry System.*

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the

Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which are registered in the name of the Nominee, the City and the Trustee has no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the City and the Trustee has no responsibility or obligation with respect to

- (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds,

- (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption,

- (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the City elects to redeem the Bonds in part,

- (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or

- (v) any consent given or other action taken by the Depository as Owner of the Bonds.

The City and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever.

The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the City to make payments of principal, interest and premium, if any, under this Indenture.

Upon delivery by the Depository to the City of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the City shall promptly deliver a copy of the same to the Trustee.

- (b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the City has previously executed and delivered to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection

(a) above or in any other way impose upon the City or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the City may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the City determines to terminate the Depository as such, then the City shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the City and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the City fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the City determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the City may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the City shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (ii) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the City's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Form and Execution of Bonds.* The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The City Manager shall execute, and the City Clerk shall attest, each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had

remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Bond are the proper officers of the City, duly authorized to execute debt instruments on behalf of the City, although on the date of such Bond any such person was not an officer of the City.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.06. *Transfer and Exchange of Bonds.*

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under this Section. Whenever any Bond or Bonds shall be surrendered for transfer, the City shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The City shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds under this subsection (b). The City shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section, any Bonds selected by the Trustee for redemption under Section 2.03, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

SECTION 2.07. *Registration Books*. The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and registration of transfer of the Bonds, which shall at all times during normal business hours, and upon reasonable notice, be open to inspection by the City; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Bonds as hereinbefore provided.

SECTION 2.08. *Bonds Mutilated, Lost, Destroyed or Stolen*. If any Bond becomes mutilated, the City, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to, or upon the order of, the City. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and,

if such evidence is satisfactory and if indemnity satisfactory to the Trustee is given, the City, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

ARTICLE III

ISSUE OF BONDS

SECTION 3.01. *Issuance of Bonds.* Upon the execution and delivery of this Indenture, (a) the City shall execute and deliver the Series A Bonds in the aggregate principal amount of \$_____ to the Trustee and the Trustee shall authenticate and deliver the Series A Bonds to the Underwriter upon receipt of a Request of the City therefor; and (b) the City shall execute and deliver the Taxable Series A-T Bonds in the aggregate principal amount of \$_____ to the Trustee and the Trustee shall authenticate and deliver the Taxable Series A-T Bonds to the Underwriter upon receipt of a Request of the City therefor.

SECTION 3.02. *Deposit and Application of Proceeds.* On the Closing Date, the Trustee shall apply the proceeds of the Bonds as follows:

(a) Series A Bonds. The Trustee shall apply the net proceeds of the Series A Bonds equal to \$_____ (calculated as the original principal amount of \$_____, plus net original issue premium of \$_____, less the Underwriter's discount of \$_____) as follows:

- (i) The Trustee shall deposit \$_____ in the Costs of Issuance Fund.
- (ii) The Trustee shall transfer \$_____, constituting the remainder of the Bond proceeds, to the Escrow Agent for deposit and application in accordance with the Escrow Agreement.

(b) Taxable Series A-T Bonds. The Trustee shall apply the net proceeds of the Taxable Series A-T Bonds equal to \$_____ (calculated as the

original principal amount of \$_____, plus net original issue premium of \$_____, less the Underwriter's discount of \$_____) as follows:

- (i) The Trustee shall deposit \$_____ in the Costs of Issuance Fund.
- (ii) The Trustee shall transfer \$_____, constituting the remainder of the Bond proceeds, to the Escrow Agent for deposit and application in accordance with the Escrow Agreement.

(c) Temporary Accounts. The Trustee may establish one or more temporary accounts to facilitate such deposit and transfer.

SECTION 3.03. *Costs of Issuance Fund*. There is hereby established a separate fund to be known as the "Costs of Issuance Fund", to be held by the Trustee in trust. The Trustee shall disburse moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance upon submission of a Request of the City stating (a) the person to whom payment is to be made, (b) the amounts to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Request of the City; in each case together with a statement or invoice for each amount requested thereunder.

On June 1, 2018, the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Bond Service Fund to be applied toward the payment of the interest next coming due and payable on the Series A Bonds, and the Trustee shall thereupon close the Costs of Issuance Fund.

SECTION 3.04. *Validity of Bonds*. The recital contained in the Bonds that they are issued pursuant to the laws of the State of California is conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV

REVENUES; FLOW OF FUNDS

SECTION 4.01. *Pledge of Net Revenues*. The Bonds shall be secured by a first pledge of all of the Net Revenues, on a parity with the pledge which secures all outstanding Parity Debt. In addition, the Bonds shall be secured by a pledge of all of the moneys in the Bond Service Fund, including all amounts derived from the investment of such moneys. So long as any of the Bonds are Outstanding, the Net Revenues and such moneys may not be used for any other purpose; except that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by Section 4.02.

SECTION 4.02. *Receipt, Deposit and Application of Net Revenues*. The City has previously established the Water Fund, which it will continue to hold and maintain for the purposes and uses set forth herein. The City shall deposit all Gross Revenues in the Water Fund promptly upon the receipt thereof, and shall apply amounts in the Water Fund

solely for the uses and purposes set forth herein and purposes set forth in the Parity Debt Documents. The City shall withdraw amounts on deposit in the Water Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

- (a) Bond Service Fund. Not later than the 3rd Business Day preceding each Interest Payment Date, so long as any Bonds remain Outstanding hereunder, the City shall withdraw from the Water Fund and pay to the Trustee for deposit into the Bond Service Fund (which the Trustee shall establish and hold in trust hereunder) an amount which, together with other available amounts then on deposit in the Bond Service Fund, is at least equal to the aggregate amount of principal of (including sinking payments) and interest coming due and payable on the Bonds on such Interest Payment Date.

The Trustee shall apply amounts in the Bond Service Fund solely for the purposes of (i) paying the interest on the Bonds when due and payable (including accrued interest on any Bonds purchased or redeemed hereunder), and (ii) paying the principal (including sinking payments) of the Bonds at the maturity thereof. Upon the payment or discharge in full of all Bonds then Outstanding, the Trustee shall transfer any moneys remaining in the Bond Service Fund to the City for deposit into the Water Fund.

- (b) Redemption Fund. If the City elects to redeem Outstanding Bonds under Section 2.03(a), the City shall transfer to the Trustee for deposit into the Redemption Fund (which the Trustee shall thereupon establish and hold in trust hereunder) an amount at least equal to the redemption price of the Bonds, excluding accrued interest, which is payable from the Bond Service Fund. Amounts in the Redemption Fund shall be applied by the Trustee solely for the purpose of paying the redemption price of Bonds to be redeemed under Section 2.03(a). Following any such redemption of the Bonds, any moneys remaining in the Redemption Fund shall be transferred by the Trustee to the City for deposit into the Water Fund.

The City shall manage, conserve and apply moneys in the Water Fund in such a manner that all deposits required to be made under this Section and under the Parity Debt Documents will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the City may at any time use and apply moneys in the Water Fund for any one or more of the following purposes:

- (i) the acquisition and construction of improvements to the Water System;
- (ii) the redemption of any of the Bonds, Parity Debt or other obligations of the Water System, as the City in its discretion may determine; or
- (iii) any other lawful purpose of the City relating to the Water System.

Nothing herein is intended or shall be construed to impair the ability of the City to apply amounts on deposit in the Water Fund to pay Operation and Maintenance Costs when and as the same become due and payable.

SECTION 4.03. *Investments.*

(a) Investment of Funds Held by City. All moneys in the Water Fund may be invested by the City from time to time in any securities in which the City is legally authorized to invest funds subject to its control.

(b) Investment of Funds Held by Trustee. The Trustee shall invest moneys in the funds and accounts held by it hereunder in Permitted Investments specified in the Request of the City delivered to the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such direction from the City, the Trustee shall invest any such moneys solely in Permitted Investments described in clause (f) of the definition thereof.

(c) General Investment Provisions. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. Whenever in this Indenture the City is required to transfer any moneys to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder shall be retained in the respective fund or account from which such investment was made. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon receipt by the Trustee of the Request of the City. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under this Section.

The Trustee shall furnish the City periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the City. Upon the City's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The City waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The City further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

SECTION 4.04. *Valuation and Disposition of Investments.*

(a) Except as otherwise provided in subsection (b) of this Section, the City covenants that all investments of amounts deposited in any fund or account created by or under this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Indenture or the Tax Code) at Fair Market Value as such term is defined in subsection (d) below. The Trustee has no duty in

connection with the determination of Fair Market Value other than to follow the investment directions of the City in any Certificate or Request of the City.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued at cost thereof (consisting of present value thereof within the meaning of Section 148 of the Tax Code); provided that the City shall inform the Trustee which funds are subject to a yield restriction, and shall provide the Trustee with any necessary valuation criteria or formulae.

(c) Except as provided in the proceeding subsection (b), for the purpose of determining the amount in any fund, the Trustee shall value Permitted Investments credited to such fund at least annually at the Fair Market Value thereof. The Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system. If and as directed by the City in writing, the Trustee shall sell or present for redemption any Permitted Investment so purchased by the Trustee whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee has no liability or responsibility for any loss resulting therefrom.

(d) For purposes of this Section, the term "Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if

(i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code,

(ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or

(iii) the investment is a United States Treasury Security – State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

ARTICLE V

COVENANTS OF THE CITY

SECTION 5.01. *Punctual Payment; Compliance With Documents.* The City will punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of this Indenture, and will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures.

SECTION 5.02. *Discharge of Claims.* The City covenants that in order to fully preserve and protect the priority and security of the Bonds the City shall pay from the Net Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Water System which, if unpaid, may become a lien or charge upon the Net Revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. The City shall also pay from the Net Revenues all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Water System or upon any part thereof or upon any of the Net Revenues therefrom.

SECTION 5.03. *Operation of Water System in Efficient and Economical Manner.* The City covenants and agrees to operate the Water System in an efficient and economical manner and to operate, maintain and preserve the Water System in good repair and working order.

SECTION 5.04. *Sale or Eminent Domain of Water System.* Except as provided herein, the City covenants that the Water System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the City to pay the principal of or interest on the Bonds and the Parity Debt, or would materially adversely affect its ability to comply with the terms of this Indenture or the Parity Debt Documents. The City may not enter into any agreement which impairs the operation of the Water System or any part of it necessary to secure adequate Net Revenues to pay the Bonds and the Parity Debt, or which otherwise would impair the rights of the Bond Owners with respect to the Net Revenues.

If any substantial part of the Water System is sold, the payment therefor shall either (a) be used for the acquisition or construction of improvements and extensions or replacement facilities or (b) be applied to redeem the Bonds or any Parity Debt in accordance with this Indenture and the related Parity Debt Documents, respectively.

Any amounts received as awards as a result of the taking of all or any part of the Water System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the City, shall either (a) be used for the acquisition or construction of improvements to the Water System, or (b) be applied to redeem the Bonds or any Parity Debt in accordance with this Indenture and the related Parity Debt Documents, respectively.

SECTION 5.05. *Insurance.* The City will at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect

to works and properties of like character against accident to, loss of or damage to the Water System.

If any useful part of the Water System is damaged or destroyed, such part shall be restored to usable condition. All amounts collected from insurance against accident to or destruction of any portion of the Water System shall be used to repair or rebuild such damaged or destroyed portion of the Water System, and to the extent not so applied, shall be applied to redeem the Bonds or any Parity Debt in accordance with this Indenture and the related Parity Debt Documents, respectively.

The City shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Trustee and the Owners of the Bonds.

Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the City, or may be in the form of self-insurance by the City. The City shall establish such fund or funds or reserves as are necessary to provide for its share of any such self-insurance.

The Trustee has no liability to determine whether the City is in compliance with the provisions of this Section.

SECTION 5.06. *Records and Accounts.* The City will keep proper books of record and accounts of the Water System, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Water System. Said books shall, upon reasonable request, be subject to the inspection of the Trustee (who shall have no duty to inspect) and the Owners of not less than 10% of the Outstanding Bonds or their representatives authorized in writing.

The City will cause the books and accounts of the Water System to be audited annually by an Independent Accountant and will make available for inspection by the Bond Owners at the Office of the Trustee, upon reasonable request, a copy of the report of such Independent Accountant. The City will furnish a copy of such statements, upon reasonable request, to the Trustee (who shall have no duty to inspect) and any Bond Owner.

SECTION 5.07. *Rates and Charges.*

(a) Covenant Regarding Gross Revenues. The City will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which (together with other funds transferred from the Revenue Stabilization Fund or other funds which are lawfully available to the City for payment of any of the following amounts during such Fiscal Year) are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order:

- (i) all Operation and Maintenance Costs estimated by the City to become due and payable in such Fiscal Year;

- (ii) the principal of and interest on all outstanding Bonds and Parity Debt as they become due and payable during such Fiscal Year, without preference or priority;
- (iii) all amounts, if any, required to restore the balances in any reserve funds established for outstanding Parity Debt to their respective required levels;
- (iv) all payments coming due and payable during the Fiscal Year and required for compliance with the Parity Debt Documents; and
- (v) all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Gross Revenues or Net Revenues during the Fiscal Year.

(b) Covenant Regarding Net Revenues. In addition to the covenant set forth in the preceding clause (a) of this Section, the City will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which, taking into account allowances for contingencies, are sufficient to yield estimated Net Revenues which are at least equal to 120% of the aggregate amount of principal of and interest on all outstanding Bonds and Parity Debt coming due and payable during such Fiscal Year. The provisions of this subsection (b) are subject to the adjustments made for any transfers made from a Revenue Stabilization Fund under Section 5.08. Notwithstanding the foregoing provisions, if the actual collection of Net Revenues based on such rates, fees and charges is insufficient to yield Net Revenues which meet the requirements of this subsection (b), such event shall not constitute an Event of Default unless it has continued uncured for a period of at least 12 months.

SECTION 5.08. *Establishment of Revenue Stabilization Fund.* The City has the right at any time to establish a Revenue Stabilization Fund to be held by it and administered in accordance with this Section, for the purpose of stabilizing the rates and charges imposed by the City with respect to the Water System. From time to time the City may deposit amounts in the Revenue Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Bonds, as the City may determine.

The City may, but is not required to, withdraw amounts on deposit in the Revenue Stabilization Fund and deposit such amounts in the Water Fund in any Fiscal Year for the purpose of paying the principal of and interest on the Bonds and any outstanding Parity Debt coming due and payable in such Fiscal Year.

Amounts so transferred from the Revenue Stabilization Fund to the Water Fund shall constitute Gross Revenues for such Fiscal Year (except as otherwise provided herein), and shall be applied for the purposes of the Water Fund. Amounts on deposit in the Revenue Stabilization Fund shall not be pledged to or otherwise secure the Bonds or any Parity Debt.

To the extent that the City appropriates funds from Gross Revenues into the Revenue Stabilization Fund for the Water System, a deduction shall be made from Gross Revenues of the Water System in the Fiscal Year during which said transfer occurred for purposes of calculations to be made under Section 5.07 and Section 5.09. To the extent

that the City appropriates funds from the Revenue Stabilization Fund into the Water Fund, the City may count the funds so transferred as Gross Revenues in the Fiscal Year in which said transfer occurs, for purposes of Section 5.07 and Section 5.09.

All interest or other earnings on deposits in the Revenue Stabilization Fund shall be retained therein or, at the option of the City, be applied for any other lawful purposes. The City has the right at any time to withdraw any or all amounts on deposit in the Revenue Stabilization Fund and apply such amounts for any other lawful purposes of the City.

SECTION 5.09. *Issuance of Parity Debt.* The City may issue additional Parity Debt from time to time in such principal amount as it determines, subject to the following conditions precedent:

- (a) No Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods have passed, would constitute an Event of Default) has occurred and is continuing.
- (b) The amount of such Net Revenues, calculated in accordance with generally accepted accounting principles, as shown by the books of the City for the latest Fiscal Year or as shown by the books of the City for any more recent 12-month period selected by the City, in either case verified by a certificate or opinion of an Independent Accountant, plus (at the option of the City) the Additional Revenues, are at least equal to 120% of the amount of Maximum Annual Debt Service on all outstanding Bonds and Parity Debt, including the proposed issuance of Parity Debt.
- (c) The issuance of such Parity Debt shall comply with all conditions to the issuance thereof as set forth in the applicable provisions of the Parity Debt Documents.
- (d) The City shall deliver to the Trustee a Certificate of the City certifying, and an opinion of Bond Counsel stating, that the conditions precedent to the issuance of such Parity Debt set forth in this Section have been satisfied.

SECTION 5.10. *Superior and Subordinate Obligations.* The City shall not issue or incur any additional bonds or other obligations having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Bonds.

Nothing herein limits or affects the ability of the City to issue or incur (a) Parity Debt under Section 5.09, or (b) obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder.

SECTION 5.11. *Tax Covenants Relating to Series A Bonds.*

(a) Generally. The City shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest on the Series A Bonds to become includable in gross income for federal income tax purposes.

(b) Private Activity Bond Limitation. The City shall assure that the proceeds of the Series A Bonds are not used in a manner which would cause the Series A Bonds to become “private activity bonds” within the meaning of Section 141(a) of the Tax Code or to meet the private loan financing test of Section 141(c) of the Tax Code.

(c) Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(d) No Arbitrage. The City shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Series A Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Series A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code.

(e) Rebate of Excess Investment Earnings. The City shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Series A Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The City shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any source of legally available funds of the City. The City shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Series A Bonds, records of the determinations made under this subsection (e).

The Trustee has no duty to monitor the compliance by the City with any of the covenants contained in this Section.

SECTION 5.12. *Refunding of 2010 Bonds.* The City shall cause the proceeds of the Bonds to be applied to the payment, defeasance and redemption of the 2010 Bonds in accordance with the provisions of the indenture under which the 2010 Bonds were issued and the Escrow Agreement. From and after the Closing Date, the 2010 Bonds shall be fully discharged and shall no longer be secured by a pledge of or lien on the Gross Revenues or the Net Revenues, or any portion thereof.

SECTION 5.13. *Compliance With Parity Debt Documents.* The City will observe and perform all of the covenants, agreements and conditions on its part required to be observed and performed under the Parity Debt Documents. The City will not take or omit to take any action within its control which would, or which if not corrected with the passage of time would, constitute an event of default under and within the meaning of the Parity Debt Documents.

SECTION 5.14. *Continuing Disclosure.* The City will comply with and carry out all of the provisions of the Continuing Disclosure Certificate which has been executed and delivered by the City on the Closing Date. Notwithstanding any other provision hereof, failure of the City to comply with the Continuing Disclosure Certificate does not constitute an Event of Default hereunder; *provided, however,* that any Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate,

including seeking specific performance by court order, to cause the City to comply with its obligations under this Section.

SECTION 5.15. *Further Assurances.* The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds, the Trustee the rights and benefits provided in this Indenture.

ARTICLE VI

THE TRUSTEE

SECTION 6.01. Duties, Immunities and Liabilities of Trustee.

(a) Performance of Duties. The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or duties will be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a reasonable corporate trustee would exercise or use.

(b) Removal of Trustee. The City may remove the Trustee at any time, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Trustee ceases to be eligible in accordance with subsection (e) of this Section, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. The City may accomplish such removal by giving 30 days written notice to the Trustee, whereupon the City will appoint a successor Trustee by an instrument in writing.

(c) Resignation by Trustee. The Trustee may at any time resign by giving written notice of such resignation to the City, and by giving notice of such resignation by first class mail, postage prepaid, to the Bond Owners at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the City will promptly appoint a successor Trustee by an instrument in writing.

(d) Appointment of Successor Trustee. Any removal or resignation of the Trustee and appointment of a successor Trustee becomes effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, any Owner (on behalf of such Owner and all other Owners) may petition any federal or state court for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper,

appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, upon the receipt by the predecessor Trustee of the Request of the City or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the City will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the City shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to each Rating Agency, and to the Owners at the addresses shown on the Registration Books. If the City fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the City.

(e) Qualifications of Trustee. Any Trustee appointed under the provisions of this Section in succession to the Trustee shall:

- (i) be a company or bank having trust powers,
- (ii) have a corporate trust office in the State of California,
- (iii) have (or be part of a bank holding company system whose bank holding company has) a combined capital and surplus of at least \$75,000,000, and
- (iv) be subject to supervision or examination by federal or state authority.

If such bank or company publishes a report of condition at least annually, under law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in subsection (c) of this Section.

The City will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this subsection (e), so long as any Bonds are Outstanding.

SECTION 6.02. *Merger or Consolidation.* Any bank or company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or company shall be eligible under subsection (e) of Section 6.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 6.03. *Rights and Liabilities of Trustee.*

(a) The recitals of facts herein and in the Bonds contained are taken as statements of the City, and the Trustee has no responsibility for the correctness of the same, nor does it have any liability whatsoever therefor, nor make any representations as to the validity or sufficiency of this Indenture or of the Bonds nor shall it incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee is, however, responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee is not liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of any Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. The Trustee, either as principal or agent, may engage in or be entrusted in any financial or other transaction with the City.

(b) The Trustee has no liability with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(c) The Trustee has no liability for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder is not construed as a mandatory duty.

(d) The Trustee will not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer of the Trustee has actual knowledge thereof, or unless and until a responsible officer of the Trustee has received written notice thereof at its Office. Except as otherwise expressly provided herein, the Trustee is not bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder or thereunder. The Trustee is not responsible for the City's payment of principal and interest on the Bonds, the City's observance or performance of any other covenants, conditions or terms contained herein, or the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, and notwithstanding anything herein

to the contrary, the Trustee is not responsible for reviewing the contents of any financial statements furnished to the Trustee under Section 5.06 and may rely conclusively on the Certificate of the City accompanying such financial statements to establish the City's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Gross Revenues into the Water Fund and the investment and application of moneys on deposit in the Water Fund (other than its covenants to transfer such moneys to the Trustee when due hereunder).

(e) No provision in this Indenture requires the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder. The Trustee is entitled to receive interest on any moneys advanced by it hereunder, at the maximum rate permitted by law.

(f) The Trustee may establish additional accounts or subaccounts of the funds established hereunder as the Trustee deems necessary or prudent in furtherance of its duties under this Indenture.

(g) The Trustee has no responsibility or liability whatsoever with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, nor shall the Trustee have any obligation to review any such material, and any such review by the Trustee will not be deemed to create any obligation, duty or liability on the part of the Trustee.

(h) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, have the right (but not the duty) fully to inspect the Water System, including all books, papers and records of the City pertaining to the Water System and the Bonds, and to take such memoranda from and with regard thereto as may be desired but which is not privileged by statute or by law.

(i) Before taking any action under Article VIII the Trustee may require indemnity satisfactory to the Trustee be furnished to it to hold the Trustee harmless from any expenses whatsoever and to protect it against any liability it may incur hereunder.

(j) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(k) The permissive right of the Trustee to do things enumerated in this Indenture is not construed as a duty.

(l) The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and is not answerable for the conduct of the same if appointed by it with reasonable care.

SECTION 6.04. *Right to Rely on Documents.* The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, Bond Counsel or other counsel of or to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith.

The Trustee is not bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and such person's title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the City, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but has no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant appointed by the City.

SECTION 6.05. *Preservation and Inspection of Documents.* All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject during normal business hours, and upon reasonable prior written notice, to the inspection of the City and any Owner, and their agents and representatives duly authorized in writing.

SECTION 6.06. *Compensation and Indemnification.* Absent any agreement to the contrary, the City shall pay to the Trustee from time to time compensation for all services rendered under this Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including any allocated costs of internal counsel), agents and employees, incurred in and about the performance of its powers and duties under this Indenture. The Trustee has a first lien on the Net Revenues and all funds and accounts held by the Trustee hereunder to secure the payment to the Trustee of all fees, costs and expenses, including compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in Article VIII. Any such expenses incurred by the Trustee shall be deemed to constitute a substantial contribution to the trust estate which secures the Bonds.

The City further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities, whether or not litigated, which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability and of enforcing any remedies hereunder and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the City under this Section shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

SECTION 6.07. *Accounting Records and Financial Statements.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee under this Indenture. Such books of record and

account shall be available for inspection by the City at reasonable hours, during regular business hours, with reasonable prior notice and under reasonable circumstances. The Trustee shall furnish to the City, at least semiannually, an accounting (which may be in the form of its customary statements) of all transactions relating to the proceeds of the Bonds and all funds and accounts held by the Trustee under this Indenture.

ARTICLE VII

MODIFICATION AND AMENDMENT OF THIS INDENTURE

SECTION 7.01. *Amendments Permitted.*

(a) Amendment With Bond Owner Consent. This Indenture and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended by the City and the Trustee upon Request of the City at any time by the execution of a Supplemental Indenture, but only with the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding with respect to all Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.05. Any such Supplemental Indenture becomes effective upon the execution and delivery thereof by the parties thereto and upon consent of the requisite Bond Owners. No such modification or amendment shall:

- (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal thereof, or interest thereon, or any premium payable on the redemption thereof, at the time and place and at the rate and in the currency provided therein, without the written consent of the Owner of such Bond, or
- (ii) permit the creation by the City of any mortgage, pledge or lien upon the Gross Revenues or the Net Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as expressly permitted by this Indenture), or reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification, or
- (iii) modify any of the rights or obligations of the Trustee without its written consent.

(b) Amendment Without Bond Owner Consent. This Indenture and the rights and obligations of the City and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners of the Bonds, but only for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City contained in this Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;

- (ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in this Indenture, or in any other respect whatsoever as the City deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the City and the Trustee;
- (iii) to provide for the issuance of Parity Debt under Section 5.09, and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of Section 5.09; or
- (iv) to amend any provision hereof to assure the exclusion from gross income of interest on the Bonds for federal income tax purposes under the Tax Code, in the opinion of Bond Counsel filed with the City and the Trustee.

(c) Notice of Amendments. The City shall deliver or cause to be delivered a draft of any Supplemental Indenture to each Rating Agency, at least 10 days prior to the effective date of such Supplemental Indenture under this Section.

SECTION 7.02. *Effect of Supplemental Indenture.* From and after the time any Supplemental Indenture becomes effective under this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 7.03. *Endorsement or Replacement of Bonds After Amendment.* After the effective date of any amendment or modification hereof under this Article, the City may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the City, as to such amendment or modification and in that case upon demand of the City the Owners of such Bonds shall present such Bonds for that purpose at the Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the City may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and in that case upon demand of the City the Owners of the Bonds shall present such Bonds for exchange at the Office of the Trustee without cost to such Owners.

SECTION 7.04. *Amendment by Mutual Consent.* The provisions of this Article VII shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner.

SECTION 7.05. *Trustee's Reliance.* The Trustee may conclusively rely, and is protected in relying, upon a Certificate of the City and an opinion of counsel stating that all requirements of this Indenture relating to the amendment or modification hereof have

been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Owners.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

SECTION 8.01. *Events of Default and Acceleration of Maturities.* Each of the following events constitutes an Event of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the City to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the City by the Trustee; *provided, however*, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the City institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The City commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in any Parity Debt Documents.

If an Event of Default occurs and is continuing, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding, and (b) subject to the provisions of Section 8.06, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity to enforce the rights of the Bond Owners under this Indenture.

Immediately upon obtaining actual knowledge of the occurrence of an Event of Default, but in no event later than five Business Days following obtaining actual knowledge of such occurrence, the Trustee shall give notice of such Event of Default to the City by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds has been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall,

and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners in the same manner as provided herein for notices of redemption of the Bonds, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee declares the Bonds to become due and payable under the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at an interest rate of 10% per annum, and the reasonable fees and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the City and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 8.02. *Application of Funds Upon Acceleration.* All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture shall be applied by the Trustee as follows and in the following order

- (a) *First*, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under this Indenture and the payment of all fees, costs and expenses owing to the Trustee under Section 6.06, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law.
- (b) *Second*, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by those Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

SECTION 8.03. *Power of Trustee to Control Proceedings.* If the Trustee, upon the happening of an Event of Default, takes any action, by judicial proceedings or otherwise,

in the performance of its duties hereunder, whether upon its own discretion, upon the request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, it has full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action. The Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

SECTION 8.04. *Limitation on Owners' Right to Sue.* No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless:

- (a) said Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;
- (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;
- (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy hereunder; it being understood and intended that no one or more Owners has any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and premium, if any, and interest on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

SECTION 8.05. *Non-waiver.* Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds, affects or impairs the obligation of the City, which is absolute and unconditional, to pay from the Net Revenues and other amounts pledged hereunder, the principal of and interest and redemption premium (if any) on the Bonds to the Bond Owners when due and payable as herein provided, or affects or impairs the right

of action, which is also absolute and unconditional, of the Bond Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner does not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Bond Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Bond Owners.

If a suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Bond Owners, the City the Bond Owners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

SECTION 8.06. *Actions by Trustee as Attorney-in-Fact.* Any suit, action or proceeding which any Owner has the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, subject to the provisions of Article VI. Notwithstanding the foregoing provisions of this Section, the Trustee has no duty to enforce any such right or remedy unless it has been indemnified to its satisfaction for any additional fees, charges and expenses of the Trustee related thereto, including without limitation, fees and charges of its attorneys and advisors.

SECTION 8.07. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Bond Law or any other law.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. *Limited Liability of City.* Notwithstanding anything contained in this Indenture, the City is not required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Gross Revenues). The City may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the City for such purpose without incurring indebtedness.

The Bonds are revenue bonds, payable exclusively from the Net Revenues and other funds as provided herein. The general fund of the City is not liable, and the credit of the City is not pledged, for the payment of the interest on or principal of the Bonds. The Owners of the Bonds have no right to compel the forfeiture of any property of the City. The principal of and interest on the Bonds, and any premiums upon the redemption of any thereof, are not a debt of the City, or a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or upon any of its income, receipts or revenues except the Net Revenues and other funds pledged to the payment thereof as provided in this Indenture.

SECTION 9.02. *Benefits of Indenture Limited to Parties.* Nothing in this Indenture, expressed or implied, gives to any person other than the City and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the City shall be for the sole and exclusive benefit of the Trustee and the Owners of the Bonds.

SECTION 9.03. *Defeasance of Bonds.* If the City pays and discharges the entire indebtedness on any Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing with the Trustee or an escrow agent, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under this Indenture, is fully sufficient to pay such Bonds, including all principal, interest and redemption premium, if any;
- (c) by irrevocably depositing with the Trustee or an escrow agent, in trust, Federal Securities in such amount as an Independent Accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or

- (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been duly given or provision satisfactory to the Trustee has been made for the giving of such notice, then, at the election of the City, and notwithstanding that any such Bonds have not been surrendered for payment, the pledge of the Net Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the City under this Indenture with respect to such Bonds shall cease and terminate, except only:

- (a) the obligations of the City under Section 5.11,
- (b) the obligation of the Trustee to transfer and exchange Bonds hereunder,
- (c) the obligation of the City to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and
- (d) the obligations of the City to compensate and indemnify the Trustee under Section 6.06.

The City shall file notice of such election with the Trustee. The Trustee shall pay any funds thereafter held by it, which are not required for said purpose, to the City.

In the case of a defeasance or payment of all of the Bonds Outstanding in accordance with this Section, the Trustee shall pay all amounts held by it in any funds or accounts hereunder, which are not required for said purpose or for payment of amounts due the Trustee under Section 6.06, to the City.

SECTION 9.04. *Execution of Documents and Proof of Ownership by Owners.* Any request, consent, declaration or other instrument which this Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of Bonds and the amount, maturity, number and date of ownership thereof are conclusively proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Bond binds all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Trustee in good faith and in accordance therewith.

SECTION 9.05. *Disqualified Bonds.* In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the City (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. The Trustee will not be deemed to have knowledge that any Bond is owned or held by the City unless the City is the Registered Owner or the Trustee has received written notice to that effect.

SECTION 9.06. *Waiver of Personal Liability.* No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.07. *Destruction of Canceled Bonds.* Whenever in this Indenture provision is made for the surrender to the City of any Bonds which have been paid or canceled under the provisions of this Indenture, a certificate of destruction duly executed by the Trustee shall be deemed to be the equivalent of the surrender of such canceled Bonds and the City shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to. The City shall pay all costs of any microfilming of Bonds to be destroyed.

SECTION 9.08. *Funds and Accounts.* Any fund or account required by this Indenture to be established and maintained by the City or the Trustee may be established and maintained in the accounting records of the City or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the City shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

SECTION 9.09. *Notices.* All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the City:

City of Sunnyvale
650 W. Olive Avenue
Sunnyvale, CA 94086
Attention: Finance Director

If to the Trustee:

U.S. Bank National Association
One California Street, Suite 1000
San Francisco, California 94111
Attention: Global Corporate Trust Services

SECTION 9.10. *Unclaimed Moneys.* Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the City for the payment of the principal of and interest and redemption premium (if any) on such Bonds.

SECTION 9.11. *Execution in Several Counterparts.* This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the City and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 9.12. *Governing Law.* This Indenture shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the CITY OF SUNNYVALE has caused this Indenture to be signed in its name by its City Manager and to be attested by its City Clerk, and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

CITY OF SUNNYVALE

By _____
City Manager

Attest

City Clerk

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Vice President

APPENDIX A

DEFINITIONS

“Additional Revenues” means, with respect to any issuance of Parity Debt:

(i) an allowance for Net Revenues from any additions to or improvements or extensions of the Water System to be made with the proceeds of such Parity Debt, and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source, but in any case which, during all or any part of such Fiscal Year or such 12-month period, were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown in the written report of an Independent Accountant or Financial Consultant engaged by the City; and

(ii) an allowance for earnings arising from any increase in the rates and charges made for service from the Water System which has become effective prior to the incurring of such additional indebtedness but which, during all or any part of such Fiscal Year or such 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in such rates and charges had been in effect during the whole of such Fiscal Year or such 12-month period.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Law” means Chapter 3.70 (commencing with Section 3.70.010) of the Sunnyvale Municipal Code, enacted pursuant to the charter of the City and Ordinance No. 2917-10, adopted April 6, 2010, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

“Bond Service Fund” means the fund by that name established and held by the Trustee under Section 4.02(a).

“Bond Year” means any twelve-month period commencing on April 2 in a year and ending on the next succeeding April 1, both dates inclusive; except that the first Bond Year commences on the Closing Date and ends on April 1, 2018.

“Bonds” means, collectively, the Series A Bonds and the Taxable Series A-T bonds.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located, and on which the Federal Reserve Bank system is not closed.

"Certificate of the City" means a certificate in writing signed by the Mayor, City Manager or Director of Finance of the City, or any other officer of the City duly authorized by the City Council for that purpose.

"City" means the City of Sunnyvale, a municipal corporation and charter city organized and existing under the laws of the State of California, and any successor thereto.

"Closing Date" means December ____, 2017, being the date of delivery of the Bonds to the Underwriter.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the Bonds and the refunding of the 2010 Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and its counsel, including the Trustee's first annual administrative fee; fees, charges and disbursements of attorneys, municipal advisors, accounting firms, consultants and other professionals; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds and the refunding of the 2010 Bonds.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee under Section 3.03.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.04.

"Depository System Participant" means any participant in the Depository's book-entry system.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Escrow Agent" means U.S. Bank National Association, as escrow bank under the Escrow Agreement.

"Escrow Agreement" means the Escrow Deposit and Trust Agreement dated as of the Closing Date, between the City and the Escrow Agent, relating to the payment, redemption and defeasance of the 2010 Bonds.

"Event of Default" means any of the events described in Section 8.01.

"Federal Securities" means:

(a) any direct general non-callable obligations of the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America; and

(b) any obligations the timely payment of principal of and interest on which are fully guaranteed by the United States of America or which are secured by obligations described in the preceding clause (a).

“Financial Consultant” means any consultant or firm of such consultants appointed by the City and who, or each of whom: (a) is judged by the City to have experience in matters relating to the financing of water systems; (b) is in fact independent and not under domination of the City; (c) does not have any substantial interest, direct or indirect, with the City; and (d) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Fiscal Year” means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or such other period as may be established by the City as its official fiscal year period (written notice of which shall be given by the City to the Trustee).

“Gross Revenues” means all gross charges received for, and all other gross income and receipts derived by the City from, the ownership and operation of the Water System or otherwise arising from the Water System, determined in accordance with generally accepted accounting principles, including but not limited to investment earnings thereon, insurance proceeds, transfers from (but exclusive of any transfers to) the Revenue Stabilization Fund, and all moneys received by the City from other public entities whose inhabitants are served by the Water System pursuant to contracts with the City.

However, “Gross Revenues” exclude (a) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the City levied for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Water System, (b) any taxes levied for the sole purpose of providing for payment of principal and interest on any voter-approved indebtedness incurred by the City, which would not otherwise be subject to levy but for the issuance of such indebtedness, (c) the proceeds of any state or federal grants with respect to the Water System, and (d) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the City.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

“Independent Accountant” means any accountant or firm of such accountants appointed and paid by the City, and who, or each of whom (a) is in fact independent and not under domination of the City; (b) does not have any substantial interest, direct or indirect, with the City; and (c) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or other audits of the books of or reports to the City.

“Interest Payment Date” means April 1 and October 1 in each year, beginning April 1, 2018, and continuing so long as any Bonds remain Outstanding.

“Maximum Annual Debt Service” means, as of the date of any calculation, the maximum sum obtained for the current or any future Fiscal Year so long as any of the Bonds remain Outstanding by totaling the following amounts for such Fiscal Year:

- (a) the aggregate amount of principal of (including sinking payments) and interest on the Outstanding Bonds coming due and payable in such Fiscal Year;
- (b) the principal amount of all outstanding Parity Debt, if any, coming due and payable by their terms in such Fiscal Year, including the principal of any Parity Debt coming due and payable by operation of mandatory sinking fund redemption; and
- (c) the amount of interest which would be due during such Fiscal Year on the aggregate principal amount of the Bonds and Parity Debt which would be outstanding in such Fiscal Year if such Bonds and Parity Debt are retired as scheduled.

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to Section 2.04(a).

“Office” means, with respect to the Trustee, the corporate trust office of the Trustee at the address set forth in Section 9.09, or at such other or additional offices as may be specified by the Trustee in writing to the City; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

“Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Water System, determined in accordance with generally accepted accounting principles, including but not limited to (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, (b) the cost of water purchased by the City for delivery to the City’s water customers, and (c) all administrative costs of the City that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, and the necessary contribution to retirement of such employees, overhead, taxes (if any) and insurance.

However, “Operation and Maintenance Costs” do not include (i) administrative costs which the City is required to pay hereunder, (ii) payments of debt service on bonds, notes, installment sale agreements, or other obligations issued by the City with respect to the Water System, (iii) depreciation, replacement and obsolescence charges or reserves therefor, and (iv) amortization of intangibles or other bookkeeping entries of a similar nature, and (v) costs and expenses which under generally accepted accounting principles are chargeable to a capital account.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the City has

been discharged in accordance with Section 9.03; (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture; and (d) Bonds which are required to be disregarded and not deemed Outstanding under Section 9.05.

"Owner", when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Parity Debt" means all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the City payable from and secured by a pledge of and lien upon any of the Net Revenues issued or incurred on a parity with the Bonds under Section 5.09.

"Parity Debt Documents" means all leases, installment sale agreements, trust agreements, indentures of trust and other documents prescribing the terms and provisions applicable to any issue of Parity Debt.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.
- (c) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (d) Commercial paper rated in the highest short-term rating category by S&P.
- (e) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating in the highest rating category of S&P.
- (f) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating in the highest rating category of S&P (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).
- (g) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a)

rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Federal Securities.

- (h) Bonds or notes issued by any state or municipality which are rated by S&P in one of the two highest rating categories assigned by S&P.
- (i) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P at the time of initial investment.
- (j) The Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.
- (k) The California Asset Management Program (CAMP).

"Record Date" means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date.

"Redemption Fund" means the fund by that name established and held by the Trustee under Section 4.02(c).

"Registration Books" means the books maintained by the Trustee under Section 2.07 for the registration and transfer of ownership of the Bonds.

"Request of the City" means a request in writing signed by the Mayor, City Manager or Director of Finance of the City, or any other officer of the City duly authorized by the City Council for that purpose.

"S&P" means Standard & Poor's Corporation, of New York, New York, and its successors.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in a Request of the City delivered by the City to the Trustee.

"Series A Bonds" means the City of Sunnyvale Water Revenue Refunding Bonds, Series 2017A, issued in the aggregate principal amount of \$_____ and at any time Outstanding hereunder.

"Series A Term Bonds" means the Series A Bonds maturing on April 1, 20__ and April 1, 20__.

"Supplemental Indenture" means any indenture, agreement, resolution or other instrument hereafter duly adopted or executed in accordance with the provisions of Section 7.01.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

"Taxable Series A-T Bonds" means the City of Sunnyvale Taxable Water Revenue Refunding Bonds, Series 2017A-T, issued in the aggregate principal amount of \$_____ and at any time Outstanding hereunder.

"Trustee" means U.S. Bank National Association, as Trustee hereunder, or any successor thereto appointed as Trustee hereunder in accordance with the provisions of Article VI.

"2010 Bonds" means the bonds of the City captioned "City of Sunnyvale Water Revenue Bonds, Series 2010" issued in the original principal amount of \$24,085,000.

"Underwriter" means J.P. Morgan Securities LLC, as original purchaser of the Bonds on the Closing Date.

"Water Fund" means the fund or funds which the City has previously established for the receipt and deposit of Gross Revenues derived from the Water System.

"Water System" means the existing water system of the City, comprising all facilities for the obtaining, conserving, treating, distributing, storing and supplying of water for domestic use, irrigation, sanitation, industrial use, fire protection, recreation, or any other public or private uses, together with any necessary lands, rights, entitlements and other property useful in connection therewith, and all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the City.

APPENDIX B

FORM OF SERIES A BOND

No. R-1

***\$_____**

CITY OF SUNNYVALE WATER REVENUE REFUNDING BOND, SERIES 2017A

INTEREST RATE: MATURITY DATE: ISSUE DATE: CUSIP:
 April 1, _____ December __, 2017

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \$_____

The City of Sunnyvale, a municipal corporation and charter city organized and existing under the laws of the State of California (the "City") for value received, hereby promises to pay (but only out of the Net Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner stated above, or registered assigns, on the Maturity Date stated above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount stated above, in lawful money of the United States of America; and to pay interest thereon in like lawful money from the Interest Payment Date next preceding the date of authentication of this Bond (unless this Bond is authenticated as of a day during the period commencing after the 15th day of the month preceding an Interest Payment Date and ending on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before March 15, 2018, in which event it shall bear interest from the Issue Date stated above) until payment of such principal sum shall be discharged as provided in the Indenture hereinafter mentioned, at the Interest Rate per annum stated above, payable semiannually on each April 1 and October 1, commencing April 1, 2018 (each, an "Interest Payment Date").

The principal (or redemption price) hereof is payable by check at the Office (as defined in the Indenture referred to below) of U.S. Bank National Association (together with any successor trustee under the Indenture, the "Trustee"). Interest hereon is payable by check of the Trustee mailed on each Interest Payment Date to the Registered Owner as of the 15th day of the month preceding each Interest Payment Date (except with respect to payment of defaulted interest as provided in the Indenture hereinafter referred to) at the address shown on the registration books maintained by the Trustee. Payment of interest will be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000

or more who shall furnish written wire instructions to the Trustee before the 15th day of the month preceding the applicable Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the City designated as its "City of Sunnyvale Water Revenue Refunding Bonds, Series 2017A" (the "Bonds"), in the aggregate principal amount of \$_____, authorized under the provisions of Chapter 3.70 (commencing with Section 3.70.010) of the Sunnyvale Municipal Code, enacted pursuant to the charter of the City and Ordinance No. 2917-10, adopted April 6, 2010 (the "Bond Law"), and issued under an Indenture of Trust dated as of December 1, 2017 (the "Indenture"), between the City and the Trustee. The Bonds have been issued for the purpose of refunding outstanding obligations of the City issued to finance improvements to the City's system for obtaining, conserving, treating, distributing, storing and supplying water (the "Water System").

Reference is hereby made to the Indenture (a copy of which is on file at said Office of the Trustee) and all indentures supplemental thereto and to the Bond Law for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the City thereunder. The Registered Owner of this Bond, by acceptance hereof, assents and agrees to all the provisions of the Indenture.

The Bonds and the interest thereon are payable from Net Revenues of the Water System (as such terms are defined in the Indenture) and are secured by a pledge and assignment of said Net Revenues and of amounts held in the Bond Fund established under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The City has the right under the Indenture to issue additional obligations on a parity with the Bonds, subject to the specific conditions set forth in the Indenture. The Bonds are special obligations of the City and are not a lien or charge upon the funds or property of the City, except to the extent of the aforesaid pledge and assignment.

The Bonds maturing on or before April 1, 20____, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after April 1, 20____, are subject to redemption in whole, or in part among maturities on such basis as set forth in a Certificate of the City filed with the Trustee, and in any event by lot within a maturity, at the option of the City, from any available source of funds, on any Business Day on or after April 1, 20____, at a redemption price equal to 100% of the principal amount thereof to be redeemed together with accrued interest to the redemption date, without premium.

The Bonds maturing on April 1, 20____, and April 1, 20____ (the "Series A Term Bonds") are subject to mandatory redemption in whole, or in part by lot, from sinking payments, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on April 1 in the years as set forth in the following tables:

Series A Term Bonds Maturing April 1, 20__

Sinking Payment Redemption Date <u>(April 1)</u>	Principal <u>Amount</u>
--	----------------------------

(Maturity)

Series A Term Bonds Maturing April 1, 20__

Sinking Fund Redemption Date <u>(April 1)</u>	Principal <u>Amount</u>
---	----------------------------

(Maturity)

If some but not all of the Series A Term Bonds have been redeemed under the optional redemption provisions set forth above, the total amount of all future sinking payments will be reduced by the aggregate principal amount of such Series A Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro-rata basis as determined by the City.

The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default.

The Trustee on behalf and at the expense of the City shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption, at least 30 but not more than 60 days prior to the redemption date, at their respective addresses appearing on the Registration Books. Neither the failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Interest on the Bonds called for redemption will not accrue from and after the redemption date.

The Bonds are issuable as fully registered Bonds in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations provided in the Indenture, Bonds may be exchanged, at said Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, but only in the manner, subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds, of authorized denomination or denominations, of the same maturity and for the same aggregate principal amount, will be

issued to the transferee in exchange herefor. The City and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the City and the Trustee shall not be affected by any notice to the contrary.

The Indenture and the rights and obligations of the City and of the owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the City to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified and recited that any and all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Bond Law, and by the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any limit prescribed by the Bond Law and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond is not entitled to any benefit under the Indenture, or is not valid or obligatory for any purpose, until the certificate of authentication hereon endorsed has been signed by the Trustee.

IN WITNESS WHEREOF, City of Sunnyvale has caused this Bond to be executed in its name and on its behalf by the facsimile signature of its City Manager and attested to by the facsimile signature of its City Clerk, all as of the Issue Date stated above.

CITY OF SUNNYVALE

By _____
City Manager

Attest

City Clerk

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney,

to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed

Note: Signature(s) shall be guaranteed by an eligible guarantor institution.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

FORM OF TAXABLE SERIES A-T BOND

No. R-1

***\$_____**

**CITY OF SUNNYVALE
TAXABLE WATER REVENUE REFUNDING BOND,
SERIES 2017A-T**

INTEREST RATE: **MATURITY DATE:** **ISSUE DATE:** **CUSIP:**
 April 1, _____ December __, 2017

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \$_____

The City of Sunnyvale, a municipal corporation and charter city organized and existing under the laws of the State of California (the "City") for value received, hereby promises to pay (but only out of the Net Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner stated above, or registered assigns, on the Maturity Date stated above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount stated above, in lawful money of the United States of America; and to pay interest thereon in like lawful money from the Interest Payment Date next preceding the date of authentication of this Bond (unless this Bond is authenticated as of a day during the period commencing after the 15th day of the month preceding an Interest Payment Date and ending on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before March 15, 2018, in which event it shall bear interest from the Issue Date stated above) until payment of such principal sum shall be discharged as provided in the Indenture hereinafter mentioned, at the Interest Rate per annum stated above, payable semiannually on each April 1 and October 1, commencing April 1, 2018 (each, an "Interest Payment Date").

The principal (or redemption price) hereof is payable by check at the Office (as defined in the Indenture referred to below) of U.S. Bank National Association (together with any successor trustee under the Indenture, the "Trustee"). Interest hereon is payable by check of the Trustee mailed on each Interest Payment Date to the Registered Owner as of the 15th day of the month preceding each Interest Payment Date (except with respect to payment of defaulted interest as provided in the Indenture hereinafter referred to) at the address shown on the registration books maintained by the Trustee. Payment of interest will be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000

or more who shall furnish written wire instructions to the Trustee before the 15th day of the month preceding the applicable Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the City designated as its "City of Sunnyvale Taxable Water Revenue Refunding Bonds, Series 2017A-T" (the "Bonds"), in the aggregate principal amount of \$_____, authorized under the provisions of Chapter 3.70 (commencing with Section 3.70.010) of the Sunnyvale Municipal Code, enacted pursuant to the charter of the City and Ordinance No. 2917-10, adopted April 6, 2010 (the "Bond Law"), and issued under an Indenture of Trust dated as of December 1, 2017 (the "Indenture"), between the City and the Trustee. The Bonds have been issued for the purpose of refunding outstanding obligations of the City issued to finance improvements to the City's system for obtaining, conserving, treating, distributing, storing and supplying water (the "Water System").

Reference is hereby made to the Indenture (a copy of which is on file at said Office of the Trustee) and all indentures supplemental thereto and to the Bond Law for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the City thereunder. The Registered Owner of this Bond, by acceptance hereof, assents and agrees to all the provisions of the Indenture.

The Bonds and the interest thereon are payable from Net Revenues of the Water System (as such terms are defined in the Indenture) and are secured by a pledge and assignment of said Net Revenues and of amounts held in the Bond Fund established under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The City has the right under the Indenture to issue additional obligations on a parity with the Bonds, subject to the specific conditions set forth in the Indenture. The Bonds are special obligations of the City and are not a lien or charge upon the funds or property of the City, except to the extent of the aforesaid pledge and assignment.

The Bonds may be redeemed, in whole or in part, at the option of the City, at any time at a redemption price equal to the greater of

(i) 100% of the principal amount of the Taxable Series A-T Bonds to be redeemed, and

(ii) the sum of the present values of the applicable remaining scheduled payments of principal and interest on the Taxable Series A-T Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Taxable Series A-T Bonds are to be redeemed, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus ____ basis points,

plus in each case, accrued and unpaid interest on the Taxable Series A-T Bonds being redeemed to the date fixed for redemption (as such terms used above are defined in the Indenture).

The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of

optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default.

The Trustee on behalf and at the expense of the City shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption, at least 30 but not more than 60 days prior to the redemption date, at their respective addresses appearing on the Registration Books. Neither the failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Interest on the Bonds called for redemption will not accrue from and after the redemption date.

The Bonds are issuable as fully registered Bonds in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations provided in the Indenture, Bonds may be exchanged, at said Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, but only in the manner, subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds, of authorized denomination or denominations, of the same maturity and for the same aggregate principal amount, will be issued to the transferee in exchange herefor. The City and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the City and the Trustee shall not be affected by any notice to the contrary.

The Indenture and the rights and obligations of the City and of the owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the City to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified and recited that any and all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Bond Law, and by the laws of the State of California, and that

the amount of this Bond, together with all other indebtedness of the City, does not exceed any limit prescribed by the Bond Law and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond is not entitled to any benefit under the Indenture, or is not valid or obligatory for any purpose, until the certificate of authentication hereon endorsed has been signed by the Trustee.

IN WITNESS WHEREOF, City of Sunnyvale has caused this Bond to be executed in its name and on its behalf by the facsimile signature of its City Manager and attested to by the facsimile signature of its City Clerk, all as of the Issue Date stated above.

CITY OF SUNNYVALE

By _____
City Manager

Attest

City Clerk

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed

Note: Signature(s) shall be guaranteed by an eligible guarantor institution.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

ESCROW DEPOSIT AND TRUST AGREEMENT

\$24,085,000
CITY OF SUNNYVALE
WATER REVENUE BONDS, SERIES 2010

This ESCROW DEPOSIT AND TRUST AGREEMENT, dated as of December __, 2017 (the "**Agreement**"), is by and between the City of Sunnyvale, a municipal corporation and charter city organized and existing under the laws of the State of California (the "City"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, acting as escrow agent for the Prior Bonds defined below (the "Escrow Agent") and as trustee (the "Prior Bonds Trustee") for the Prior Bonds defined below.

B A C K G R O U N D :

1. The City owns and operates a public utility enterprise for obtaining, conserving, treating, distributing, storing and supplying water for domestic use, irrigation, sanitation, industrial use, fire protection, recreation, or any other public or private uses within the service area of the City (the "Water System").

2. In order to finance and refinance improvements to the Water System, the City has previously issued its bonds captioned "City of Sunnyvale Water Revenue Bonds, Series 2010" in the original principal amount of \$24,085,000 (the "Prior Bonds") under an Indenture of Trust dated as of June 1, 2010 (the "Prior Bonds Indenture"), between the City and the Prior Trustee.

3. Under the Prior Bonds Indenture, the Prior Bonds are subject to redemption on any date on or after April 1, 2020, at a redemption price equal to the principal amount of the Prior Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

4. In order to provide funds to defease, pay and redeem the Prior Bonds and thereby discharge the indebtedness represented by the Prior Bonds in accordance with the Prior Bonds Indenture, the City Council has authorized the issuance of its bonds captioned "City of Sunnyvale Water Revenue Refunding Bonds, Series 2017A," in the aggregate principal amount of \$_____ (the "Series A Bonds"), and its bonds captioned "City of Sunnyvale Taxable Water Revenue Refunding Bonds, Series 2017A-T," in the aggregate principal amount of \$_____ (the "Taxable Series A-T Bonds" and, together with the Series A Bonds, the "Refunding Bonds") under an Indenture of Trust dated as of December 1, 2017 (the "Refunding Bonds Indenture"), between the City and U.S. Bank National Association (the "Refunding Bonds Trustee").

5. The City wishes to appoint the Escrow Agent for the purpose of establishing an irrevocable escrow fund to be funded, invested, held and administered for the purpose of providing for the payment and redemption of the Prior Bonds in full in accordance with the Prior Bonds Indenture.

6. As a result of the deposit and investment of funds in accordance with this Agreement, the Prior Bonds will be discharged and defeased in accordance with the provisions of Section 9.03 of the Prior Bonds Indenture.

A G R E E M E N T :

In consideration of the premises and the material covenants contained herein, the City and the Escrow Agent hereby agree as follows:

SECTION 1. *Appointment of Escrow Agent; Establishment of Escrow Fund.* The City hereby appoints the Escrow Agent to act as escrow agent for purposes of administering the funds required to defease, pay and redeem the Prior Bonds in full in accordance with the Prior Bonds Indenture.

The Escrow Agent is hereby directed to establish an escrow fund to be known as the "City of Sunnyvale Water Revenue Bonds, Series 2010, Escrow Fund" (the "Escrow Fund") to be held by the Escrow Agent as an irrevocable escrow securing the defeasance, payment and redemption of the Prior Bonds in accordance with the Prior Bonds Indenture. If at any time the Escrow Agent receives actual knowledge that the cash and securities in the Escrow Fund will not be sufficient to make any payment required by Section 5, the Escrow Agent shall notify the City of such fact and the City shall immediately cure such deficiency from any source of legally available funds. The Escrow Agent has no liability for any such insufficiency.

SECTION 2. *Deposit of Amounts in Escrow Fund.* On December ____, 2017 (the "Closing Date"), the City shall cause to be transferred to the Escrow Agent for deposit into the Escrow Fund the amount of \$_____ in immediately available funds, to be derived from the proceeds of the Refunding Bonds.

In addition, on the Closing Date, the Escrow Agent, in its capacity as Prior Bonds Trustee, shall withdraw all funds held in the funds and accounts established under the Prior Bonds Indenture, in the combined amount of \$_____, for deposit into the Escrow Fund, for a total deposit equal to \$_____.

SECTION 3. *Investment of Amounts in Escrow Fund.* On the Closing Date, the Escrow Agent shall invest \$_____ of the amounts deposited in the Escrow Fund in the federal securities listed on Exhibit A and hold the remaining \$_____ in cash, uninvested.

SECTION 4. *Irrevocable Election to Redeem the Prior Bonds.* The City hereby irrevocably elects to redeem the Prior Bonds in full on April 1, 2020 (the "Redemption Date"), in accordance with Section 2.02(a) of the Prior Bonds Indenture.

At the written direction of the City, notice of redemption of the Prior Bonds shall be given by the Escrow Agent, in its capacity as Prior Bonds Trustee, in accordance with Section 2.02(c) of the Prior Bonds Indenture, at the expense of the City, using a redemption notice in the form set forth in Exhibit B. Notice of redemption of the Prior Bonds shall be given by the Escrow Agent no later than March 2, 2020.

The City further hereby directs the Escrow Agent to file on the Closing Date the notice attached as Exhibit C on the Municipal Securities Rulemaking Board's EMMA system with respect to the defeasance of the Prior Bonds. The sole remedy for the Escrow Agent's failure to file such notice with EMMA shall be an action in mandamus by the holders of the Prior Bonds for specific performance, or a similar remedy to compel performance.

SECTION 5. *Application of Amounts in Escrow Fund.* The Escrow Agent shall apply an amount on deposit in the Escrow Fund to pay and redeem the Prior Bonds on the Redemption Date, in accordance with the following schedule:

Redemption Date	Interest	Principal Redeemed	Total
4/01/2018	\$ _____	\$ _____	\$ _____
10/1/2018	\$ _____	\$ _____	\$ _____
4/01/2019	\$ _____	\$ _____	\$ _____
10/1/2019	\$ _____	\$ _____	\$ _____
4/01/2020	\$ _____	\$ _____	\$ _____

Following the payment and redemption of the Prior Bonds in full on the Redemption Date, the Escrow Agent shall transfer any amounts remaining on deposit in the Escrow Fund to the Refunding Bonds Trustee to be deposited in the Bond Service Fund established for the Refunding Bonds under Section 4.02 of the Refunding Bonds Indenture and applied to pay interest next coming due and payable on the Refunding Bonds.

SECTION 6. *Compensation to Escrow Agent.* The City shall pay the Escrow Agent full compensation for its services under this Agreement, including out-of-pocket costs such as publication costs, redemption expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase, substitution or withdrawal of any securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes. The Escrow Agent has no lien upon or right of set off against the cash and securities at any time on deposit in the Escrow Fund.

The City shall indemnify, defend and hold harmless the Escrow Agent and its officers, directors, employees, representatives and agents, from and against and reimburse the Escrow Agent for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Agent directly or indirectly relating to, or arising from, claims against the Escrow Agent by reason of its participation in the transactions contemplated hereby, except to the extent caused by the Escrow Agent's negligence or willful misconduct. The provisions of this Section shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Agent.

SECTION 7. *Immunities and Liability of Escrow Agent.* The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent shall not have any liability hereunder except to the extent of its gross negligence or willful misconduct. In no event shall the Escrow Agent

be liable for any special, indirect or consequential damages. The Escrow Agent shall not be permitted to make any investments of amounts held by it in the Escrow Fund. The Escrow Agent may consult with legal counsel of its own choice and the Escrow Agent shall not be liable for any action taken or not taken by it in good faith in reliance upon the opinion or advice of such counsel. The Escrow Agent shall not be liable for the recitals or representations contained in this Agreement and shall not be responsible for the validity of this Agreement, the sufficiency of the Escrow Fund or the moneys and securities to pay the principal and interest represented by the Prior Bonds.

Whenever in the administration of this Agreement the Escrow Agent deems it necessary or desirable that a matter be proved or established prior to taking or not taking any action, such matter may be deemed to be conclusively proved and established by a certificate of an authorized representative of the City and shall be full protection for any action taken or not taken by the Escrow Agent in good faith reliance thereon.

The Escrow Agent may conclusively rely as to the truth and accuracy of the statements and correctness of any opinions or calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any notice, instruction, request, certificate, document, opinion or other writing furnished to the Escrow Agent in connection with this Agreement and believed by the Escrow Agent to be signed by the proper party, and it need not investigate any fact or matter stated therein.

None of the provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care. The Escrow Agent shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Escrow Agent and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Escrow Agent may at any time resign by giving 30 days' written notice of resignation to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Escrow Agent from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to each of the City, the resigning Escrow Agent and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor.

Any bank, corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties

hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

SECTION 8. *Furnishing of Statements.* The Escrow Agent shall furnish the City periodic cash transaction statements which include detail for all investment transactions effected by the Escrow Agent or brokers selected by the City. Upon the City's election, such statements will be delivered via the Escrow Agent's online service and upon electing such service, paper statements will be provided only upon request. The City waives the right to receive brokerage confirmations of security transactions effected by the Escrow Agent as they occur, to the extent permitted by law. The City further understands that trade confirmations for securities transactions effected by the Escrow Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

SECTION 9. *Electronic Communications.* The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Escrow Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

SECTION 10. *Termination of Agreement.* Upon payment and redemption in full of the Prior Bonds, and upon payment of all fees, expenses and charges of the Escrow Agent as described above, this Agreement shall terminate and the Escrow Agent shall be discharged from any further obligation or responsibility hereunder.

SECTION 11. *Execution in Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 12. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

CITY OF SUNNYVALE

By _____
City Manager

Attest

City Clerk

**U.S. BANK NATIONAL
ASSOCIATION,**
as Escrow Agent and as Prior Bonds
Trustee

By _____
Authorized Officer

EXHIBIT A

ESCROW SECURITIES

Type of Security	Delivery Date	Maturity Date	Par Amount	Coupon	
	12/___/2017	4/01/2020			

EXHIBIT B

FORM OF NOTICE OF REDEMPTION

NOTICE OF FULL REDEMPTION

\$24,085,000
CITY OF SUNNYVALE
WATER REVENUE BONDS, SERIES 2010

Original Date of Issue: June 29, 2010

NOTICE IS HEREBY GIVEN, by the City of Sunnyvale (the "City"), with respect to the captioned bonds (the "2010 Bonds"), that it has elected to optionally redeem all of the outstanding 2010 Bonds on April 1, 2020 (the "Redemption Date"). The redemption price of the 2010 Bonds equals the par amount thereof together with accrued interest thereon to the Redemption Date, without redemption premium. Interest on the 2010 Bonds will not accrue after the Redemption Date.

The 2010 Bonds being optionally redeemed consist of the following:

Maturity Date (April 1)	Principal Amount	Interest Rate	CUSIP†
2020	\$470,000	5.00%	867612 BR3
2023 T	1,560,000	5.00	867612 BS1
2025 T	1,180,000	5.25	867612 BT9
2027 T	1,305,000	5.25	867612 BU6
2040 T	12,655,000	5.25	867612 BV4

T: Term Bonds

† The City and the Trustee shall not be responsible for the selection or use of the CUSIP numbers listed above, nor is any representation made as to the accuracy of the CUSIP numbers listed above or as printed on any 2010 Bond; the CUSIP numbers are included solely for the convenience of the owners of the 2010 Bonds.

The 2010 Bonds must be surrendered by the owners thereof at the corporate trust office of the Trustee, listed below, for payment of the redemption price.

Registered/Certified Mail:
U.S. Bank National Association
Global Corporate Trust Services
111 Fillmore Ave E
St. Paul, MN 55107

Dated: _____, 2020

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

EXHIBIT C

FORM OF NOTICE OF DEFEASANCE

NOTICE OF DEFEASANCE

**\$24,085,000
CITY OF SUNNYVALE
WATER REVENUE BONDS, SERIES 2010**

Original Date of Issue: June 29, 2010

NOTICE IS HEREBY GIVEN, by the City of Sunnyvale (the "City"), that the captioned bonds (the "2010 Bonds") have been defeased and discharged under and within the meaning of the Indenture of Trust dated as of June 1, 2010, between the City and U.S. Bank National Association (the "Indenture"), authorizing the issuance of the 2010 Bonds. Funds for the payment of the 2010 Bonds have been deposited with U.S. Bank National Association, as escrow agent, and the sufficiency of the funds and investments for the purpose of paying the principal of and interest on the 2010 Bonds has been verified by Causey Demgen & Moore P.C., certified public accountants. As a consequence of the foregoing actions and in accordance with the Indenture, the 2010 Bonds are no longer secured by a pledge of revenues under the Indenture, and the 2010 Bonds are now payable solely from the moneys set aside in escrow as described above and, if necessary, from other legally available funds of the City.

The City has elected to optionally redeem all of the outstanding 2010 Bonds on April 1, 2020 (the "Redemption Date"). The redemption price of the 2010 Bonds equals the par amount thereof together with accrued interest thereon to the Redemption Date, without redemption premium. Interest on the 2010 Bonds will not accrue after the Redemption Date.

The 2010 Bonds being defeased consist of the following:

Maturity Date (April 1)	Principal Amount	Interest Rate	CUSIP†
2018	\$925,000	4.00%	867612 BP7
2019	455,000	4.00	867612 BQ5
2020	470,000	5.00	867612 BR3
2023 T	1,560,000	5.00	867612 BS1
2025 T	1,180,000	5.25	867612 BT9
2027 T	1,305,000	5.25	867612 BU6
2040 T	12,655,000	5.25	867612 BV4

T: Term Bonds

† The City and the Trustee shall not be responsible for the selection or use of the CUSIP numbers listed above, nor is any representation made as to the accuracy of the CUSIP numbers listed above or as printed on any 2010 Bond; the CUSIP numbers are included solely for the convenience of the owners of the 2010 Bonds.

The 2010 Bonds must be surrendered by the owners thereof at the corporate trust office of the Trustee for payment of the redemption price.

Dated: _____, 2017

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER ____, 2017**NEW ISSUE - FULL BOOK-ENTRY**

RATINGS: S&P “___”
Moody’s: “___”
See “Ratings”

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. Interest on the Taxable Series 2017A-T Bonds is not intended to be excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the 2017 Bonds is exempt from California personal income taxes. See “TAX MATTERS.”

\$ _____ *

City of Sunnyvale
Water Revenue Refunding Bonds,
Series 2017A

\$ _____ *

City of Sunnyvale
Taxable Water Revenue Refunding Bonds,
Series 2017A-T

Dated: Date of Delivery

Due: April 1, as shown on inside cover

Authority for Issuance. The bonds captioned above (the “Series 2017A Bonds” and the “Taxable Series 2017A-T Bonds” and together, the “2017 Bonds”) are being issued by the City of Sunnyvale (the “City”) under (i) a resolution adopted by the City Council of the City, (ii) the provisions of Chapter 3.70 (commencing with Section 3.70.010) of the Sunnyvale Municipal Code, enacted pursuant to the charter of the City and Ordinance No. 2917-10, adopted April 6, 2010, (and (iii) an Indenture of Trust dated as of December 1, 2017 (the “Indenture”), by and between the City and U.S. Bank National Association, as trustee. See “THE 2017 BONDS – Authority for Issuance.”

Security for the 2017 Bonds. The 2017 Bonds are special obligations of the City, payable solely from “Net Revenues” of the City’s facilities for obtaining, conserving, treating, distributing, storing and supplying water for domestic use, irrigation, sanitation, industrial use, fire protection, recreation, or any other public or private uses within the service area of the City (the “Water System”), and amounts on deposit in certain funds and accounts established under the Indenture as and to the extent provided in the Indenture. The City will not fund a debt service reserve fund for the 2017 Bonds. See “SECURITY FOR THE 2017 BONDS.”

Parity Debt. Upon the issuance of the 2017 Bonds, there will be no outstanding bonds or other debt payable from Net Revenues on a parity with the 2017 Bonds. However, additional series of bonds or other debt may be issued in the future that is payable from Net Revenues on a parity with the 2017 Bonds, subject to the conditions contained in the Indenture. See “SECURITY FOR THE 2017 BONDS – Parity Debt.”

Use of Proceeds. The 2017 Bonds are being issued to provide funds to (i) pay, defease, and redeem, on an advance basis, the City’s bonds captioned “\$24,085,000 City of Sunnyvale Water Revenue Bonds, Series 2010” (the “2010 Bonds”), and (ii) pay the costs of issuing the 2017 Bonds. See “FINANCING PLAN.”

Bond Terms; Book-Entry Only. The 2017 Bonds will bear interest at the rates shown on the inside cover, payable semiannually on April 1 and October 1 of each year, commencing on April 1, 2018, and will be issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple of \$5,000. The 2017 Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Purchasers of the 2017 Bonds will not receive certificates representing their interests in the 2017 Bonds. Payments of the principal of, premium, if any, and interest on the 2017 Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2017 Bonds. See “THE 2017 BONDS – General Bond Terms.”

Redemption. The 2017 Bonds are subject to redemption prior to maturity. See “THE 2017 BONDS – Redemption.”

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE 2017 BONDS OR INTEREST THEREON. THE 2017 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, OR LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE NET REVENUES OF THE WATER SYSTEM AND AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE AS AND TO THE EXTENT PROVIDED IN THE INDENTURE.

MATURITY SCHEDULE
(see inside cover)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE 2017 BONDS. INVESTMENT IN THE 2017 BONDS INVOLVES RISKS THAT MAY NOT BE APPROPRIATE FOR SOME INVESTORS. SEE “BOND OWNERS’ RISKS.”

The 2017 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel, and by the City Attorney, and will be passed upon for the Underwriter by

its counsel, Stradling, Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the 2017 Bonds, in book-entry only form, will be available through the facilities of DTC on or about _____, 2017.

[LOGO OF JP MORGAN]

The date of this Official Statement is: _____, 2017.

* Preliminary; subject to change.

MATURITY SCHEDULE*

Series 2017A Bonds
\$_____ Serial Bonds
(Base CUSIP†: _____)

Maturity (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
-----------------------	---------------------	------------------	-------	-------	--------

\$ ____ % Term Bond due April 1, 20____, Yield: ____%, Price: ____%, CUSIP† No. ____

Taxable Series 2017A-T Bonds
\$_____ Serial Bonds
(Base CUSIP†: _____)

Maturity (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
-----------------------	---------------------	------------------	-------	-------	--------

\$ ____ % Term Bond due April 1, 20____, Yield: ____%, Price: ____%, CUSIP† No. ____

* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the City nor the Underwriter takes any responsibility for the accuracy of such numbers.

CITY OF SUNNYVALE

CITY COUNCIL

Glenn Hendricks, *Mayor, Seat #2*
Gustav Larsson, *Vice Mayor, Seat #1*
Jim Griffith, *Councilmember, Seat #3*
Larry Klein, *Councilmember, Seat #4*
Nancy Smith, *Councilmember, Seat #6*
Russ Melton, *Councilmember, Seat #5*
Michael S. Goldman, *Councilmember, Seat #7*

CITY OFFICIALS

Kent Steffens, *Interim City Manager*¹
Teri Silva, *Interim Assistant City Manager*
Timothy J. Kirby, *Director of Finance*
Craig Mobeck, *Interim Director of Public Works*
John Nagel, *City Attorney*

Bond Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Municipal Advisor

Ross Financial
San Francisco, California

Underwriter's Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Trustee

U.S. Bank National Association
San Francisco, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

¹ The City has hired a recruitment firm to manage a national recruitment process for a permanent city manager. Initial Interviews occurred in November 2017 with additional interviews planned in December 2017.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2017 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2017 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or the Water System since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2017 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2017 Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

Document References and Summaries. All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Involvement of Underwriter. The following statement has been included in this Official Statement on behalf of the Underwriter: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Stabilization of and Changes to Offering Prices. The Underwriter may over allot or take other steps that stabilize or maintain the market price of the 2017 Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2017 Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the 2017 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Internet Site. The City maintains an internet site; however, none of the information contained on that internet site is incorporated by reference in this Official Statement.

[REGIONAL MAP]

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OFFICIAL STATEMENT

\$ _____ *
City of Sunnyvale
Water Revenue Refunding Bonds,
Series 2017A

\$ _____ *
City of Sunnyvale
Taxable Water Revenue Refunding Bonds,
Series 2017A-T

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. Capitalized terms used but not defined in this Official Statement have the meanings given in the Indenture (as defined below). See “APPENDIX A – Summary of Certain Provisions of the Indenture.”

Authority for Issuance. The bonds captioned above (the “**Series 2017A Bonds**” and the “**Taxable Series 2017A-T Bonds**” and together, the “**2017 Bonds**”) are being issued by the City of Sunnyvale (the “**City**”) under (i) a resolution adopted by the City Council of the City, (ii) the provisions of Chapter 3.70 (commencing with Section 3.70.010) of the Sunnyvale Municipal Code, enacted pursuant to the charter of the City and Ordinance No. 2917-10, adopted April 6, 2010 (the “**Bond Law**”), and (iii) an Indenture of Trust dated as of December 1, 2017 (the “**Indenture**”), by and between the City and U.S. Bank National Association, as trustee (the “**Trustee**”). See “THE 2017 BONDS – Authority for Issuance.”

Security for the 2017 Bonds. The 2017 Bonds are special obligations of the City, payable solely from “Net Revenues” of the City’s facilities for obtaining, conserving, treating, distributing, storing and supplying water for domestic use, irrigation, sanitation, industrial use, fire protection, recreation, or any other public or private uses within the service area of the City (the “**Water System**”), and amounts on deposit in certain funds and accounts established under the Indenture as and to the extent provided in the Indenture. “**Net Revenues**” are generally defined in the Indenture as the “Gross Revenues” received from the Water System, less the amount of “Maintenance and Operation Costs” of the Water System (as those terms are defined in the Indenture). See “SECURITY FOR THE 2017 BONDS.”

Parity Debt. Upon the issuance of the 2017 Bonds, there will be no outstanding bonds or other debt payable from Net Revenues on a parity with the 2017 Bonds. However, additional series of bonds or other debt may be issued in the future that is payable from Net Revenues on a parity with the 2017 Bonds, subject to the conditions contained in the Indenture. See “SECURITY FOR THE 2017 BONDS – Parity Debt.”

* Preliminary; subject to change.

Purpose of the 2017 Bonds. The 2017 Bonds are being issued to provide funds to (i) pay, defease, and redeem, on an advance basis, the City's bonds captioned "City of Sunnyvale Water Revenue Bonds, Series 2010," which were issued in the original principal amount of \$24,085,000 (the "**2010 Bonds**"), and (ii) pay the costs of issuing the 2017 Bonds. See "FINANCING PLAN."

Rate Covenants. Under the Indenture, the City is obligated to fix, prescribe, revise, and collect charges for the Water System during each Fiscal Year that are sufficient to yield Net Revenues of at least 120% of Debt Service on the 2017 Bonds and Parity Debt (if any) in that Fiscal Year (as such capitalized terms are defined in the Indenture).

The City must also fix, prescribe, revise, and collect charges for the Water System during each Fiscal Year to pay all Maintenance and Operation Costs of the Water System estimated by the City to become due and payable in such Fiscal Year, the Debt Service on the 2017 Bonds, all other payments required for compliance with the Indenture, and all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Gross Revenues of the Water System or the Net Revenues of the Water System on a parity basis to the 2017 Bonds (as such capitalized terms are defined in the Indenture).

See "SECURITY FOR THE 2017 BONDS – Rate Covenants."

No Reserve Fund. The City will not fund a debt service reserve fund for the 2017 Bonds.

Risks of Investment. For a discussion of some of the risks associated with the purchase of the 2017 Bonds, see "BOND OWNERS' RISKS."

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE 2017 BONDS OR INTEREST THEREON. THE 2017 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, OR LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE NET REVENUES OF THE WATER SYSTEM AND AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE AS AND TO THE EXTENT PROVIDED IN THE INDENTURE.

FINANCING PLAN

The 2017 Bonds are being issued to provide funds to (i) pay, defease, and redeem the City's 2010 Bonds, on an advance basis, and (ii) pay the costs of issuing the 2017 Bonds.

Payment, Defeasance, and Redemption of the 2010 Bonds

The City previously issued the 2010 Bonds in the original principal amount of \$24,085,000 to construct and acquire certain improvements to the Water System, prepay a portion of the City's obligation to make installment payments to the Sunnyvale Financing Authority relating to the Water System, and fund a debt service reserve account for the 2010 Bonds. The 2010 Bonds are currently outstanding in the principal amount of \$18,550,000.

Pursuant to an Escrow Deposit and Trust Agreement (the "**Escrow Agreement**"), between the City and U.S. Bank National Association, as escrow agent (the "**Escrow Agent**"), the City will deliver a portion of the proceeds of the 2017 Bonds to the Escrow Agent for deposit in the escrow fund established under the Escrow Agreement (the "**Escrow Fund**").

The Escrow Agent will invest certain amounts deposited in the Escrow Fund in federal securities as set forth in the Escrow Agreement and hold the remainder in cash uninvested. Amounts on deposit in the Escrow Fund will be applied to (i) pay the principal amount of the 2010 Bonds maturing on and prior to April 1, 2020 (the "**Redemption Date**") together with accrued interest thereon to their respective maturity dates, and (ii) redeem in full on the Redemption Date the principal amount of the 2010 Bonds maturing on and after April 1, 2021.

Sufficiency of the deposits in the Escrow Fund for those purposes will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the "**Verification Agent**"). See "VERIFICATION OF MATHEMATICAL ACCURACY" herein. As a result of the deposit of funds with the Escrow Agent on the date of issuance of the 2017 Bonds, the 2010 Bonds will be legally defeased and will be payable solely from amounts held for that purpose under the Escrow Agreement, and will cease to be secured by a pledge of the Net Revenues of the Water System.

The amounts held by the Escrow Agent in the Escrow Fund are available solely to prepay and redeem the 2010 Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service with respect to the 2017 Bonds.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2017 Bonds are as follows:

<u>Sources:</u>	Series 2017A	Taxable Series 2017A-T	Total 2017 Bonds
Principal Amount of 2017 Bonds	\$	\$	\$
Plus Net Original Issue Premium			
Plus Funds Related to the 2010 Bonds			
<i>TOTAL SOURCES</i>	\$	\$	\$
<u>Uses:</u>			
Deposit to Escrow Fund			
Costs of Issuance ⁽¹⁾			
<i>TOTAL USES</i>	\$	\$	\$

(1) Costs of Issuance include legal fees, municipal advisor's fee, Underwriter's discount, printing costs, rating agency fees, and other expenses related to the issuance of the 2017 Bonds.

THE 2017 BONDS

This section provides summaries of the 2017 Bonds and certain provisions of the Indenture. See APPENDIX A for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

Authority for Issuance

The 2017 Bonds are being issued by the City under a Resolution adopted by the City Council of the City on December 12, 2017; the Bond Law; and the Indenture.

General Bond Terms

Bond Terms. The 2017 Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. The 2017 Bonds will mature in the amounts and on the dates, and bear interest at the rates per annum, set forth on the inside cover page of this Official Statement.

Payments. Interest on the 2017 Bonds will be payable on April 1 and October 1 of each year to maturity (each an “**Interest Payment Date**”), commencing April 1, 2018.

Interest on the 2017 Bonds will be payable on each Interest Payment Date to the person whose name appears on the Bond Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee mailed by first class mail to the Owner or, at the option of any Owner of at least \$1,000,000 aggregate principal amount of the 2017 Bonds with respect to which written instructions have been filed with the Trustee prior to the applicable Record Date, by wire transfer, at the address of such Owner as it appears on the Bond Registration Books.

If there exists a default in payment of interest due on such Interest Payment Date, such interest will be payable on a payment date established by the Trustee to the persons in whose names the 2017 Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Trustee to the registered Owners of the 2017 Bonds not less than 15 days preceding such special record date.

Principal of and premium (if any) on any 2017 Bond will be paid upon presentation and surrender thereof at the Principal Corporate Trust Office of the Trustee. Both the principal of and interest and premium (if any) on the 2017 Bonds will be payable in lawful money of the United States of America.

However, as long as Cede & Co. is the registered owner of the 2017 Bonds, as described below, payments of the principal of, premium, if any, and interest on the 2017 Bonds will be made directly to Depository Trust Company (“DTC”), or its nominee, Cede & Co.

Calculation of Interest. The 2017 Bonds will be dated their date of delivery and bear interest based on a 360-day year comprised of twelve 30-day months from the Interest Payment Date next preceding its date of authentication, unless said date of authentication is an Interest Payment Date, in which event such interest is payable from such date of authentication, and unless said date of authentication is prior to March 15, 2018, in which event such interest is payable from their date of delivery; provided, however, that if, as of the date of authentication of

any 2017 Bond, interest thereon is in default, such 2017 Bond will bear interest from the date to which interest has previously been paid or made available for payment thereon in full.

Record Date. The Indenture defines the “**Record Date**” for the 2017 Bonds as the 15th calendar day of the month immediately preceding an Interest Payment Date.

Book-Entry Only System. The 2017 Bonds will be registered in the name of Cede & Co., as nominee of DTC, New York, New York, as the initial securities depository for the 2017 Bonds. Ownership interests in the 2017 Bonds may be purchased in book-entry form only. Purchasers of the 2017 Bonds will not receive physical bonds representing their ownership interests in the 2017 Bonds purchased.

Principal and interest payments with respect to the 2017 Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the 2017 Bonds. See “APPENDIX F – DTC and the Book-Entry Only System.”

So long as the 2017 Bonds are registered in the name of Cede & Co., as nominee of DTC, references in this Official Statement to the “owners” mean Cede & Co., and not the purchasers or Beneficial Owners of the 2017 Bonds. See “APPENDIX F – DTC and the Book-Entry Only System.”

Redemption*

Optional Redemption (Series 2017A Bonds). The Series 2017A Bonds maturing on or before April 1, 20____, are not subject to optional redemption prior to maturity. The Series 2017A Bonds maturing on or after April 1, 20____, are subject to redemption prior to their respective maturity dates, at the option of the City, as a whole or in part, as to maturities as determined by the City (and if partial maturities, then by lot), on any date on or after April 1, 20____, from any source of available funds, at the principal amount of the 2017 Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Optional Redemption (Taxable Series 2017A-T Bonds). [The Series 2017A-T Bonds maturing on or before April 1, 20____, are not subject to optional redemption prior to maturity. The Series 2017A-T Bonds maturing on or after April 1, 20____, are subject to redemption prior to their respective maturity dates, at the option of the City, as a whole or in part, as to maturities as determined by the City (and if partial maturities, then by lot), on any date on or after April 1, 20____, from any source of available funds, at the principal amount of the Series 2017A-T Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.] [OR]

[The Taxable Series 2017A-T Bonds may be redeemed, in whole or in part, at the option of the City, at any time at a redemption price equal to the greater of

(i) 100% of the principal amount of the Taxable Series 2017A-T Bonds to be redeemed, or

(ii) the sum of the present values of the applicable remaining scheduled payments of principal and interest on the Taxable Series 2017A-T Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on

* Preliminary; subject to change.

which such Taxable Series 2017A-T Bonds are to be redeemed, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus ____ basis points,

plus in each case, accrued and unpaid interest on the Taxable Series 2017A-T Bonds being redeemed to the date fixed for redemption.

For purposes of the foregoing, the following definitions shall apply:

“Treasury Rate” means, with respect to any redemption date, with respect to the Taxable Series 2017A-T Bonds of a particular maturity, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue with respect thereto, computed as of the second business day immediately preceding that redemption date, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price with respect thereto for that redemption date.

“Comparable Treasury Issue” means, with respect to the Taxable Series 2017A-T Bonds of a particular maturity, the United States Treasury security selected by the Independent Investment Banker which has an actual maturity comparable to the remaining average life of the Taxable Series 2017A-T Bonds of such maturity to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Taxable Series 2017A-T Bonds of such maturity to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date, with respect to the Taxable Series 2017A-T Bonds of a particular maturity, (A) the average of the applicable Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker for the Taxable Series 2017A-T Bonds obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Quotations.

“Independent Investment Banker” means one of the Reference Treasury Dealers as designated by the City.

“Reference Treasury Dealer” means each of four firms, as designated by the City, and their respective successors; provided, however, that if any of them ceases to be a primary U.S. Government securities dealer in the City of New York (a “Primary Treasury Dealer”), the City will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date for the Taxable Series 2017A-T Bonds of a particular maturity, the average, as determined by the Independent Investment Banker and communicated to the City, of the bid and asked prices for the applicable Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker and communicated to the Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding that redemption date.

"Business Day" means any day, other than a Saturday or Sunday, and other than a day on which the Trustee is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed.]

Mandatory Sinking Redemption — Series 2017A Bonds. The Series 2017A Bonds maturing on April 1, 20__ and April 1, 20__ (the "Series 2017A Term Bonds") are subject to mandatory redemption in whole, or in part by lot, from Sinking Fund Installments made under the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on April 1 in the years as set forth in the following tables:

Series 2017A Term Bonds Maturing April 1, 20__

Sinking Fund Redemption Date (April 1)	Principal Amount
--	---------------------

(Maturity)

Series 2017A Term Bonds Maturing April 1, 20__

Sinking Fund Redemption Date (April 1)	Principal Amount
--	---------------------

(Maturity)

If some but not all of the Series 2017A Term Bonds have been redeemed under the optional redemption provisions set forth above, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of such Series 2017A Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the City.

Notice of Redemption. Unless waived by the Owner of any 2017 Bonds to be redeemed, notice of any redemption of 2017 Bonds will be given, at the expense of the City, by the Trustee by mailing a copy of a redemption notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the 2017 Bond or 2017 Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice will affect the sufficiency of the proceedings for the redemption of the 2017 Bonds. Any such notice also will be given to the Securities Depositories and the Information Services on the same date that it is given to the Owner of the 2017 Bonds.

However, while the 2017 Bonds are subject to DTC's book-entry system, the Trustee will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the City and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the 2017

Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any 2017 Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Indenture.

Rescission of Redemption and Cancellation of Redemption Notice. The City has the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Outstanding Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture.

The City and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption.

Selection of Series 2017A Bonds of the Same Maturity for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Series 2017A Bonds of a single maturity, the Trustee shall select the Series 2017A Bonds of such maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, all Series 2017A Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Series A Bonds which may be separately redeemed.

Selection of Taxable Series A-T Bonds for Redemption. If less than all of the Taxable Series 2017A-T Bonds are to be redeemed, the particular maturities of Taxable Series 2017A-T Bonds to be redeemed at the option of the City will be determined by the City in its sole discretion.

If the Taxable Series 2017A-T Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Taxable Series 2017A-T Bonds, if less than all of the Taxable Series 2017A-T Bonds of a maturity are called for prior redemption, the particular Taxable Series 2017A-T Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Taxable Series 2017A-T Bonds are held in book-entry form, the selection for redemption of such Taxable Series 2017A-T Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Taxable Series 2017A-T Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

The City intends that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the City nor the Underwriter can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of Taxable Series 2017A-T Bonds on such basis.

In connection with any repayment of principal, including payments of scheduled mandatory sinking fund payments, the Trustee will direct DTC to make a pass-through distribution of principal to the holders of the Taxable Series 2017A-T Bonds. A Pro Rata Pass-Through Distribution of Principal table is included as APPENDIX G and reflects the current schedule of mandatory sinking fund redemptions applicable to the Taxable Series 2017A-T Bonds and the factors applicable to such redemption amounts and remaining bond balances, which is subject to change upon certain optional redemptions.

For purposes of calculation of the “pro rata pass-through distribution of principal,” “pro rata” means, for any amount of principal to be paid, the application of a fraction to each denomination of the respective Taxable Series 2017A-T Bonds where (a) the numerator of which is equal to the amount due to the respective bondholders on a payment date, and (b) the denominator of which is equal to the total original par amount of the respective Taxable Series 2017A-T Bonds.

If the Taxable Series 2017A-T Bonds are no longer registered in book-entry-only form, each owner will receive an amount of Taxable Series 2017A-T Bonds equal to the original face amount then beneficially held by that owner, registered in such investor's name. Thereafter, any redemption of less than all of the Taxable Series 2017A-T Bonds of any maturity will continue to be paid to the registered owners of such Taxable Series 2017A-T Bonds on a pro-rata basis, based on the portion of the original face amount of any such Taxable Series 2017A-T Bonds to be redeemed.

Selection of Bonds for Partial Redemption. If only a portion of any Bond is called for redemption, then upon surrender of such Bond redeemed in part only, the City will execute and the Trustee shall authenticate and deliver to the Owner, at the expense of the City, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Effect of Redemption. From and after the date fixed for redemption, if notice of redemption has been duly mailed and funds available for the payment of the principal of and interest (and premium, if any) on the 2017 Bonds so called for redemption have been duly provided, such 2017 Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice.

Registration, Transfer and Exchange

Bond Registration Books. The Trustee will keep or cause to be kept at its trust office sufficient Bond Registration Books for the registration and transfer of the 2017 Bonds, which will at all times during regular business hours, and upon reasonable notice, be open to inspection by the City; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as provided in the Indenture.

Transfer of 2017 Bonds. Any 2017 Bond may, in accordance with its terms, be transferred upon the Bond Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2017 Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed.

Whenever any 2017 Bond is surrendered for transfer, the City will execute and the Trustee will thereupon authenticate and deliver to the transferee a new Bond or Bonds of like tenor, series, maturity and aggregate principal amount. No 2017 Bonds the notice of redemption of which has been mailed pursuant to the Indenture will be subject to transfer under this provision of the Indenture.

Exchange of 2017 Bonds. 2017 Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for 2017 Bonds of the same tenor, series and maturity and of other authorized denominations. No 2017 Bonds the notice of redemption of which has been mailed pursuant to the Indenture will be subject to exchange under this provision of the Indenture.

DEBT SERVICE SCHEDULE

Annual debt service (including scheduled sinking payments, if any) on the 2017 Bonds is presented below.

Period Ending April 1	Series 2017A Bonds Principal	Series 2017A Bonds Interest	Taxable Series 2017A-T Bonds Principal	Taxable Series 2017A-T Bonds Interest	Total Annual Debt Service
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Total:

SECURITY FOR THE 2017 BONDS

This section provides summaries of the security for the 2017 Bonds, and certain provisions of the Indenture. Unless the context otherwise requires, "Bonds" refers to the 2017 Bonds and any Parity Debt outstanding under the Indenture. See APPENDIX A for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

General; Pledge of Net Revenues

Transfer and Pledge of Net Revenues. Under the Indenture, the 2017 Bonds are secured by a first pledge of all of the Net Revenues, on a parity with the pledge which secures all outstanding Parity Debt. In addition, the 2017 Bonds are secured by a pledge of all of the moneys in the Bond Service Fund, including all amounts derived from the investment of such moneys. So long as any of the 2017 Bonds are Outstanding, the Net Revenues and such moneys may not be used for any other purpose; except that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

Limited Obligation of the City. The City is not required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the principal of or interest on the 2017 Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants contained in the Indenture (except to the extent any such covenants are expressly payable from the Gross Revenues under the Indenture). The general fund of the City is not liable, and the credit of the City is not pledged, for the payment of the interest on or principal of the 2017 Bonds. The Owners of the 2017 Bonds have no right to compel the forfeiture of any property of the City. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE 2017 BONDS OR INTEREST THEREON. THE 2017 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, OR LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE NET REVENUES OF THE WATER SYSTEM AND AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE AS AND TO THE EXTENT PROVIDED IN THE INDENTURE.

Net Revenues. The Indenture defines "**Net Revenues**" with respect to the Water System as, for any period of computation, the amount of the Gross Revenues received from the Water System during such period, less the amount of Maintenance and Operation Costs of the Water System becoming payable during such period.

Gross Revenues. The Indenture defines "**Gross Revenues**," as for any period of computation, all gross charges received for, and all other gross income and revenues derived by the City from, the ownership or operation of the Water System or otherwise arising from the Water System during such period, determined in accordance with generally accepted accounting principles, including but not limited to:

- (a) investment earnings thereon,
- (b) insurance proceeds,
- (c) transfers from (but exclusive of any transfers to) the Revenue Stabilization Fund, and

(d) all moneys received by the City from other public entities whose inhabitants are served pursuant to contracts with the City.

However, "Gross Revenues" exclude (a) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the City levied for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Water System, (b) any taxes levied for the sole purpose of providing for payment of principal and interest on any voter-approved indebtedness incurred by the City, which would not otherwise be subject to levy but for the issuance of such indebtedness, (c) the proceeds of any state or federal grants with respect to the Water System, and (d) customers' deposits or any other deposits subject to refund until such deposits have become the property of the City.

Operation and Maintenance Costs. The Indenture defines "**Operation and Maintenance Costs**," as the reasonable and necessary costs spent or incurred by the City for maintaining and operating the Water System, determined in accordance with generally accepted accounting principles, including but not limited to:

(a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order,

(b) the cost of water purchased by the City for delivery to the City's water customers, and

(c) all administrative costs of the City that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, and the necessary contribution to retirement of such employees, overhead, taxes (if any) and insurance.

Operation and Maintenance Costs exclude (i) administrative costs which the City is required to pay under the Indenture, (ii) payments of debt service on bonds, notes, installment sale agreements, or other obligations issued by the City with respect to the Water System, (iii) depreciation, replacement and obsolescence charges or reserves therefor, (iv) amortization of intangibles or other bookkeeping entries of a similar nature, and (v) costs and expenses that, under generally accepted accounting principles, are chargeable to a capital account.

No Reserve Fund. The City will not fund a debt service reserve fund for the 2017 Bonds.

Receipt and Deposit of Net Revenues; Allocation of Net Revenues

The City has previously established the Water Fund, which it will continue to hold and maintain for the purposes and uses set forth in the Indenture. Under the Indenture, the City will deposit all Gross Revenues in the Water Fund promptly upon the receipt thereof, and apply amounts in the Water Fund solely for the uses and purposes set forth in the Indenture and purposes set forth in the Parity Debt Documents.

Under the Indenture, the City will withdraw amounts on deposit in the Water Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

(a) **Bond Service Fund.** Not later than the 3rd Business Day preceding each Interest Payment Date, so long as any Bonds remain Outstanding hereunder, the City will withdraw from the Water Fund and pay to the Trustee for deposit into the Bond Service

Fund (which the Trustee will establish and hold in trust under the Indenture) an amount which, together with other available amounts then on deposit in the Bond Service Fund, is at least equal to the aggregate amount of principal of (including sinking payments) and interest coming due and payable on the 2017 Bonds on such Interest Payment Date. In

The Trustee will apply amounts in the Bond Service Fund solely for the purpose of (i) paying the interest on the 2017 Bonds when due and payable (including accrued interest on any Bonds purchased or redeemed under the Indenture), (ii) paying the principal of (including sinking payments) the 2017 Bonds at the maturity thereof. Upon the payment or discharge in full of all 2017 Bonds then Outstanding, the Trustee shall transfer any moneys remaining in the Bond Service Fund to the City for deposit into the Water Fund.

(b) *Redemption Fund.* If the City elects to redeem Outstanding Bonds under the Indenture, the City will transfer to the Trustee for deposit into the Redemption Fund (which the Trustee will thereupon establish and hold in trust under the Indenture) an amount at least equal to the redemption price of the 2017 Bonds, excluding accrued interest, which is payable from the Bond Service Fund. Amounts in the Redemption Fund will be applied by the Trustee solely for the purpose of paying the redemption price of Bonds to be redeemed under the Indenture. Following any such redemption of the 2017 Bonds, any moneys remaining in the Redemption Fund will be transferred by the Trustee to the City for deposit into the Water Fund.

The City will manage, conserve and apply moneys in the Water Fund in such a manner that all deposits required to be made under Indenture and under the Parity Debt Documents will be made at the times and in the amounts so required.

Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the City may at any time use and apply moneys in the Water Fund for any one or more of the following purposes:

- (i) the acquisition and construction of improvements to the Water System;
- (ii) the redemption of any of the 2017 Bonds, Parity Debt or other obligations of the Water System, as the City in its discretion may determine; or
- (iii) any other lawful purpose of the City relating to the Water System.

Nothing herein is intended or will be construed to impair the ability of the City to apply amounts on deposit in the Water Fund to pay Operation and Maintenance Costs when and as the same become due and payable.

Revenue Stabilization Fund

Under the Indenture, the City has the right at any time to establish a Revenue Stabilization Fund (the “**Revenue Stabilization Fund**”) to be held by it and administered in accordance with the Indenture, for the purpose of stabilizing the rates and charges imposed by the City with respect to the Water System. From time to time the City may deposit amounts in the Revenue Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues that are released from the pledge and lien, which secures the 2017 Bonds, as the City may determine.

The City may, but is not required to, withdraw from any amounts on deposit in a Revenue Stabilization Fund and deposit such amounts in the Water Fund in any Fiscal Year for the purpose of paying principal of and interest on the 2017 Bonds and any outstanding Parity Debt coming due and payable in such Fiscal Year. Amounts so transferred from a Revenue Stabilization Fund to the Water Fund will constitute Gross Revenues for such Fiscal Year (except as otherwise provided in the Indenture), and will be applied for the purposes of the Water Fund. Amounts on deposit in a Revenue Stabilization Fund will not be pledged to or otherwise secure the 2017 Bonds or any Parity Debt.

To the extent that the City appropriates funds from Gross Revenues into the Revenue Stabilization Fund for the Water System, a deduction will be made from Gross Revenues of the Water System in the Fiscal Year during which said transfer occurred for purposes of calculations to be made under the Indenture. To the extent that the City appropriates funds from the Revenue Stabilization Fund into the Water Fund, the City may count the funds so transferred as Gross Revenues in the Fiscal Year in which said transfer occurs, for purposes of the Indenture.

All interest or other earnings on deposit in a Revenue Stabilization Fund will be retained therein or, at the option of the City, be applied for any other lawful purposes. The City has the right at any time to withdraw any or all amounts on deposit in a Revenue Stabilization Fund and apply such amounts for any lawful purposes of the City.

The City does not currently have any amounts set aside in a Revenue Stabilization Fund.

Rate Covenants under Indenture

Covenant Regarding Gross Revenues. The City will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which (together with other funds transferred from the Revenue Stabilization Fund or other funds which are lawfully available to the City for payment of any of the following amounts during such Fiscal Year) are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order:

- (i) all Operation and Maintenance Costs estimated by the City to become due and payable in such Fiscal Year;
- (ii) the principal of and interest on all outstanding Bonds and Parity Debt as they become due and payable during such Fiscal Year, without preference or priority;
- (iii) all amounts, if any, required to restore the balances in any reserve funds established for outstanding Parity Debt to their respective required levels;
- (iv) all payments coming due and payable during the Fiscal Year and required for compliance with the Parity Debt Documents; and
- (v) all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Gross Revenues or Net Revenues during the Fiscal Year.

Covenant Regarding Net Revenues. In addition, under the Indenture, the City will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by

the Water System during each Fiscal Year which, taking into account allowances for contingencies, are sufficient to yield estimated Net Revenues which are at least equal to 120% of the aggregate amount of principal of and interest on all outstanding Bonds and Parity Debt coming due and payable during such Fiscal Year. The provisions of this covenant are subject to the adjustments made for any transfers made from a Revenue Stabilization Fund under the Indenture. Notwithstanding the foregoing provisions, if the actual collection of Net Revenues based on such rates, fees and charges is insufficient to yield Net Revenues which meet the requirements of the Indenture, such event will not constitute an Event of Default unless it has continued uncured for a period of at least 12 months.

Parity Debt

The City may issue additional Parity Debt from time to time in such principal amount as it determines, subject to the following conditions precedent:

(a) No Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods has passed, would constitute an Event of Default) has occurred and is continuing.

(b) The amount of such Net Revenues, calculated in accordance with generally accepted accounting principles, as shown by the books of the City for the latest Fiscal Year or as shown by the books of the City for any more recent 12-month period selected by the City, in either case verified by a certificate or opinion of an Independent Accountant, plus (at the option of the City) the Additional Revenues, are at least equal to 120% of the amount of Maximum Annual Debt Service on all outstanding Bonds and Parity Debt, including the proposed issuance of Parity Debt.

(c) The issuance of such Parity Debt must comply with all conditions to the issuance thereof as set forth in the applicable provisions of the Parity Debt Documents.

(d) The City will deliver to the Trustee a Certificate of the City certifying, and an opinion of Bond Counsel stating, that the conditions precedent to the issuance of such Parity Debt set forth in this Section have been satisfied.

“Additional Revenues” means, with respect to any issuance of Parity Debt:

(i) an allowance for Net Revenues from any additions to or improvements or extensions of the Water System to be made with the proceeds of such Parity Debt, and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source, but in any case which, during all or any part of such Fiscal Year or such 12-month period, were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown in the written report of an Independent Accountant or Financial Consultant engaged by the City; and

(ii) an allowance for earnings arising from any increase in the rates and charges made for service from the Water System which has become effective prior to the incurring of such additional indebtedness but which, during all or any part of such Fiscal Year or such 12-month period, was not in effect, in an amount equal to the

amount by which the Net Revenues would have been increased if such increase in such rates and charges had been in effect during the whole of such Fiscal Year or such 12-month period.

Subordinate Obligations

The Indenture does not prohibit or impair the authority of the City to issue bonds or other obligations secured by a lien on Net Revenues which is subordinate to the lien established under the Indenture ("**Subordinate Bonds**"), upon such terms and in such principal amounts as the City may determine. However, the issuance of Subordinate Bonds is subject to compliance with the conditions precedent set forth in the Indenture related thereto. See "APPENDIX A – Summary of Certain Provisions of the Indenture."

Casualty Insurance and Eminent Domain Proceeds

Covenant to Maintain Insurance. The City covenants in the Indenture that it will at all times maintain such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties.

Any such insurance will be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the City, or may be in the form of self-insurance by the City. The City will establish such fund or funds or reserves as are necessary to provide for its share of any such self-insurance.

Insurance Proceeds. If any useful part of the Water System is damaged or destroyed, such part will be restored to usable condition. All amounts collected from insurance against accident to or destruction of any portion of the Water System will be used to repair or rebuild such damaged or destroyed portion of the Water System, and to the extent not so applied, will be applied to redeem the 2017 Bonds or any Parity Debt in accordance with the Indenture and the related Parity Debt Documents, respectively. The City will also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Trustee and the Owners of the 2017 Bonds.

Eminent Domain Proceeds. Any amounts received as awards as a result of the taking of all or any part of the Water System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the City, will either (a) be used for the acquisition or construction of improvements to the Water System, or (b) be applied to redeem the 2017 Bonds or any Parity Debt in accordance with the Indenture and the related Parity Debt Documents, respectively.

THE CITY UTILITY ENTERPRISES

The City's utility enterprises consist of the Water System, a wastewater collection and treatment system (the "**Wastewater System**"), and a solid waste collection system (the "**Solid Waste System**"). In addition, the City owns and operates a solid waste materials recovery and transfer station (the "**SMaRT Station**"). The Water System, Wastewater System, Solid Waste System and SMaRT Station are collectively referred to as the "**Utility Enterprises.**"

Enterprise Management

The operation of the Utility Enterprises is administered and managed by Melody Tovar, Interim Director of Environmental Services. Ms. Tovar is a registered civil engineer with a B.S. in civil engineering, with emphasis on water resources and the environment. She has worked for 22 years in the environmental services field in various areas of water management, including water conservation, industrial water efficiency, water pollution prevention, sanitary engineering, private development review, stormwater program management, environmental lab oversight, environmental enforcement, and regulatory oversight. For the last six years, she has served the leadership team for Sunnyvale's Environmental Services Department as Regulatory Programs Division Manager and was recently appointed Interim Director for Environmental Services. Her previous experience includes 16 years with the City of San José also in the environmental services department.

The Environmental Services Department manages the operations for the Utility Enterprises as well as leading the City's sustainability initiatives. Capital project administration is led by the Public Works Department.

Enterprise Funds

The City accounts for the deposit of revenues and the payment of expenses relating to each of Utility Enterprises in the following enterprise funds (each an "**Enterprise Fund**" and, collectively, the "**Enterprise Funds**"):

- (i) the Water Supply and Distribution Fund (the "**Water Fund**")
- (ii) the Wastewater Management Fund (the "**Wastewater Fund**")
- (iii) the Solid Waste Management Fund
- (iv) the SMaRT Station Fund which includes an Operating Sub-Fund and
- (v) an Equipment Replacement Sub-Fund

Although each Enterprise Fund constitutes an independent enterprise, the accounting, budgeting and rate-setting procedures are common to the operation of each. Common elements of each Enterprise Fund are described below.

Contingency Reserve, Rate Stabilization Reserve and Capital and Infrastructure Reserve

In accordance with the City's Twenty Year Resource Allocation Plan (as described below; see "–Budgeting and Planning Process"), the City has established as separate reserves: a contingency reserve, a rate stabilization reserve, and a capital and infrastructure reserve for the Water Fund, the Wastewater Fund and the Solid Waste Management Fund. The SMaRT Station Equipment Replacement Sub-Fund includes an equipment replacement reserve.

Contingency Reserve. Council Fiscal Policy requires each Utility Enterprise to maintain a contingency reserve to be used only in case of disasters or other emergencies. The amount that must be maintained in the contingency reserve for the Water Enterprise and the Wastewater Enterprise in any year equals 25% of budgeted direct operating costs for the respective Enterprise for that year (including, for the Water Enterprise, the cost of purchasing wholesale water). This level of funding is intended to provide the cash resources needed to operate the respective Enterprise for three months.

Unexpended monies in the Contingency Reserve are carried over to the subsequent Fiscal Year. To the extent the required contingency reserve amount increases for an Enterprise in a given year, the additional amount is paid from the revenues of that Enterprise.

The currently planned Fiscal Year 2017-18 contingency reserve amount for the Water Fund is approximately \$9.3 million.

Rate Stabilization Reserve. The rate stabilization reserves in each of the Water Fund, Wastewater Fund and Solid Waste Fund represent the projected resources in excess of those needed to fund that Enterprise's anticipated operating costs, capital expenditures, deposits to the contingency reserve fund and other expenditures in each year. Monies in the rate stabilization reserve may be used for any purpose of the related Enterprise. The rate stabilization reserve enables each Utility Enterprise to maintain a generally consistent pattern of rate increases over a rolling 20-year period, rather than experience volatile swings in rates that may occur due to unanticipated cost increases in a particular year. Amounts in the rate stabilization reserve for each System are anticipated to fluctuate each year.

The currently planned Fiscal Year 2017-18 rate stabilization reserve amount for the Water Fund is approximately \$1.1 million.

The City's rate stabilization reserve is separate and apart from the Revenue Stabilization Fund that may be established under the Indenture. See "SECURITY FOR THE 2017 BONDS – Revenue Stabilization Fund."

Capital and Infrastructure Reserve. The City has capital and infrastructure reserves in the Water Fund and Wastewater Fund. These reserves represent the projected resources needed to fund anticipated costs related to planned revenue-funded capital and infrastructure improvements to each system. Monies in the capital and infrastructure reserve may be used for any purpose related to the enterprise, but are intended to help maintain a consistent pattern of rate increases instead of increasing rates inconsistently to fund anticipated capital or infrastructure costs in a particular year.

The currently planned Fiscal Year 2017-18 capital and infrastructure reserve amount for the Water Fund is approximately \$4.9 million.

Utility Rate Setting

The City adjusts rates for each of its utilities annually. Each year, as part of the budget process, staff analyzes the current condition of and long-term outlook for each of the City's Utility Enterprises. This includes a review of available fund balances, state and federal environmental requirements, revenues, anticipated capital, infrastructure and operational requirements, debt service, and a detailed inspection of significant expenditure areas (e.g. the anticipated cost of purchased water, environmental regulations related to wastewater discharge, the cost of the City's

solid waste collection contract, etc.). The results of these analyses lead to proposed annual adjustments to rates that will generate the revenues necessary to meet planned expenditures. Throughout this review, staff attempts to keep utility rates as stable as possible, while maintaining high quality, reliable, and efficient services through long-term planning.

Approximately every five years, staff reviews the pricing structure of each utility in detail. This cost of service review includes each utility's costs, customer rate classifications, usage patterns by customer group, and current rate design. The goal of the review is to equitably allocate the revenue requirement of each utility between the various customer classes of service, and to design a rate for each class of service that meets the revenue needs of the utility, along with any other rate design goals or objectives.

The practice of long-term planning and the use of rate stabilization reserves have enabled the City to maintain relatively stable (albeit increasing) utility rates and avoid significant rate increases by spreading the effects of anticipated operating and infrastructure costs over twenty years in accordance with each year's adopted Resource Allocation Plan. See "—Budgeting and Planning Process" and "THE WATER SYSTEM – Water Rates, Fees and Charges."

Utility Billing and Collection Procedures

Billing Procedure. The City issues a combined bill to each of its customers for fees and charges related to water, wastewater, and garbage and recycling collection and disposal services, as applicable. The majority of the City's customers are billed every two months with the exception of commercial customers, which are billed monthly.

Collection of Delinquent Utility Charges. The City's Utilities Division begins the process of collecting delinquent billings if no payment is received 30 days after the billing date, after which the bill is considered delinquent and a 5% penalty is applied. At 35 days of non-payment, any customer whose balance is \$10 or more is sent a reminder notice stating that utility service could be terminated within the next 30 days and listing the fees for the delivery of the final demand (or 48-hour notice of service interruption) and the fees to restore interrupted service.

At 61 days of delinquency, if no disputes have been lodged or alternate payment arrangements have been made, the delinquent customer is hand-delivered a 48-hour notification of water service interruption. At 68 days of delinquency, the delinquent customer's water is shut-off. In order to have their service restored, the customer is responsible for the delinquent balance and a restoration fee.

Sewer and garbage services cannot be interrupted for public health reasons, however, garbage service is reduced to the minimum service and no additional services (such as recycling services) are provided to customers whose water service has been interrupted for non-payment. Restoration of these services also occurs once the delinquent balance has been collected.

Shortfalls in the receipt of utility revenues are allocated pro rata among the Enterprises. The City has historically collected approximately 99% of its utility charges each year.

Budgeting and Planning Process

Budgeting and planning for the Utility Enterprises occur within the framework of the City's planning and management system. Key elements include:

- Long-term financial planning (includes projections over a twenty-year Resource Allocation Plan for revenues, operations, projects, debt and reserves)
- Short-term allocation of resources (the two-year action budget)
- Performance measurement of service delivery

This integrated framework has enabled the City, over time, to accomplish the long-range strategic goals established by the Council in the General Plan Elements and in Council Policy. This approach has assisted the City in maintaining, and even expanding, services during times of numerous Federal/State mandates and revenue restrictions or reductions because the focus is on long-term fiscal management. The City's planning and management systems have also served as a valuable tool in producing and capturing gains in efficiency and productivity, supporting the City's mission of providing the highest possible quality services at the lowest possible cost to its community.

The City 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, and City Council fiscal policy requires that the budget be balanced for the entire Twenty-Year Resource Allocation Plan. A Twenty-Year Resource Allocation Plan is developed each year for each of the Utility Enterprises as part of the utility rate setting process.

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 significant swings in service levels during the upturns and downturns of economic cycles by enabling the recognition of trends over time. The long-term financial planning process also includes an update of the twenty-year project budget. This also includes a review of project operating costs which are those ongoing costs that will need to be included in future years upon completion of a given project.

The long-term financial planning process provides the opportunity to begin consideration of the necessary steps to alter the long-term forecasted position of a particular fund should that appear necessary.

The performance based management system is an important part of the City's planning and management process. The City began to implement this management concept in the late 1970s and has consistently refined the system over the years. In recognition of the effort needed to develop operating budgets under a performance management system, the City implemented a two-year operating budget concept in the early 1980s. The City's two-year operating budget focuses on identifying and quantifying the value created from the efficient and effective provision of City services. This allows decisions to be made by Council on levels of service desired and allows staff to measure and evaluate performance. Annual results of the City's efforts are reported to Council and the citizens so they are aware of what they are receiving for their tax dollars.

THE WATER SYSTEM

History

The City has provided water service to its residents for over 90 years. During this time, the City has developed the Water System to satisfy the City's growing water needs.

The City was incorporated in 1912, when its population was approximately 1,500 and the entire municipal water system relied exclusively on groundwater for its potable water supply source. At the close of World War II, the City began to grow quickly. By the early 1950s, demand for water surpassed the supplies available from groundwater and led to the overdraft of the aquifers. By the year 1952, the population had grown to 10,000. The City entered into a contractual agreement with the San Francisco Water Department (which subsequently transferred its assets and operations to the San Francisco Public Utilities Commission (the "**SFPUC**")) for delivery of imported water from the Hetch Hetchy reservoir. That same year, three connections were made to the Hetch Hetchy supply to serve as a primary water source, supplemented today by eight City owned and operated wells.

By the year 1969, the City's population had grown to 96,000. The City realized the need for an additional supply source and contracted with the Santa Clara Valley Water District (the "**SCVWD**") for two connections to the SCVWD's West Pipeline. By 1970, the City had already developed its three current water supply sources (Hetch Hetchy water from the SFPUC, water from the federal Central Valley Project and the State Water Project supplied by the SCVWD, and City-owned wells). To date, the City's Water System maintains six different Hetch Hetchy connections, two SCVWD connections and seven City-owned wells. The City also has interconnections with surrounding water utilities in the immediate area to insure a sustainable water supply during times of emergencies.

The Water System is currently staffed by 37 full-time equivalent City employees.

Management

Under the direction of the Director of Environmental Services, the Water System is administered and managed by Mansour Nasser, Water and Sewer Division Manager. Mr. Nasser manages and is responsible for all the City's sanitary sewer, storm drainage, potable water distribution, and recycled water distribution Programs. Mr. Nasser ensures full compliance with all federal, state and local regulatory requirements.

Mr. Nasser has worked in the municipal services field for over 36 years. He is a licensed professional civil engineer in the state of California. He also holds a Water Distribution Certificate Grade D5, and Water Treatment Operator Certificate Grade T4, both issued by the California State Water Board. Before joining the City in January 2012, Mr. Nasser was employed with the City of San José for over thirty years, from April 1981 to January 2012. Starting in 1984 and until he left in 2012, Mr. Nasser served in various capacities in the San Jose Municipal Water System ("**SJMWS**") ranging from Junior Engineer to Deputy Director of the Environmental Services Department. As a Senior Engineer in San José, Mr. Nasser managed the Engineering Section and was responsible for the capital improvement program for the water utility. As the Water Utility Manager, Mr. Nasser oversaw the SJMWS and was responsible for operations, maintenance, engineering and customer service for a period of thirteen years. As Deputy Director of the Environmental Service Department for Water Resources, Mr. Nasser oversaw the SJMWS, South Bay Water Recycling Program and Water Conservation.

Service Area

The City is the primary provider of water service within the corporate limits of the City (in addition to California Water Service Co., which provides water to approximately 1,150 customers within the City). The City's service area encompasses approximately 25 square miles and currently has a population estimated at 149,831.

For additional background and demographic information regarding the area in and around the City, see "APPENDIX D – General Demographic Information Regarding the City of Sunnyvale and Santa Clara County."

Water Storage and Distribution System

The City's water storage and distribution system is a closed network consisting of three different pressure zones to compensate for the difference in the City's elevation from sea level at the northern end of town to approximately 300 feet above sea level at the southwest corner of town. It includes approximately ten miles of 16-inch to 30-inch diameter transmission pipelines, ten storage tanks with a combined storage capacity of 26.5 million gallons, six active and one backup well with a capacity of 8 million gallons per day. In addition, the City has connections with the water systems of the California Water Service Co., the City of Cupertino, the City of Mountain View, and the City of Santa Clara.

The water distribution system also includes over 340 miles of 6-inch to 14-inch diameter water main pipelines, approximately 28,164 water services, 3,413 fire hydrants, 320 City-owned backflow devices, and the automated supervisory control and data acquisition (SCADA) system that controls water pressure and the distribution of water throughout the City. Approximately 75% of the water main pipelines were constructed in the 1960's and the remainder since the 1980's. The 1960's vintage pipelines have reached their 50-year useful service life.

The City maintains a robust pay-as-you-go capital program for its water distribution system, jump started by the issuance of the 2010 Water Bonds. The current budget and long term financial plan includes an ongoing annual allocation for pipeline replacement, water and tank rehabilitation, valve replacements, leak detection activities, and maintenance of other distribution infrastructure.

The City performed a hydraulic analysis in 2013 to evaluate its ability to provide water under various emergency situations. The analysis concluded that, if either the SFPUC or SCVWD sources were interrupted, the City's storage tanks (with 26.5 million gallons of capacity) are sufficient to ensure service for 8 hours at the maximum daily demand to all the City's customers at adequate pressure, without using wells. The analysis confirmed that this storage capacity meets the minimum recommendations of the California Water Board.

Recycled water is produced at the City's Water Pollution Control Plant on an intermittent basis, through process changes that further treat wastewater effluent to meet EPA standards for recycled water. The recycled water distribution system includes a 2-million-gallon reservoir, over eight miles of 12-inch through 36-inch transmission mains and over six miles of eight-inch distribution lines.

Sources of Water Supply

The City currently receives water from four sources: treated water from the SFPUC's Hetch Hetchy system; treated water from the SCVWD; groundwater pumped from the City's operating wells; and recycled water from the City's reclamation program.

The cost of purchased water represents approximately 74% of the direct operating costs of the Water System.

The sources of supply are further described below.

SFPUC's Hetch Hetchy System.

History and Background. In 1952 the City entered into a contract with what is now known as the SFPUC for water from the Hetch Hetchy system. Water in the Hetch Hetchy system originates from reservoirs located in and around Yosemite National Park. This water flows by gravity from the Sierra across the Central Valley, where it is blended with water from local reservoirs, passes through the Irvington Tunnel, and then crosses the Hayward Fault. The resulting blend of water is approximately 85% from the Hetch Hetchy system and approximately 15% from local reservoirs in Alameda County. From the Irvington Tunnel, San Francisco Bay Division No. 1 and No. 2 pipelines cross the San Francisco Bay, while the No. 3 and No. 4 pipelines pass around the south end of San Francisco Bay. The City has six connections to the Bay Division No. 3 and No. 4 pipelines along Highway 101, and from which it acquires close to 11,000 acre-feet of water annually.

Contractual Arrangements. The City has entered into two contractual arrangements with the SFPUC, both of which expire on June 30, 2034: (i) a Master Water Sales Agreement (the "**Master Agreement**") which the City co-signed in 2009 with 26 other suburban water purchasers, and (ii) an individual Water Sales Contract (the "**Individual Contract**"), which went into effect concurrently with the Water Sales Agreement in 2009. The City currently anticipates that it will be able to renew its contracts with the SFPUC following the June 30, 2034, expiration date.

The Master Agreement guarantees a maximum supply of 161.91 million gallons per day collectively to all of the suburban purchasers. Under the Individual Contract, the SFPUC is required to deliver, and the City is required to pay for, a minimum of 8.93 million gallons per day (or 10,003 acre-feet* per year). The City's guaranteed water entitlement is 12.58 million gallons per day (or 14,090 acre-feet per year).

In Fiscal Year 2016-17, the SFPUC delivered an average of approximately 8.3 million gallons per day to the City, or approximately 9,335 acre-feet.

Cost of Water; Current and Future Capital Needs. The City's cost of water purchased from the SFPUC has increased more quickly than inflation in recent years as a result of the SFPUC's need for infrastructure improvements to improve the aging water delivery systems that transport SFPUC water. The Water Sales Agreement employs the cash method under which the SFPUC passes through charges for capital costs incurred for the regional water system (both revenue-funded and bond-funded). It is anticipated that purchased water costs will continue to

* An acre foot is an amount of water that would cover an acre to a depth of one foot, equal to 43,560 cubic feet or approximately 325,851 gallons.

increase as more money is needed to fund planned improvements to the SFPUC Hetch Hetchy system.

See “–Long-Term Forecasting” below for wholesale rate projections provided by the SFPUC for the next ten years.

Allocation of Water in the Event of Shortages. The Water Sales Agreement provides that the amount of water made available to the suburban purchasers is subject to reductions due to water shortage, drought, earthquakes, other acts of God, or rehabilitation or malfunctioning of the SFPUC’s water delivery system. In the event of shortages, water will be allocated among the suburban purchasers either (i) in accordance with a water conservation plan developed and approved by SFPUC and the suburban purchasers, or (ii) pro rata among the suburban purchasers based on the amount of water delivered to each suburban purchaser in the prior calendar year.

Other Suburban Wholesale Customers. SFPUC supplies water to 27 wholesale customers (also known as the suburban purchasers), which consist of municipal and private water agencies operating outside San Francisco. The suburban purchasers are responsible, through wholesale rates, for approximately two-thirds of the capital cost of the WSIP.

The 27 wholesale customers (including the City) are members of and represented by the Bay Area Water Supply and Conservation Agency (“**BAWSCA**”), which was formed by the California State legislature in 2003 under Assembly Bill 2058. BAWSCA has the authority to coordinate water conservation, supply and recycling activities for the suburban users; acquire water and make it available to other agencies on a wholesale basis; finance projects, including improvements to the regional water system; and build facilities jointly with other local public agencies or on its own to carry out the agency’s purposes.

The wholesale customers, together with the SFPUC, also formed a joint powers authority (the San Francisco Bay Area Regional Water System Financing Authority) to help fund capital improvements to the regional water system. This joint powers authority has the power to issue revenue bonds to fund projects to improve the reliability of the regional water system; however, this joint powers authority has not, to date, issued any revenue bonds, and the City is not currently aware of any plans by this joint powers authority to do so. Debt service on any bonds issued by this joint powers authority in the future would be secured by, and paid from, a surcharge imposed by the SFPUC upon the wholesale customers (including the City) and the SFPUC’s retail customers in an amount sufficient to pay bond debt service and the joint powers authority’s operating expenses.

SCVWD. The SCVWD supplies the City with imported water from the federal Central Valley Project (representing approximately 60% of the SCVWD’s supply) and California’s State Water Project (representing approximately 40% of the SCVWD’s supply), which transport water from the Sacramento-San Joaquin River Delta through canals to users in the Central Valley and other areas, including the City. Sacramento-San Joaquin River Delta water is blended with local reservoir water and delivered and treated at the Rinconada Treatment Plant located in San Jose.

Under its water supply contracts, the SCVWD is entitled to approximately 100,000 acre-feet of water per year from the State Water Project, and 152,500 acre-feet per year from the federal Central Valley Project.

The City purchases water from the SCVWD through a water supply contract that expires in 2051 (or until the repayment of all loans and bonds used to construct water treatment and distribution facilities for the SCVWD system, if longer). Under the water supply contract, every three years the City submits a proposed three-year water delivery schedule to the SCVWD. The requested amount for each year of the proposed water delivery schedule may not be less than 95% of the maximum annual water deliveries under the prior water delivery schedule. The SCVWD will review and approve the proposed water delivery schedule or make any reductions that are consistent with the SCVWD's ability to deliver water to the City and to other entities contracting for water deliveries with the SCVWD.

See “–Long-Term Forecasting” below for wholesale rate projections provided by the SCVWD for the next ten years.

Under the current water delivery schedule, the City is entitled to 7.85 million gallons per day. In Fiscal Year 2016-17, the SCVWD delivered approximately 7,800 acre-feet to the City, or an average of approximately 6.98 million gallons per day.

Impact of Recent Drought. The City, along with the entire State, experienced a multi-year drought with the Governor declaring a drought state of emergency and calling on urban water suppliers to implement their water shortage contingency plans. The SFPUC and the SCVWD each lowered the minimum required amount of water the City was required to take and requested that their customers reduce water use by 10% and 20% respectively. In response the City Council adopted a resolution and implemented tighter water restrictions, using an education and outreach approach. The City's residents and businesses responded positively, making significant reductions in their water use. Subsequently, in order to reflect the changing cost nature of running the utility, and to mitigate revenue volatility, the City moved its pricing to collect more revenue from its fixed service charges. This resulted in a stabilization of income to the utility, and is responsive to the hardening of water demand from the implementation of new plumbing code as well as drought related responses (e.g. drought tolerant landscaping).

Groundwater. The City currently has six operating wells and one well in standby mode. These wells are located in the City and pump groundwater from the Santa Clara Combined Basin aquifer. Groundwater quality currently meets applicable standards and does not require treatment. In Fiscal Year 2016-17, groundwater supplied the City with approximately 142 acre-feet of water.

The Sustainable Groundwater Management Act (“**SGMA**”) established a new structure for managing California's groundwater resources at a local level by local agencies. SGMA requires, by June 30, 2017, the formation of locally-controlled groundwater sustainability agencies (GSAs) in the State's high- and medium-priority groundwater basins and sub-basins (basins). A GSA is responsible for developing and implementing a groundwater sustainability plan (GSP) to meet the sustainability goal of the basin to ensure that it is operated within its sustainable yield, without causing undesirable results.

While the City has operating wells, the regional groundwater basin is managed by the Santa Clara Valley Water District. Given the small amount of groundwater used by the City, and the regulatory body being the SCVWD, the City is not affected by SGMA and does not anticipate and significant indirect effects from being a groundwater user.

Recycled Water. The City has developed a recycled water program that provides water for irrigation, industrial use and other non-potable uses. The recycled water system produced approximately 362 acre-feet during Fiscal Year 2016-17.

Environmental Issues Relating to the Water System

In order to ensure that tap water is safe to drink the United States Environmental Protection Agency (USEPA) and the California Department of Public Health (CDPH) prescribe regulations that limit the amount of certain contaminants in water provided by public water systems.

The City has identified potential environmental issues with regards to a portion of the water supply provided by the SCVWD. Approximately half of the SCVWD's supply comes through the Sacramento-San Joaquin River Delta (the "**Bay-Delta**"), which faces several significant environmental challenges primarily related to the protection of endangered species. In addition, the water quality in the Bay-Delta has been deteriorating, which may result in increased costs to the Water System in the future. In particular, the water quality of the Delta water is affected by seawater intrusion during periods of low fresh water inflow, which occurs between summer and mid-winter when flows in the Sacramento and San Joaquin Rivers are at a seasonal low; seawater intrusion increases the mineral content of the water. The water quality is also subject to seasonal variations due to drainage or runoff from tributary agricultural areas. The Bay-Delta water supply is also vulnerable to Delta emergencies including those from chemical spills, agricultural discharge and levee failures. A number of projects and programs are being developed, or are in place, to address Bay-Delta water quality degradation at the Statewide level and through local and regional projects. However, no assurance can be given as to the success of any of these efforts.

The City's public water system is in compliance with all current regulatory requirements. The City does not conduct separate testing of groundwater and purchased water, but rather periodically tests the water quality of the Water System as a whole. Water quality testing conducted in 2017 by the City met or exceeded water quality standards set by CDPH and USEPA.

Water Demand and Demand Management

On average, the City provides its customers with 15.8 million gallons of water per day. Demand is below aggregate entitlements, although it experiences seasonal fluctuation, with higher consumption in the summer months and lower consumption in the fall and winter months. See Table 1 for additional detail on each of the past five years.

The City's water demand management practices were developed during the prolonged droughts that California experienced from 1976 to 1978 from 1987 to 1992, and more recently in the past several years.

The City uses a mix of approaches to manage water, meet the reductions when needed to ensure continued reliable water supply, and to meet the demands of its customers both in the short and long term. The City uses best management practices including the prohibition of many non-essential water uses during regular periods, and stricter standards during drought. The City also was co-signatory with the Santa Clara Valley Water District on a water use plan known as "Best Management Practices for Water Conservation" and participated in the development of a long-term water conservation plan. However, the City's two primary tools for managing demand are long-term forecasting and conservation-based education and enforcement.

Long-Term Forecasting

As part of the development of the Twenty Year Resource Allocation Plan for the Water Utility, staff develops the Twenty Year Water Forecast. After obtaining projections in wholesale rates from the City's suppliers, the next step in forecasting demand is to analyze the City's overall water use, which has been trending downward due to changes in the plumbing code and calls for water use reductions as a result of the drought. The City is currently projecting the current use as the baseline with very moderate growth anticipated over the next twenty years.

After the overall demand is identified, the wholesale rate projections are incorporated along with consideration of purchase contract restrictions, operational restrictions, and other factors. This analysis results in the projected mix of water over the twenty year plan. Current City policy is to minimize water purchases from the SFPUC (the City's most expensive source of water) and make up the difference with water purchased from SCVWD. A small incremental difference is made up by increased recycled water production.

The City has received the following wholesale rate projections from SFPUC and SCVWD for the next ten years, which are set forth in terms of price per acre-foot:

	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>
SFPUC	\$1,786	\$1,838	\$1,899	\$2,113	\$2,344	\$2,435	\$2,535	\$2,635	\$2,740	\$2,763
% Incr	0.0%	2.9%	3.3%	11.2%	10.9%	3.9%	4.1%	4.0%	4.0%	0.8%
SCVWD	\$1,178	\$1,306	\$1,449	\$1,607	\$1,782	\$1,976	\$2,170	\$2,336	\$2,400	\$2,465
% Incr	9.9%	10.9%	10.9%	10.9%	10.9%	10.9%	9.8%	7.6%	2.7%	2.7%

The following table sets forth historical water purchases by source measured in acre feet, which also represents water deliveries in the Water System's service area.

Table 1
WATER SYSTEM
WATER SUPPLY BY SOURCE AND DELIVERIES
(in acre-feet)
Fiscal Years 2012-13 through 2016-17

Source	2012-13	2013-14	2014-15	2015-16	2016-17	% Share 2016-17
Santa Clara Valley Water District	11,201.07	10,320.85	7,522.85	6,561.62	7,815.88	44.27%
San Francisco Public Utilities Commission	10,391.44	9,289.55	8,894.94	8,939.88	9,335.26	52.88%
Ground Water Wells	109.34	1,039.00	1,162.99	150.64	142.28	0.81%
Recycled Water	--	--	314.54	771.36	361.87	2.05%
Total Production and Deliveries	21,701.85	20,649.40	17,895.32	16,423.50	17,655.29	100%

Source: City of Sunnyvale, Department of Finance.

Demand Based Water Pricing

Since the early 1980s, the City's water rates have been designed to send pricing signals to customers to encourage prudent use water. This was done through an inclining block tier pricing structure (also sometimes called an inverted rate structure). Under this structure, the more water a customer used, the more the customer paid per unit of usage. Customers also pay a flat, periodic service charge (the "**Service Charge**") that is based on meter size, intended to collect a

portion of the systems fixed costs for operation with the multi-year drought in the state, the corresponding reduction in water use by customers, and changes in the law around conservation based rate structures, the City implemented a new rate structure in FY 2014-15 that made two significant changes. First, as demand has declined, a larger percentage of the water system's costs have become fixed (i.e. not reflective of how much water flows through the system). Therefore, the rates shifted a larger portion of the revenue to the Service Charge portion of the rates, moving the percent of cost recovered from the Service Charge from about 15% to 30%, thereby lowering the elasticity of water revenues. The second change was to reduce rates for the sale of water from four tiers to two tiers for single family and mobile home residential customers, and to a flat rate per unit for all other customers. This new rate structure also reflects the recent demand pattern that is being experienced with new water conservation efforts and changes to plumbing code. Water rates are described in more detail below.

City is authorized to pass-through surcharge from wholesale suppliers, would need to be approved by the City Council but not Proposition 218 process.

The City's policy is to set rates based on actual cost of service. Revenues lost through conservation and costs associated with new education programs are accounted for yearly and projected out in the Twenty-Year Resource Allocation Plan. Water rates are adjusted accordingly each year to balance the Water Fund. The effects of conservation programs, like many other factors that affect the Water Enterprise Fund, are minimized through yearly rate adjustments. See "THE CITY UTILITY ENTERPRISES – Utility Rate Setting."

Capital Improvement Program

Over the past several years, due to the age of the Water System, the City has been working to identify and scope projects to improve the City's water supply and distribution system. The City's recommended Fiscal Year 2017-18 Twenty-Year Resource Allocation Plan projects capital and infrastructure improvements to the Water System for Fiscal Years 2017-18 through 2026-27 in the aggregate amount of approximately \$69.9 million and an additional \$52.6 million in improvements from Fiscal Years 2027-28 through 2036-37.

The table below summarizes the first five years of projects in the Twenty-Year Resource Allocation Plan. The City is focused primarily in two areas, mainline pipe replacement and water tank, well, and supply renovations and improvements. Specific examples include the interior coating of existing water tanks, the replacement of old water lines in the City's historic downtown, upgrading of the city's six connections with the SFPUC system, and the automation of meter reading.

Table 2
WATER SYSTEM
Capital Improvement Program Summary

Projects	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Water/Sewer Supervisory Control System	\$0	\$0	\$0	\$0	\$165,612	\$165,612
Mary/Carson Water Plant Mechanical Reconstructions	0	0	0	378,851	441,632	820,483
PRV Replacement & Relocation to Read for SCADA	122,400	124,848	127,345	129,892	132,490	636,975
City Wide Water Line Replacement	1,552,785	832,320	5,518,282	865,946	5,741,220	14,510,553
Refurbishment of Water Tanks	1,632,000	0	671,745	4,004,999	0	6,308,744
Cleaning of Water Tanks	0	37,454	0	0	0	37,454
Water Utility Master Plan	0	0	0	432,973	0	432,973
Automation of Meter Reading	204,000	208,080	0	0	0	412,080
Adjust Water Utilities in Support of Paving Projects	81,600	83,232	84,897	86,595	88,326	424,650
Cathodic Protection SFPUC Turnouts and Transmission Pipeline	816,000	0	0	0	0	816,000
Water Meters for New Developments	408,000	416,160	84,897	86,595	88,326	1,083,978
Leak Detection Program	45,900	156,060	47,754	48,710	165,612	464,036
Water Cost of Service Study	0	0	0	21,649	0	21,649
Utility Maintenance Management System	0	0	159,181	0	0	159,181
Urban Water Management Plan	0	0	0	43,297	0	43,297
<i>Sub-Total</i>	<i>4,862,685</i>	<i>1,858,154</i>	<i>6,694,101</i>	<i>6,099,507</i>	<i>6,823,218</i>	<i>26,337,665</i>
Total	\$4,862,685	\$1,858,154	\$6,694,101	\$6,099,507	\$6,823,218	\$26,337,665

Source: City of Sunnyvale, Department of Finance.

Water Rates, Fees and Charges

Water Rate Setting. Each year, as part of the budget process, staff performs a detailed analysis the current condition of and long-term outlook for the Water Fund, reflected in the Twenty Year Resource Allocation Plan for the fund. See "THE CITY UTILITY ENTERPRISES – Utility Rate Setting" for a further discussion of rate-setting procedures common to all City Utility Enterprises.

Water Rate Structure. The monthly rates charged to Water System users are made up of two components: a fixed service charge, which is based on meter size, and a volume charge, which is based on water usage.

The current Fiscal Year's rate structure was approved on June 20, 2017. The rates shown in Table 3 below for fixed charges are by meter size, and the rates shown in Table 4 below for water usage charges are per hundred cubic feet of water usage.

Table 3
WATER SYSTEM
Fixed Service Charge Monthly Rate Structure
Fiscal Year 2017-18

<u>Customer Class</u>	<u>Range of Meter Sizes</u>	<u>Range of Service Charges</u>
Single-Family Residential	5/8" to 2"	\$13.51 – \$90.91
Multi-Family Residential	5/8" to 12"	\$22.64 – \$163.88
Commercial	5/8" to 12"	\$22.64 – \$163.88
Landscape	5/8" to 8"	\$31.42 - \$234.17
Fire Line	1" to 10"	\$3.45 - \$89.93

Source: City of Sunnyvale Fee Schedule.

Table 4
WATER SYSTEM
Water Usage Monthly Rate Structure
Fiscal Year 2017-18

<u>User type and Bi-Monthly Rate Block [1]</u>	<u>2017-18</u>
<u>Residential:</u>	
0-5	\$4.22
6+	\$5.15
<u>Apartments:</u>	
0+	\$4.66
<u>Industrial/ Commercial:</u>	
0+	\$4.66

[1] Rates per hundred cubic feet.

Source: City of Sunnyvale Fee Schedule.

Connection Fees. The City charges various connection fees for new connections to the Water System. For Fiscal Year 2017-18, for a residential unit (standard occupancy unit), the fee is \$6,000 and for a residential unit (low occupancy unit), the fee is \$3,400. For Fiscal Year 2017-18, commercial, industrial and institutional units are charged \$2,000 per unit. Additional amounts are charged for the installation of water meters, based on the size of the meter.

Historical Rate Increases. The City has historically increased water rates each year for each customer class. The most recent increase of 12.5% was adopted on June 20, 2017, for Fiscal Year 2017-18. The following table sets forth a five-year history of water rate increases.

Table 5
WATER SYSTEM
Historic Water Rate Increases for all Customer Classes

Year	Increase
2013-14	5%
2014-15	5%
2015-16	20%
2016-17	25%
2017-18	12.5%

Source: City of Sunnyvale Department of Finance.

Projected Rate Increases. The Resource Allocation Plan for the Water Fund makes provisions for the long-term cost of infrastructure renovation and replacement, supply costs and other factors that affect the Water Fund.

The Fiscal Year 2017-18 Resource Allocation Plan that was approved by the City Council on June 20, 2017, projects that rates will increase by 7.5% in Fiscal Year 2018-19, 5.0% in Fiscal Year 2019-20, and 5.0% in Fiscal Year 2020-21. Increases between 2% and 8% per year are planned for Fiscal Years 2021-22 through 2027-28, with increases between 1% and 2.5% per year for the remaining nine years of the planning period.

All of these projected rate increases are dependent on approval by the City Council following the notice and protest procedures required under Proposition 218. See “BOND OWNERS’ RISKS – Proposition 218.” No assurance can be given that the City Council will approve any or all of the projected rate increases in the amounts or at the times set forth in the Resource Allocation Plan (but subject, however, to the City’s covenant to maintain the debt service coverage ratios set forth in the Indenture; see “SECURITY FOR THE 2017 BONDS – Covenants Regarding Water System Rates and Charges” above), or that the City Council’s approval of any proposed rate increase will not be precluded by a successful protest brought by ratepayers under Proposition 218 (see “BOND OWNERS’ RISKS – Proposition 218” below). In addition, these projected rate increases could change in future Resource Allocation Plans, and will largely depend on the future costs of purchased water.

Comparative Monthly Water Bills. The table below shows comparative residential monthly water bills for neighboring Santa Clara County communities for Fiscal Year 2017-18.

Table 6
WATER SYSTEM
Comparative Average Monthly Residential Bills
Fiscal Year 2017-18

<u>Community</u>	<u>Average Monthly Bill [1]</u>
Santa Clara	\$49.50
Sunnyvale	49.66
Milpitas	61.02
San Jose	62.52
Fremont	65.39
Cupertino (San Jose Water Co.)	71.66
Mountain View	72.73
Palo Alto	85.13

[1] Represents rate for typical residential users based on consumption of 10 hundred cubic feet plus a service charge for a 5/8" meter.
Source: City of Sunnyvale Department of Finance.

Customer Base

In Fiscal Year 2016-17, the Water System supplied approximately 29,000 accounts with 7.2 million cubic feet of water.

The following table sets forth a five-year history of the number of accounts for the Water System.

Table 7
WATER SYSTEM
Number of Accounts
Fiscal Years 2012-13 through 2016-17

<u>Fiscal Year</u>	<u>Number of Accounts [1]</u>
2012-13	28,903
2013-14	28,904
2014-15	29,280
2015-16	29,235
2016-17	29,164

[1] Includes all "active" connections that billed during respective year.
Source: City of Sunnyvale, Department of Finance.

The following table shows billing amounts, water consumption in acre-feet, and water consumption as a percentage of total consumption in the City by type of customer for active water accounts during Fiscal Year 2016-17.

Table 8
WATER SYSTEM
Summary of Water Accounts and Usage by User Type
Fiscal Year 2016-17

User Type	Number of Accounts	Revenues	Consumption (in acre-feet) [1]	Consumption as Percent of Total
Single-Family Residences	23,703	\$13,430,434	5,152	31%
Apartments/Mobile Homes	1,691	12,191,289	4,941	30
Commercial/Industrial	2,636	9,773,254	3,639	22
Landscaping	1,010	6,177,370	2,527	15
Other	124	606,282	235	1
Total	29,164	\$42,178,628	16,495	100%

[1] Total consumption shown in this table is less than the total water deliveries shown in Table 1 above because of in-system water losses due to factors such as maintenance activities and flushing, water main breaks, and customer leaks.

Source: City of Sunnyvale, Department of Finance.

Largest Water Customers. The following are the ten largest customers for the Water System for the current Fiscal Year to date, which currently represent approximately 10.87% of the Water System service charges received by the City.

Table 9
WATER SYSTEM
Ten Largest Customers
Fiscal Year 2016-17

Customers	Land Use	Primary Business Activity	Percent of Total Sales
Applied Materials	Commercial	Semiconductor and Related	2.78%
Lockheed Martin	Commercial	Aircraft/Defense Manufacturing	1.80
Apple Inc	Commercial	Electronic Computer Manufacturing	1.07
The Golf Club	Commercial	Golf Course	0.94
ERP Operating LLP	Multi-Unit Dwelling	Apartment	0.78
H & R Christensen	Multi-Unit Dwelling	Apartment	0.75
Spieker Companies	Multi-Unit Dwelling	Apartment	0.74
Casa De Amigos	Multi-Unit Dwelling	Mobile Home Park	0.70
Northrop Grumman	Commercial	Transportation Equipment Manufacturing	0.69
Plaza Del Rey	Multi-Unit Dwelling	Mobile Home Park	0.62
Total:			10.87%

Source: City of Sunnyvale, Department of Finance.

Water System Historical Fund Balances

The following table sets forth the balance sheets for the Water Fund for the last five Fiscal Years.

Table 10
WATER SYSTEM
Historical Balance Sheets as of June 30

	Audited 2012-13	Audited 2013-14	Audited 2014-15	Audited 2015-16	Audited 2016-17
Assets					
<u>Current Assets:</u>					
Cash and Investments Held by City	\$8,983,404	\$16,966,775	\$17,626,904	\$16,920,300	\$21,563,011
Receivables, Net	11,400,996	4,080,019	3,711,338	2,952,982	2,965,303
Intergovernmental Receivables	5,483,696	5,653,781	4,101,910	5,499,862	6,357,769
Inventories and Prepayments	5,000	--	6,391	5,542	8,589
Total Current Assets	\$1,699	\$ --	\$5,116	\$5,116	\$5,127
<u>Noncurrent Assets:</u>					
Capital Assets:					
Land & Non-Depreciable Assets	\$11,007,187	\$2,677,792	\$3,690,173	\$4,683,270	\$5,254,069
Depreciable Assets, Net	36,395,341	45,621,993	45,573,170	43,400,258	41,700,032
Total Noncurrent Assets	\$47,402,528	\$48,299,785	\$49,263,343	\$48,083,528	\$46,954,101
Total Assets	73,277,323	75,000,360	74,715,002	73,467,330	77,853,900
Deferred Outflows of Resources	897,844	718,275	1,110,622	962,849	1,650,015
Liabilities					
<u>Current Liabilities:</u>					
Accounts Payable and Accrued Liabilities	\$5,563,494	\$3,271,682	\$2,252,962	\$2,626,340	\$5,400,521
Advances from Other Funds	351,700	331,791	--	--	--
Refundable Deposits	182,946	246,386	203,080	281,494	289,369
Interest Payable	274,813	267,450	258,325	247,763	237,888
Unearned Revenues	--	--	--	100,000	100,000
Long-term Debt - Due Within One Year	780,000	810,000	845,000	890,000	925,000
Total Current Liabilities	\$7,152,953	\$4,927,309	\$3,559,367	\$4,145,597	\$6,952,778
<u>Noncurrent Liabilities:</u>					
Advances from Other Funds	\$293,103	\$ --	\$ --	\$ --	\$ --
Long-term Debt - Due in More than One Year	22,799,894	21,926,750	21,018,606	20,065,462	19,077,317
Net Pension Liability	--	--	5,501,607	5,818,795	6,896,529
Total Noncurrent Liabilities	\$23,092,997	\$21,926,750	\$26,520,213	\$25,884,257	\$25,973,846
Total Liabilities	30,245,950	26,854,059	30,079,580	30,029,854	32,926,624
Deferred Inflows of Resources	--	--	1,105,179	515,016	196,451
<u>Net Position:</u>					
Invested in Capital Assets, Net of Related Debt	36,121,474	30,361,329	31,649,781	30,440,186	30,096,656
Unrestricted	7,807,743	18,503,247	12,991,084	13,445,123	16,284,184
TOTAL NET POSITION	\$43,929,217	\$48,864,576	\$44,640,865	\$43,885,309	\$46,380,840

Source: City of Sunnyvale Comprehensive Annual Financial Reports.

Water System Historical Revenues, Expenses and Debt Service Coverage

Historical Revenues and Expenses. The table on the following page presents historical revenues, expenditures and changes in retained earnings of the Water System for the last five Fiscal Years. In this table, retained earnings are portrayed on the full accrual basis of accounting as opposed to the cash basis used in the historical debt service coverage and projected debt service coverage tables presented on the following pages. Examples of the differences between the accrual presentation in the table below and the cash presentation in the debt service coverage tables on the following pages include (a) the treatment of capital or infrastructure assets, which are capitalized under the accrual basis and treated as an expense on a cash basis, and (b) the change in fair value of investments, which have no effect on budgetary fund balance but are included as income or loss on an accrual basis.

Table 11
WATER SYSTEM
Historical Revenues, Expenses, and Changes in Retained Earnings
As of June 30, 2017

	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
<u>Operating Revenues:</u>						
Charges for Services	\$32,436,370	\$35,593,698	\$38,580,485	\$33,295,125	\$35,874,895	\$44,050,452
<u>Operating Expenses:</u>						
Personnel Services	3,485,817	3,740,693	4,179,322	4,110,689	3,804,958	4,084,432
Contractual Services	445,866	617,497	648,204	675,169	1,050,936	3,151,206
Supplies and Materials	927,991	1,381,438	1,079,153	964,377	957,937	969,509
Utilities (Gas, Electricity, Water, Phone)	420,272	202,994	342,238	366,252	322,773	227,971
Equipment and Building Rental	480,213	505,977	538,824	870,443	645,361	693,136
Taxes and Licenses	127,867	74,458	705,989	611,789	137,134	243,336
Water Purchased for Resale [1]	17,781,891	21,562,176	20,987,214	18,384,965	22,683,561	27,528,188
Depreciation	1,774,891	1,819,302	2,040,430	2,298,657	2,340,576	2,355,538
General Fund Administration [5]	--	--	--	--	2,835,312	3,045,970
Other Operating Expenses	117,562	135,096	231,634	206,446	203,911	212,901
Total Operating Expenses	25,562,370	30,039,631	30,753,008	28,488,787	34,982,459	42,512,187
Income from Operations	6,874,000	5,554,067	7,827,477	4,806,338	892,436	1,538,265
<u>Non-Operating Revenues (Expenses):</u>						
Investment Income [2]	108,925	79,869	105,584	141,307	199,686	95,254
Capital Grants and Contributions	192,000	174,000	152,600	500,600	144,400	646,700
Connection Fees	193,608	477,367	485,480	272,978	424,944	1,260,848
Interest Expense	(1,265,253)	(1,092,762)	(622,456)	(578,135)	(1,093,351)	(1,043,250)
Total Non-Operating Revenue (Expenses)	(770,720)	(361,526)	121,208	336,750	(324,321)	959,552
Income Before Operating Transfers	6,103,280	5,192,541	7,948,685	5,143,088	568,115	2,497,817
Operating Transfers In	33,744	116,568	127,277	244,321	62,809	859,439
Operating Transfers Out [5]	(3,103,603)	(3,255,462)	(3,140,603)	(3,448,567)	(1,386,480)	(861,725)
Net income (Loss)	3,033,421	2,053,647	4,935,359	1,938,842	(755,556)	2,495,531
Retained Earnings at Beginning of Year	40,218,849	43,252,270	43,929,217	48,864,576	44,640,865	43,885,309
Prior Period Adjustment [3] [4]	--	(1,376,700)	--	(6,162,553)	--	--
Retained Earnings at End of Year	<u>\$43,252,270</u>	<u>\$43,929,217</u>	<u>\$48,864,576</u>	<u>\$44,640,865</u>	<u>\$43,885,309</u>	<u>\$46,380,840</u>

[1] See "THE WATER SYSTEM – Sources of Water Supply." Increase in water costs are due in part to increased cost of water from SFPUC's Hetch Hetchy system, which are anticipated to continue to increase in the future due to planned capital improvements to the SFPUC water delivery system. Fluctuations are due to conservation efforts resulting from the drought.

[2] This amount includes the change in fair value of investments each year.

[3] Fiscal Year 2012-13: The prior period adjustment consists of two parts. A dispute settlement with the Santa Clara Valley Water District over wholesale water billing. Also, debt issuance costs (excluding pre-paid insurance) used to be reported as deferred charge. Under GASB 65 the costs have been reclassified as an expense in the period incurred.

[4] Fiscal Year 2014-15: Prior period adjustment due to GASB 68 implementation of new pension standards as defined in Note 20 of the CAFR.

[5] General Fund Administration costs are reflected in total operating expenses beginning 2015-2016, they were previously reflected in Operating Transfers Out.

Source: City of Sunnyvale Comprehensive Annual Financial Reports.

Historical Debt Service Coverage. The following table sets forth the historical debt service coverage of the Water System for the past five years based on the “Net Revenues” of the Water System available under the 2010 Indenture.

Table 12
WATER SYSTEM
Historical Revenues, Expenses and Debt Service Coverage,
and Reserve Balances

	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
Gross Revenues					
<u>Charges for Services:</u>	\$35,593,698	\$38,580,485	\$33,295,125	\$35,874,895	\$44,050,452
Investment Income/Interest	79,869	105,584	141,307	199,686	95,254
Connection Fees	477,367	485,480	272,978	424,944	1,260,848
Total Gross Revenues	36,150,934	39,171,549	33,709,410	36,499,525	45,406,554
Operation and Maintenance Costs [1] [3]	30,924,283	31,333,669	28,784,478	32,806,411	35,934,265
Net Revenues [2]	5,226,651	7,837,880	4,924,932	3,693,114	9,472,289
Debt Service on Series 2010 Bonds	1,881,500	1,879,250	1,879,800	1,878,300	1,881,050
Debt Service Coverage Ratio	2.78x	4.17x	2.62x	1.97x	5.04x
Rate Stabilization Reserve [3]	\$4,346,987	\$8,140,836	\$4,136,946	\$2,055,669	\$5,043,933
Capital and Infrastructure Reserve [3] [4] [5]	358,538	314,649	1,106,553	11,680,650	1,862,685
Reserved for Contingencies [3]	6,899,699	7,025,605	6,920,315	7,342,688	8,055,855

[1] Represents Operation and Maintenance Costs calculated in accordance with the 2010 Indenture.

[2] Represents Net Revenues available to pay debt service on the 2010 Bonds under the 2010 Indenture.

[3] See “THE CITY UTILITY ENTERPRISES – Contingency Reserve, Rate Stabilization Reserve and Capital and Infrastructure Reserve.”

[4] Fiscal Year 2015-16 reflects a large reserve to carry over encumbered funds for significant projects identified in Fiscal Year 2016-17.

[5] Significant increase in the Capital and Infrastructure Reserve in Fiscal Year 2015-16 was to revenue fund several significant infrastructure projects planned for Fiscal Year 2016-17.

Source: City of Sunnyvale Department of Finance.

Projected Revenues, Expenses and Debt Service Coverage

Projections. The following table sets forth the projected revenues, expenses and debt service coverage of the Water System for the current Fiscal Year and the next four Fiscal Years based on the Net Revenues available under the Indenture and future debt service on the 2017 Bonds.

Table 13
WATER SYSTEM
Projected Revenues, Expenses and Debt Service Coverage,
and Reserve Balances

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
Gross Revenues					
Charges for Services	\$47,613,812	\$51,172,941	\$53,804,555	\$56,404,455	\$59,217,786
Investment Income/Interest	202,168	399,655	497,998	777,218	735,855
Connection fees	1,611,244	1,643,469	1,631,633	1,664,266	1,697,551
Total Gross Revenues:	49,427,224	53,216,065	55,934,186	58,845,939	61,651,192
Operation and Maintenance Costs [1]	41,186,876	43,042,595	45,543,002	49,915,607	54,794,301
Net Revenues [2]	8,240,349	10,173,470	10,391,184	8,930,332	6,856,891
Debt Service on the 2017 Bonds*	1,937,426	1,435,580	1,437,018	1,442,984	1,447,115
Debt Service Coverage Ratio*	4.25x	7.09x	7.23x	6.19x	4.74x
Rate Stabilization Reserve [3]	\$1,142,573	\$7,400,110	\$8,749,617	\$8,611,863	\$5,759,074
Capital and Infrastructure Reserve [3]	4,922,506	5,281,641	5,535,660	5,806,872	6,091,534
Contingencies Reserve [3]	9,302,738	9,800,505	10,357,447	11,509,938	12,657,343

* Preliminary; subject to change.

[1] Represents Operation and Maintenance Costs operating expenses calculated in accordance with the Indenture.

[2] Represents Net Revenues under the Indenture.

[3] See "THE CITY UTILITY ENTERPRISES – Contingency Reserve, Rate Stabilization Reserve and Capital and Infrastructure Reserve."

Source: City of Sunnyvale Finance Department.

Assumptions Regarding Projections.

Revenues and Operation and Maintenance Costs. Charges for services are projected to increase at a rate of 1% to 8% per year, and operating expenses are projected to increase at a rate of 2% to 8% per year. Both increases are based primarily on projected increases in the cost of purchased water from the City's wholesale suppliers. See "THE WATER SYSTEM – Long-Term Forecasting" and "THE WATER SYSTEM – Water Rates, Fees and Charges." Additional increases in revenues include planned funding of capital and infrastructure projects.

Rate Stabilization Reserve. The Rate Stabilization Reserve fund is projected to fluctuate throughout the City's Twenty-Year Resource Allocation Plan. This is primarily due to steep projected increases in wholesale water costs but also in order to absorb revenue funded projects while also reserving funds for future capital and infrastructure needs. Upon stabilization of wholesale water costs, the Twenty-Year Resource Allocation Plan projects a stable non-capital expense base.

Debt Service.* Debt Service assumes an all-in interest cost with respect to the 2017 Bonds equal to __%, and a principal amount of the 2017 Bonds equal to \$_____.

CITY FINANCES

The information in this Section is included solely as background regarding the City's finances and the Water System, which is a utility enterprise of the City. The 2017 Bonds are payable from a pledge of Net Revenues of the Water System, and are not a debt or obligation of

* Preliminary; subject to change.

the City's general fund. For additional information about the City's finances, see the audited financial statements of the City attached as APPENDIX B.

The City

The City of Sunnyvale was incorporated December 24, 1912, and the original City charter 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.

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.

For additional background and demographic information regarding the area in and around the City, see "APPENDIX D – General Demographic Information Regarding the City of Sunnyvale and Santa Clara County."

Budgeting and Planning Process

The City's approach to budget preparation is a central part of the City's Planning and Management System (PAMS), which includes long-term financial planning over a 20-year time frame, short-term allocation of resources (the two-year action budget), and performance measurement of service delivery. For additional information on PAMS and the City budgeting and planning process, see "THE CITY UTILITY ENTERPRISES – Budgeting and Planning Process."

Accounting Policies

Accounting Policies. The accounting policies of the City conform to generally accepted accounting principles as applied to governmental agencies. The City's annual financial reports are prepared in accordance with the Governmental Accounting Standards Board ("GASB") Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on requirements for financial reporting for all governmental agencies in the United States.

Basis of Accounting and Measurement Focus. The accounts of the City 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 equity, revenues, and expenditures or expenses, as appropriate. City 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.

The government-wide financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. 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.

Financial Statements

Attached as APPENDIX B are the audited financial statements of the City (the “**Financial Statements**”) for Fiscal Year 2016-17, which include financial statements for the Water Fund and the other Enterprise Funds, prepared by the City Department of Finance and audited by Macias, Gini & O’Connell, LLP (the “**Auditor**”).

The Auditor’s letter concludes that the Financial Statements present fairly, in all material respects, the financial position of the City as of June 30, 2017, and the results of its operations and the cash flows of its proprietary fund types for the Fiscal Year then ended in conformity with generally accepted accounting principles.

The Financial Statements should be read in their entirety. *The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City. In addition, the Auditor has not reviewed or performed any procedures relating to this Official Statement.*

Investment Policy and Investment Portfolio

The City Council adopted an Investment and Cash Management Policy (the “**Investment Policy**”) on July 30, 1985, which has been revised or reaffirmed by the City Council on at least an annual basis, most recently on October 4, 2017. Pursuant to the Investment Policy, the cash management system of the City is designed to accurately monitor and forecast expenditures and revenues, enabling the City to invest funds to the fullest extent possible. Funds of the City are to be invested in accordance with sound treasury management, the provisions of the California Government Code Section 53600 et. seq. and the Investment Policy. Under the Investment Policy, the City’s Director of Finance (or his/her designee) are authorized to manage the investment portfolio.

At November 7, 2017, the City’s investment portfolio consisted of the following:

U.S. Government Treasury and Agency securities	52.1%
Managed pool accounts	15.8%
Supranationals	6.4%
Medium Term Notes	21.4%
Municipal Bonds	4.3%

No funds were invested in commercial paper. The City's Finance Director manages the City's investment portfolio and provides a current market valuation of the investment portfolio on a monthly basis. Current market valuations are prepared by FT Interactive Data, the major operating division of Interactive Data Corporation, a leading provider of global securities data.

Employee Relations

The City employs 917 full-time and regular part-time employees, and approximately 458 casual or seasonal employees. The City directly provides municipal services including police and fire protection, libraries, solid waste, water and wastewater utility services, parks and recreation, traffic engineering, street maintenance and other public infrastructure, land use planning and general administrative services. There are six employee associations, as shown in the following table.

<u>Labor Organization</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u>
International Federation of Professional and Technical Engineers (formerly the Sunnyvale Employees' Association)	515	June 30, 2019
Public Safety Officers' Association	190	December 31, 2020
Communication Officers' Association	20	December 31, 2017
Service Employees' International Union - Local #715	51	June 30, 2021
Sunnyvale Managers Association	83	June 30, 2019
Public Safety Managers Association	10	December 21, 2021

Insurance

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 (for each occurrence), through California Joint Powers Risk Management Authority, a risk-sharing pool.

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 as follows:

- \$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; and
- Statutory excess of \$50,000,000: coverage provided by National Union Fire Insurance Co. of Pittsburgh, PA.

Unemployment claims paid by the State are reimbursed dollar-for-dollar by the City.

Employee Retirement System

Plan Description. All permanent City employees participate in the California Public Employees' Retirement System ("**PERS**") per the City charter.

PERS is an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within California. PERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries.

Employees vest after five years of service and are eligible to receive benefits at age 50 for safety and miscellaneous (non-safety) employees. State statutes and City ordinance establish benefit provisions, which are reflected in a contract between the City and PERS. For additional information, see the Note 17 of the City's Comprehensive Annual Financial Report, attached hereto as Appendix B.

Copies of PERS's annual financial report may be obtained from its executive office in Sacramento.

Funding Policy. Miscellaneous participants are required to contribute 8% of annual covered salary, and safety participants were required to contribute 11.25% of their annual covered salary. The City made the contributions required of City employees on their behalf and for their account for 4% of annual salary for miscellaneous participants and the 6% for safety participants. The total contribution on behalf of employees amounted to \$4,355,501 for Fiscal Year 2016-17.

The City is required to make actuarially determined employer contributions necessary to fund the benefits for its members. For Fiscal Year 2016-17, the City contribution was 26.3% for miscellaneous employees and 45.3% for safety employees. In FY 2016-17 the City elected to make an annual lump sum prepayment to PERS; the contribution was \$15,147,763 for miscellaneous employees and \$13,837,982 for safety employees. The contribution requirements of the plan members are established by State statute.

Annual Pension Cost. For Fiscal Year 2016-17, the City's annual pension cost of \$28,985,745 was equal to the City's required and actual contributions. Originally the required employer contribution was determined as part of the June 30, 2014 actuarial valuation, using the entry age normal actuarial cost method. The required employer contribution using a lump sum payment method was later amended at the City's request to avoid negative amortization of the unfunded actuarial accrued liability.

Pension Cost History. Information on City pension funding for the most recent three Fiscal Years is shown below.

GASB 68 Reporting

	<u>Measurement Date</u>	<u>Fiscal Yr Ended</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Plan Net Pension Liability</u>	<u>Pension Expense</u>
SAFETY PLAN	2014	2015	\$479,589,721	\$353,926,821	\$125,662,900	\$10,771,561
	2015	2016	489,708,809	352,415,022	137,293,787	8,206,674
	2016	2017	509,519,270	343,286,462	166,232,808	15,193,526
MISC PLAN	2014	2015	\$500,852,018	\$371,009,864	\$129,842,154	\$10,484,240
	2015	2016	509,929,954	372,974,401	136,955,553	6,653,938
	2016	2017	530,613,227	367,486,410	163,126,817	12,063,842
ALL PLANS	2014	2015	\$980,441,739	\$724,936,685	\$255,505,054	\$21,255,801
	2015	2016	999,638,763	725,389,423	274,249,340	14,860,612
	2016	2017	1,040,132,497	710,772,872	329,359,625	27,257,368

Funding Basis Contributions

	<u>Fiscal Yr Ended</u>	<u>Actuarially Determined Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>
SAFETY PLAN	2015	\$10,812,835	\$11,312,835	\$ (500,000)
	2016	11,934,254	12,634,254	(700,000)
	2017	13,837,982	13,837,982	--
MISC PLAN	2015	\$12,759,494	\$13,259,494	\$ (500,000)
	2016	13,917,203	14,617,203	\$ (700,000)
	2017	15,147,763	15,147,763	--
ALL PLANS	2015	\$23,572,329	\$24,572,329	\$ (1,000,000)
	2016	25,851,457	27,251,457	(1,400,000)
	2017	28,985,745	28,985,745	--

Projected Future Increases in Pension Costs. The City contracts with a consulting actuary annually to address pension costs. The actuary provides a twenty-year projection on the costs for pension that is then included in the City's 20-year financial plans. Currently, the City has projected and is planning for continued substantial increases in retirement costs, especially within the next ten years.

Other Post-Employment Benefits

Plan Description. The City's retiree healthcare plan is a single-employer defined benefit healthcare plan. The plan provides healthcare benefits to eligible retirees and their dependents through the PERS healthcare program ("**PEMHCA**"). Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its non-represented employees, and the bargaining units representing City employees.

The City provides a retiree healthcare stipend equal to the lesser of the medical premium or a dollar limit that varies by employee group (\$297 to \$796 per month for Fiscal Year 2016-17). 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. There were 776 retired plan participants as of June 30, 2016.

Funding Policy. The contribution requirements of the other post-employment benefits ("**OPEB**") plan participants and the City are established and may be amended by the City. The annual required contribution ("**ARC**") is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Since 2007, the City has set aside funds in the Employee Benefits Internal Service Fund for future OPEB obligations. On July 20, 2010, the City Council approved the City entering into an Investment Advisory Agreement with PFM Asset Management, LLC ("**PFM**") as investment manager for the City's OPEB Trust (RTC No. 10-187). On December 7, 2010, the City Council approved a Trust Agreement with PFM as Trust Administrator and U.S. National Bank Association as Trustee for the OPEB Trust (RTC No. 10-326). The Investment Policy Statement for the OPEB Trust was also approved at that time.

Since inception the City has deposited a total of \$59.5 million into the trust. As of June 30, 2017, the market value of the trust was \$83 million, which includes earnings. As of its last actuarial valuation (June 30, 2016), the City's retiree medical plan is 55% funded.

The Employee Benefits Internal Service Fund has accumulated such resources in past years through internal service charges and transfers from the General Fund. Additional resources will be added on an ongoing basis until the Trust is fully funded. This retiree medical trust is not considered a component unit of the City and is excluded from the City's financial statements.

Annual OPEB Cost and Net OPEB Obligation. For Fiscal Year 2017-18, the City's ARC was projected at \$10,035,000.

In the June 30, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.5% investment rate of return and 3% annual general inflation. Premiums were assumed to increase with a pre-Medicare medical cost increase rate of 6.5% for 2018, grading down to 5% for 2021 and thereafter. The post-Medicare cost increases were 6.7% for 2018, grading down to 5% for 2021 and thereafter. The projected June 30, 2017 unfunded actuarial accrued liability ("**UAAL**") is being amortized as a level percentage of projected

payroll over 20 years for Fiscal Year 2017-18. It is assumed that the City's payroll will increase 3.25% per year.

The following table shows the components of the City's annual OPEB costs for Fiscal Year 2016-17, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

	<u>June 30, 2017</u>
Annual required contribution (ARC)	\$ 8,135,000
Interest on net OPEB obligation	(370,000)
Amortization of Net OPEB Obligation	387,000
Annual OPEB cost (expense)	8,152,000
Contributions made	9,842,000
Increase (Decrease) in net OPEB obligation	(1,690,000)
Net OPEB obligation - beginning of year	(5,695,000)
Net OPEB obligation - end of year	(7,385,000)

The City contributed \$5,599,000 on a pay-as-you-go basis for current benefit payments and \$4,243,000 in trust prefunding. Starting 2007, the City has set aside funds in the Employee Benefits Internal Service Fund for future OPEB obligations and has since established an OPEB Trust in Fiscal Year 2010-11. The Trust has \$83 million in Plan Fiduciary Net Position as of June 30, 2017, and it is funded at 49.7% of total OPEB liability.

Water System's Estimated Share of Retirement Obligations. The City estimates that the Water System is responsible for approximately 3% of the city's pension and OPEB costs (based on the Water System's share of annual budgeted City salaries), which is treated as an Operation and Maintenance Cost for purposes of the Indenture.

BOND OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the 2017 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Bonds and the order presented does not necessarily reflect the relative importance of the various risks. Potential investors in the 2017 Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the 2017 Bonds. There can be no assurance that other considerations will not materialize in the future.

Net Revenues; Rate Covenant

Net Revenues are dependent upon the demand for water sales, which can be affected by population changes, drought, economic conditions, and other factors. There can be no assurance that water service demand will be consistent with the levels contemplated in this Official Statement. A decrease in the demand for water could require an increase in rates or charges in order to comply with the rate covenants contained in the Indenture. The City's ability to meet its rate covenants is dependent upon its capacity to increase rates without driving down demand to a level insufficient to meet debt service on the 2017 Bonds and any existing and future Parity Debt.

No Debt Service Reserve Fund

The City will not fund a debt service reserve fund for the 2017 Bonds. In the event Net Revenues are insufficient for the City to pay debt service on the 2017 Bonds when due, no debt service reserve account funds will be available under the Indenture for the City to make such payments.

Operation and Maintenance Expenses

There can be no assurance that expenses of the City will be consistent with the levels contemplated in this Official Statement. Changes in technology, changes in quality standards, and increases in the cost of operation or other expenses could require substantial increases in rates or charges in order to comply with the rate covenants in the Indenture. Such rate increases could drive down demand for water and related services or otherwise increase the possibility of nonpayment of the 2017 Bonds.

Limitations on Remedies Available to Bond Owners

The ability of the City to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay principal of and interest on the 2017 Bonds and Parity Bonds may be adversely affected by actions and events outside of the control of the City, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. Furthermore, any remedies available to the owners of the 2017 Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondholder remedies contained in the Indenture, the rights and obligations under the 2017 Bonds and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization,

moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 2017 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Seismic and Environmental Considerations

The City is located in a seismically active area of California. If there were to be an occurrence of severe seismic activity in the area of the City, there could be an interruption in the service provided by the Water System, resulting in a temporary reduction in the amount of Net Revenues available to pay debt service when due on the 2017 Bonds.

Other environmental conditions, such as flooding, landslides or wildfires, could also affect or interrupt the service provided by the Water System, resulting in a temporary reduction in the amount of Net Revenues available to pay debt service when due on the 2017 Bonds.

California Drought Conditions

California is subject to droughts from time-to-time. On April 1, 2015, for the first time in California's history, Governor Edmund G. Brown directed the State Wastewater Resources Control Board to implement mandatory water reductions in cities and towns across California to reduce water usage by 25%, which in many cases led to declines in wastewater flows as well. Following a wet winter in 2016-17, most of the mandatory water reductions have been lifted.

However, there can be no assurance that drought conditions would not re-appear in the future, leading to decreased usage of the Water System, and a potential decline in Net Revenues available to pay debt service on the 2017 Bonds.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the Series 2017A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series 2017A Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Indenture. Should such an event of taxability occur, the Series 2017A Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Proposition 218

General. On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, limited local governments' authority to impose or increase property-related "fee" or "charge," which is defined as "any levy other than an ad

valorem tax, a special tax or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service” (and referred to in this section as a “property-related fee or charge”).

Specifically, under Article XIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

In addition, Article XIIC states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

Judicial Interpretation of Proposition 218. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General’s opinion initially indicated that fees and charges for water and wastewater services, which are based on the amount of services consumed, would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID. However, numerous subsequent court cases have held that certain types of water and wastewater charges could be subject to the requirements of Proposition 218. These cases include, for example, *Capistrano Taxpayers Assoc., Inc. v. City of San Juan Capistrano* (186 Cal. Rptr. 3d 362 (Cal. App. 4th Distr. 2015)), *Bighorn-Desert View Water Agency v. Verjil* (46 Cal. Rptr. 3d 73 (Cal. 2006)), and *Howard Jarvis Taxpayers Assoc. v. City of Fresno* (26 Cal. Rptr. 3d 153 (Cal. App. 5th Distr. 2005)).

Under the *Bighorn* case, for example, the court held that under Article XIIC, local voters could adopt an initiative measure that reduces or repeals the City’s rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the 2017 Bonds.

Under the *City of San Juan Capistrano* case, the court held that tiered or inclined rates that go up progressively in relation to usage must correspond to the actual cost of providing water service at each tier (level of usage), and accordingly the pricing for any tier cannot exceed the cost of service to that tier.

City’s Current Practice Regarding Rates and Charges. The City’s practice in implementing increases in water rates and charges has been to comply with the requirements of Article XIID, including the practice of providing property owners with a 45-day mailed notice and public hearing before the City Council approves rate increases.

Conclusion. It is not possible to predict how courts will further interpret Article XIIC and Article XIID in future judicial decisions, and what, if any, further implementing legislation will be enacted. As noted above, under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the City's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the 2017 Bonds. Under the *City of San Juan Capistrano* case, tiered or inclined rates that go up progressively in relation to usage must correspond to the actual cost of providing water service at each tier (level of usage), and accordingly the pricing for any tier cannot exceed the cost of service to that tier. ***There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIC and Article XIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for water, or to call into question previously adopted water rate increases.***

Environmental Regulation

The kind and degree of water treatment is regulated, to a large extent, by the federal government and the State of California. Treatment standards set forth in federal and State law control the operations of the Water System and mandate its use of technology. If the federal government, acting through the Environmental Protection Agency, or the State of California, acting through the Department of Health Services, or additional federal or State legislation, should impose stricter water quality standards upon the Water System, the City's expenses could increase accordingly and rates and charges would have to be increased to offset those expenses.

It is not possible to predict the direction which federal or State regulation will take with respect to drinking water quality standards, although it is likely that both will impose more stringent standards with attendant higher costs.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2017 Bonds or, if a secondary market exists, that any 2017 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

In particular, future changes in the law could impact the second market for the 2017 Bonds. For example, the Tax Cuts and Jobs Act ("H.R. 1"), which was passed by the United States House of Representatives on November 16, 2017, would, if enacted into law in its current form, include in gross income the interest on (i) any "qualified" private activity bond and (ii) any advance refunding bond. Such amendments would only apply to bonds issued after December 31, 2017. H.R. 1 would also impact (and generally lower) the current income tax rates for individuals and corporations. On December 2, 2017, the United States Senate passed its own version of H.R. 1, that would also prohibit the issuance of tax-exempt advance refunding bonds after December 31, 2017, but would not change the current tax treatment of qualified private activity bonds. The House Bill would eliminate the alternative minimum tax on individuals and corporations for tax years beginning after December 31, 2017. The Senate Bill would retain the alternative minimum

tax on individuals and corporations with increased income thresholds at which the alternative minimum tax will apply to individuals for taxable years beginning after December 31, 2017 and before January 1, 2026. The future of the tax reform legislative efforts is uncertain at this time, as is the impact (if any) on the 2017 Bonds. See “TAX MATTERS.”

Existing and Future Parity Obligations; Cross-Defaults

The Indenture permits the City to issue Parity Debt in the future that is payable on a parity with the payment of debt service of the 2017 Bonds, upon the conditions contained in the Indenture. See “SECURITY FOR THE 2017 Bonds – Parity Debt.” In the event of a decline in Net Revenues, the existence of Parity Debt could adversely affect the City’s ability to pay debt service on the 2017 Bonds.

Under the Indenture, an event of default under any Parity Debt constitutes an Event of Default. See APPENDIX A -Summary of Certain Provisions of the Indenture.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. Interest on the Taxable Series 2017A-T Bonds is not intended to be excluded from gross income for federal income tax purposes.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) that must be satisfied subsequent to the issuance of the Series 2017A Bonds. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2017A Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Series 2017A Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Series 2017A Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Series 2017A Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue

discount accruing during each period is added to the adjusted basis of such Series 2017A Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Series 2017A Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Series 2017A Bonds who purchase the Series 2017A Bonds after the initial offering of a substantial amount of such maturity. Owners of such Series 2017A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2017A Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Series 2017A Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Series 2017A Bond (said term being the shorter of the Series 2017A Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Series 2017A Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Series 2017A Bond is amortized each year over the term to maturity of the Series 2017A Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Series 2017A Bond premium is not deductible for federal income tax purposes. Owners of premium Series 2017A Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Series 2017A Bonds.

In the further opinion of Bond Counsel, interest on the 2017 Bonds is exempt from California personal income taxes.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2017 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2017 Bonds. Prospective purchasers of the 2017 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

General. Owners of the 2017 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2017 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the ownership, sale or disposition of the 2017 Bonds, or the amount, accrual or receipt of interest on the 2017 Bonds, other than as expressly described above.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, Bond Counsel, will render an opinion with respect to the validity of the 2017 Bonds, the form of which opinion is set forth in APPENDIX E. Certain legal matters will also be passed upon for the City by Jones Hall, as Disclosure Counsel and by the City Attorney. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling, Yocca Carlson & Rauth, a Professional Corporation. The fees of Bond

Counsel, Disclosure Counsel and Underwriter's counsel are contingent on the sale and closing of the 2017 Bonds.

LITIGATION

No litigation is pending or threatened concerning the validity of the 2017 Bonds. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's power to fix water rates and charges, or the power of the City Council or in any way questioning or affecting: (i) the proceedings under which the 2017 Bonds are to be issued; (ii) the validity of any provision of the 2017 Bonds or the Indenture; (iii) the pledge of Net Revenues by the City under the Indenture; or (iv) the titles to office of the present members of the City Council.

There are a number of suits and claims pending against the City, which may include personal injury, wrongful death and other suits and claims against which the City may self-insure. The aggregate amount of the self-insured liabilities of the City which may result from such suits and claims will not, in the opinion of the City, materially impair the ability of the City to pay principal of or interest on the 2017 Bonds as the same become due.

There is no litigation pending, with service of process having been accomplished, against the City which if determined adversely to the City would, in the opinion of the City, materially impair the ability of the City to pay principal of and interest on the 2017 Bonds as they become due.

RATINGS

Moody's Investors Service ("**Moody's**") has assigned its municipal bond rating of "___" to the 2017 Bonds. S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("**S&P**") has assigned its municipal bond rating of "___" to the 2017 Bonds.

These ratings reflect only the views of Moody's and S&P, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from Moody's and S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to Moody's and S&P (some of which does not appear in this Official Statement).

There is no assurance that these ratings will continue for any given period of time or that these ratings will not be revised downward or withdrawn entirely by Moody's and S&P, if in the judgment of Moody's or S&P, circumstances so warrant. Any such downward revision or withdrawal of any rating on the 2017 Bonds may have an adverse effect on the market price or marketability of the 2017 Bonds.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the 2017 Bonds to provide certain financial information and operating data relating to the City and the Water System by not later than nine months after the end of the City's fiscal year, or March 31, of each year (based on the City's current fiscal year-end of June 30), commencing March 31, 2018, with the report for the

2016-17 fiscal year (the “**Annual Report**”) and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the City is set forth in “APPENDIX C – Form of Continuing Disclosure Certificate.”

The City and its related governmental entities have previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long-term obligations. The City is not aware of any failures to comply in all material respects with the previous undertakings entered into by the City or any of its related entities.

UNDERWRITING

JP Morgan Securities LLC (the “**Underwriter**”) has agreed to purchase the 2017 Bonds from the City at a purchase price of \$_____, which represents the aggregate principal amount of the 2017 Bonds, plus net original issue premium of \$_____, less Underwriter’s discount of \$_____.

The purchase contract under which the Underwriter is purchasing the 2017 Bonds provides that the Underwriter will purchase all of the 2017 Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the contract of purchase.

The public offering prices of the 2017 Bonds may be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2017 Bonds to certain dealers and others at a price lower than the offering price stated on the cover page of this Official Statement.

The Underwriter has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“**CS&Co.**”) and LPL Financial LLC (“**LPL**”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase 2017 Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any 2017 Bonds that such firm sells.

MUNICIPAL ADVISOR

The City has retained Ross Financial, San Francisco, California, as its Municipal Advisor (the “**Municipal Advisor**”) in connection with the authorization and delivery of the 2017 Bonds. The Municipal Advisor assumes no responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the 2017 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The Municipal Advisor’s fee is contingent on the sale and closing of the 2017 Bonds.

EXECUTION

The execution of this Official Statement and its delivery have been authorized by the City Council of the City.

CITY OF SUNNYVALE

By: _____
Timothy J. Kirby,
Director of Finance

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR FISCAL YEAR ENDED JUNE 30, 2017**

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
City of Sunnyvale
Refunding Water Revenue Bonds,
Series 2017A

\$ _____
City of Sunnyvale
Taxable Refunding Water Revenue Bonds,
Series 2017A-T

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the City of Sunnyvale (the “**City**”) in connection with the issuance of the above-captioned bonds (collectively, the “**2017 Bonds**”). The 2017 Bonds are being issued pursuant to that certain Indenture of Trust, dated as of December 1, 2017 (the “**Indenture**”) by and between the City and U.S. Bank National Association, as trustee (the “**Trustee**”). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the 2017 Bonds and in order to assist the Participating Underwriter in complying with the Rule (defined herein).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4.

“*Annual Report Date*” means the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

“*Dissemination Agent*” means initially the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a).

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement dated _____, 2017, executed by the City in connection with the issuance of the 2017 Bonds.

“*Participating Underwriter*” means JP Morgan Securities LLC, as the original underwriter of the 2017 Bonds required to comply with the Rule in connection with offering of the 2017 Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2018, with the report for the 2016-17 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the City prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed under the preceding clause (a), the Annual Report shall contain information showing the following information for the most recently completed fiscal year:

(i) Table 8, WATER SYSTEM, Summary of Water Accounts and Usage by User Type,

(ii) Table 11, WATER SYSTEM, Historical Revenues, Expenses and Changes in Retained Earnings, and

(iii) Table 12, WATER SYSTEM, Historical Revenues, Expenses and Debt Service Coverage, and Reserve Balances.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2017 Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: For the purposes of the event identified in subparagraph (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the City determines that knowledge of the occurrence of that Listed Event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected 2017 Bonds under the Indenture.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2017 Bonds. If such termination occurs prior to the final maturity of the 2017 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2017 Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2017 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the 2017 Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2017 Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 2017 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific

performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent (if other than the City), the Participating Underwriter and the holders and beneficial owners from time to time of the 2017 Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: December __, 2017

CITY OF SUNNYVALE

By _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Sunnyvale

Name of Issue: \$_____ City of Sunnyvale Refunding Water Revenue Bonds, Series 2017

Date of Issuance: _____, 2017

NOTICE IS HEREBY GIVEN that the City of Sunnyvale has not provided an Annual Report with respect to the above-named bonds as required by the Continuing Disclosure Certificate dated as of _____, 2017, executed by the City of Sunnyvale. The City anticipates that the Annual Report will be filed by _____.

Dated:_____

CITY OF SUNNYVALE

By_____
Name:
Title:

APPENDIX D

GENERAL DEMOGRAPHIC INFORMATION OF THE CITY OF SUNNYVALE AND SANTA CLARA COUNTY

The following information concerning the City of Sunnyvale (the “City”), the County of Santa Clara (the “County”), and surrounding areas is included only for the purpose of supplying general information regarding the community. The 2017 Bonds are not a debt of the City, County, the State of California (the “State”) or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor, except the City to the limited extent set forth in the Indenture.

General

The City. Incorporated December 24, 1912, the City is one of the major cities that makes up Silicon Valley and is the seventh most populous city in the San Francisco Bay Area. The City is bordered by portions of San Jose to the north, Moffett Federal Airfield to the northwest, Mountain View to the west, Los Altos to the southwest, Cupertino to the south, and Santa Clara to the east. The City operates under a Council-Manager form of government. Policy-making and legislative authority are vested with the City Council, which is composed of seven Council Members elected by seat number for staggered four-year terms, with a two-term limit. The City provides 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 County. Situated northeast of San Francisco, the County of Contra Costa (the “County”) is bounded by San Francisco and San Pablo Bays, the Sacramento River Delta, and by Alameda County on the south. Ranges of hills effectively divide the County into three distinct regions. The western portion, with its access to water, contains much of the County's heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part is also undergoing substantial change, from a rural, agricultural area, to a suburban region. The County has extensive and varied transportation facilities-ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco.

Population

The following table lists population figures for the City, the County, and the State for the last five calendar years.

CITY OF SUNNYVALE, SANTA CLARA COUNTY AND STATE OF CALIFORNIA
Population Estimates
Calendar Years 2013 Through 2017

Year	City of Sunnyvale	Contra Costa County	State of California
2013	145,245	1,840,895	37,984,138
2014	146,000	1,868,038	38,357,121
2015	147,388	1,889,638	38,714,725
2016	148,948	1,922,619	39,189,035
2017	149,831	1,938,180	39,523,613

Source: California Department of Finance for January 1.

Employment and Industry

The City is part of the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (“MSA”), which is comprised of Santa Clara and San Benito Counties. The unemployment rate in the MSA was 3.0% in October 2017, down from a revised 3.3% in September 2017, and below the year-ago estimate of 3.9%. This compares with an unadjusted unemployment rate of 4.3% for the State and 3.9% for the nation during the same period. The unemployment rate was 4.8% in San Benito County, and 3.0% in the County.

SAN JOSE-SUNNYVALE-SANTA CLARA MSA Civilian Labor Force, Employment and Unemployment Calendar Years 2012 through 2016 March 2016 benchmark

	2012	2013	2014	2015	2016
Civilian Labor Force ⁽¹⁾	987,000	1,000,700	1,021,000	1,039,100	1,056,300
Employment	907,900	934,800	967,200	994,900	1,015,700
Unemployment	79,000	65,900	53,800	44,200	40,600
Unemployment Rate	8.0%	6.6%	5.3%	4.3%	3.8%
<u>Wage and Salary Employment:</u>					
Agriculture	4,900	5,000	5,300	5,500	6,000
Mining and Logging	200	300	300	200	300
Construction	34,800	37,500	39,700	43,900	48,900
Manufacturing	156,400	156,300	159,500	162,400	163,600
Wholesale Trade	35,000	36,400	37,200	37,200	37,800
Retail Trade	84,100	84,900	86,400	87,800	87,700
Transportation, Warehousing, Utilities	12,800	13,800	14,400	14,600	15,300
Information	54,200	58,700	65,700	70,500	74,600
Financial Activities	33,200	33,700	34,100	34,600	35,600
Real Estate and Rental and Leasing	12,900	13,000	13,300	13,500	14,000
Professional and Business Services	178,200	191,200	203,000	216,300	225,200
Educational and Health Services	136,800	143,800	150,000	156,300	162,100
Leisure and Hospitality	82,500	87,500	91,900	95,800	98,900
Other Services	24,800	25,400	26,400	26,900	27,400
Federal Government	9,800	9,900	9,900	9,900	10,000
State Government	6,400	6,300	6,400	6,700	6,700
Local Government	75,200	75,600	77,100	76,400	77,400
Total all Industries ⁽²⁾	942,200	979,300	1,020,600	1,058,500	1,091,500

(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Principal Employers

The following table shows the principal employers in the City, as shown in the City's Comprehensive Annual Financial Report for fiscal year ending June 30, 2016.

CITY OF SUNNYVALE Principal Employers

Employer	Number of Employees	Percent of Total Employment
Lockheed Martin Space Systems	5,045	5.81%
Apple	4,000	4.60
Yahoo!	3,993	4.59
Juniper Networks	3,180	3.66
Google	3,176	3.65
NetApp	3,081	3.55
LinkedIn	1,840	2.12
A2Z Development Center	1,834	2.11
Northrup Grumman Marine Systems	1,198	1.38
West Valley Engineering	1,056	1.22

Source: City of Sunnyvale, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016.

Major Employers

The table below lists the major employers in the County, listed alphabetically.

CONTRA COSTA COUNTY Major Employers November 2017

Employer Name	Location	Industry
Adobe Systems Inc	San Jose	Publishers-Computer Software (Mfrs)
Advanced Micro Devices Inc	Sunnyvale	Semiconductor Devices (Mfrs)
Apple Inc	Cupertino	Computer & Equipment Dealers
Applied Materials Inc	Santa Clara	Semiconductor Manufacturing Equip (Mfrs)
Avaya Inc	Santa Clara	Telecommunications Services
Christopher Ranch LLC	Gilroy	Garlic (Mfrs)
Cisco Systems Inc	San Jose	Computer Peripherals (Mfrs)
E Bay Inc	San Jose	E-Commerce
Fujitsu Laboratories	Sunnyvale	Venture Capital Companies
Great America Pavilion	Santa Clara	Amusement & Theme Parks
Hcl Technologies Ltd	Sunnyvale	Computer Software
Hp Inc	Palo Alto	Computers-Electronic-Manufactu
Intel Corp	Santa Clara	Semiconductor Devices (Mfrs)
Lockheed Martin Corp	San Jose	Aerospace Industries (Mfrs)
Lockheed Martin Space Systems	Sunnyvale	Satellite Equipment & Systems-Mfrs
Lumileds Lighting Co	San Jose	Lighting Fixtures-Supplies & Parts-Mfrs
Microsoft Corp	Mountain View	Computer Software-Manufacturers
Nasa	Mountain View	Government Offices-Us
Net App Inc	Sunnyvale	Computer Storage Devices (Mfrs)
Nsg Technology Inc	San Jose	Computer Peripherals (Mfrs)
Prime Materials	San Jose	Semiconductors & Related Devices (Mfrs)
Sap Center	San Jose	Stadiums Arenas & Athletic Fields
Stanford Children's Health	Palo Alto	Hospitals
Stanford School of Medicine	Stanford	Schools-Medical
US Veterans Medical Ctr	Palo Alto	Hospitals

Source: State of California Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2018 1st Edition.

Commercial Activity

Summaries of the historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Annual figures for calendar years 2016 and 2017 are not yet available.

Total taxable sales during the first three quarters of calendar year 2016 in the City were reported to be \$1.98 billion, a 0.80% increase over the total taxable sales of \$1.96 billion reported during the first three quarters of calendar year 2015.

CITY OF SUNNYVALE
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2011	1,789	\$1,441,306	3,092	\$2,577,659
2012	1,833	1,536,691	3,039	2,761,825
2013	1,841	1,515,938	3,008	2,647,742
2014	1,878	1,549,308	3,031	2,583,844
2015 ⁽¹⁾	1,842	1,533,135	3,248	2,606,920

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during the first three quarters of calendar year 2016 in the County were reported to be \$30.68 billion, a 1.59% increase over the total taxable sales of \$30.20 billion reported during the first three quarters of calendar year 2015.

COUNTY OF SANTA CLARA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2011 through 2015 (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2011	27,252	\$19,419,542	43,390	\$33,431,217
2012	28,109	21,116,708	43,980	36,220,445
2013	29,535	22,424,642	45,310	37,621,606
2014	30,058	23,271,753	45,852	39,628,655
2015 ⁽¹⁾	20,057	23,700,907	50,573	41,231,759

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County.

CITY OF SUNNYVALE Building Permit Valuation For Calendar Years 2012 through 2016 (Dollars in Thousands)⁽¹⁾

	2012	2013	2014	2015	2016
<u>Permit Valuation</u>					
New Single-family	\$47,049.2	\$47,784.6	\$7,713.1	\$39,308.4	\$54,469.0
New Multi-family	0.0	64,276.6	125,884.5	129,326.9	416.4
Res. Alterations/Additions	<u>49,650.8</u>	<u>62,108.9</u>	<u>40,202.9</u>	<u>75,182.7</u>	<u>64,799.4</u>
Total Residential	\$96,700.00.0	\$174,170.10	\$173,800.50	\$243,818.00	\$119,684.80
New Commercial	175,775.5	93,042.8	140,277.6	71,552.8	521,582.9
New Industrial	0.0	0.0	5,082.1	0.0	0.0
New Other	0.0	2,912.9	32,964.4	31,923.3	378.0
Com. Alterations/Additions	<u>325,110.1</u>	<u>141,434.2</u>	<u>325,723.9</u>	<u>341,798.5</u>	<u>417,194.3</u>
Total Nonresidential	500,885.6	237,389.9	504,048.0	445,274.6	939,155.2
<u>New Dwelling Units</u>					
Single Family	211	226	31	183	242
Multiple Family	<u>0</u>	<u>375</u>	<u>796</u>	<u>670</u>	<u>2</u>
TOTAL	211	601	827	853	244

(1) Totals may not foot due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

SANTA CLARA COUNTY Building Permit Valuation For Calendar Years 2012 through 2016 (Dollars in Thousands)⁽¹⁾

	2012	2013	2014	2015	2016
<u>Permit Valuation</u>					
New Single-family	\$678,168.8	\$694,884.6	\$594,472.7	\$653,970.2	\$660,301.6
New Multi-family	558,544.1	941,420.4	1,196,127.8	706,781.1	564,761.0
Res. Alterations/Additions	<u>288,105.1</u>	<u>423,739.6</u>	<u>439,747.1</u>	<u>505,844.7</u>	<u>484,820.1</u>
Total Residential	1,524,818.0	2,060,044.6	2,230,347.6	1,866,596.0	\$1,709,882.7 0
New Commercial	745,468.8	1,217,647.4	818,913.3	1,258,808.7	2,327,643.2
New Industrial	22,481.5	72,222.0	10,172.2	100,301.2	44,268.9
New Other	19,197.3	1,749,161.2	292,113.9	533,644.5	282,966.1
Com Alterations/Additions	<u>1,115,633.3</u>	<u>1,293,656.1</u>	<u>1,534,213.1</u>	<u>1,697,046.2</u>	<u>2,072,862.8</u>
Total Nonresidential	1,902,780.9	4,332,686.8	2,655,412.5	3,589,800.6	4,727,741.0
<u>New Dwelling Units</u>					
Single Family	1,432	1,859	1,602	1,710	1,608
Multiple Family	<u>4,245</u>	<u>6,009</u>	<u>8,310</u>	<u>3,906</u>	<u>3,297</u>
TOTAL	5,677	7,868	9,912	5,616	4,905

(1) Totals may not foot due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and non-tax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2012 through 2016.

CITY OF SUNNYVALE, CONTRA COSTA COUNTY, AND THE STATE OF CALIFORNIA Effective Buying Income As of January 1, 2012 through 2016

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2012	City of Sunnyvale	\$5,039,793	\$71,495
	Santa Clara County	61,464,868	68,852
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of Sunnyvale	\$5,429,928	\$75,312
	Santa Clara County	61,802,913	70,595
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Sunnyvale	\$5,813,108	\$80,323
	Santa Clara County	66,130,110	75,008
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	City of Sunnyvale	\$6,539,580	\$85,185
	Santa Clara County	73,637,380	79,345
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2016	City of Sunnyvale	\$7,104,322	\$88,797
	Santa Clara County	77,917,425	81,466
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043

Source: The Nielsen Company (US), Inc.

APPENDIX E
FORM OF OPINION OF BOND COUNSEL

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

\$ _____
CITY OF SUNNYVALE
Water Revenue Bonds,
Series 2017A

\$ _____
CITY OF SUNNYVALE
Taxable Water Revenue Bonds,
Series 2017A-T

BOND PURCHASE CONTRACT

December __, 2017

City of Sunnyvale
 650 West Olive Avenue
 Sunnyvale, CA 94086

Ladies and Gentlemen:

J.P. Morgan Securities LLC, (the “Underwriter”) offers to enter into this Bond Purchase Contract (this “Purchase Contract”) with the City of Sunnyvale (the “City”). This offer is made subject to the City’s acceptance by execution of this Purchase Contract and delivery of the same to the Underwriter on or before 11:59 p.m. on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to such acceptance. Upon the City’s acceptance hereof, the Purchase Contract will be binding upon the City and the Underwriter.

Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the respective meanings set forth for such terms in the Indenture (defined below).

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations set forth in this Purchase Contract, the Underwriter agrees to purchase from the City, and the City agrees to sell and deliver to the Underwriter, all (but not less than all) of the City’s \$_____ Water Revenue Bonds, Series 2017A (the “Series2017A Bonds”) and \$_____ Taxable Water Revenue Bonds Series 2017A-T (the “Series 2017A-T” and, together with the Series 2017A Bonds, the “Bonds”) at a purchase price of \$_____ (being an amount equal to the principal amount of the Bonds (\$_____), plus an original issue premium of \$_____, less an underwriter’s discount of \$_____). The obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be conditioned on the sale and delivery of all of the Bonds by the City to the Underwriter at Closing.

Section 2. Bond Terms; Authorizing Instruments. (a) The Bonds shall be dated their date of delivery and shall mature and bear interest and be subject to redemption as shown on Exhibit A attached hereto. The Bonds shall be as described in, and shall be issued and secured under, an Indenture of Trust (the “Indenture”), dated as of December 1, 2017, between the City and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds are payable and subject to prepayment as provided in the Indenture and as described in the Official Statement (defined below). The Bonds will be issued pursuant to the City of Sunnyvale Municipal Utilities Revenue Bond Law, which was enacted by the City Council on April 6, 2010.

(b) The Bonds will be payable from and secured by the City’s pledge of “Net Revenues” under and as defined in the Indenture, consisting primarily of gross revenues received from the City’s

municipal water enterprise (the “Water System”) minus the amount required to pay all operation and maintenance costs of the Water System.

(c) A portion of the proceeds of the Bonds will be deposited in an escrow account established under an Escrow Deposit and Trust Agreement dated as of December 1, 2017 (the “Escrow Agreement”), by and among the City, the Sunnyvale Financing Authority (the “Authority”) and U.S. Bank National Association, as escrow bank. These amounts will be used to refund and defease a portion of the outstanding City of Sunnyvale Water Revenue Bonds, Series 2010” (the “Prior Bonds”) relating to the Water System. The proceeds of the portion of the Prior Bonds to be refunded were used to pay the costs of certain capital improvements to the Water System, fund a debt service reserve fund for the Prior Bonds and to pay costs of issuance of the Prior Bonds.

Section 3. Public Offering; Establishment of Issue Price.

(a) The Underwriter agrees to assist the City in establishing the issue price of the Series 2017A Bonds and shall execute and deliver to the Commission at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit D, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of Series 2017A Bonds. All actions to be taken by the City under this section to establish the issue price of Bonds may be taken on behalf of the City by the City’s municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City’s municipal advisor.

(b) The Underwriter confirms that the Underwriters have offered the Series 2017A Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Except for the Hold-the-Price Maturities (defined below), the City will treat the first price at which 10% of each maturity of the Series 2017A Bonds (the “10% test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). Exhibit A sets forth the maturities of the Series 2017A Bonds with respect to which the 10% test has been satisfied as of the execution of the Purchase Contract (“10% Test Maturities”)

(c) Exhibit D also sets forth, as of the date of this Purchase Contract, the maturities, if any, of Bonds for which the 10% test has not been satisfied (the “Hold-the-Price Maturities”) and for which the City and the Underwriter, agree that the restrictions set forth in the next sentence shall apply, which will allow the City to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of Series 2017A Bonds, the Underwriter will neither offer nor sell unsold Series 2017A Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriters have sold at least 10% of that maturity of Bonds to the public at a price that is no higher than the initial offering price to the public.

The Representatives shall promptly advise the City when the Underwriters have sold 10% of that maturity of Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(d) The Underwriter confirms that any selling group agreement and any retail distribution agreement relating to the initial sale of the Series 2017A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The City acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Series 2017A Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a retail distribution agreement was employed in connection with the initial sale of the Securities to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Series 2017A Bonds.

(e) The Underwriter acknowledges that sales of any Series 2017A Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(1) “public” means any person other than an underwriter or a related party,

(2) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2017A Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2017A Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of Series 2017A Bonds to the public),

(3) a purchaser of any of Series 2017A Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) “sale date” means the date of execution of this Purchase Contract by all parties.

Section 4. Official Statement; Continuing Disclosure.

(a) The City has delivered or caused to be delivered to the Underwriter prior to the execution of this Purchase Contract, copies of the Preliminary Official Statement dated December __, 2017 relating to the Bonds (the “Preliminary Official Statement”). The City ratifies, confirms and approves the use and distribution by the Underwriter of the Preliminary Official Statement, in connection with the sale of the Bonds. It is acknowledged by the City that the Underwriter may deliver the Preliminary Official Statement and a final Official Statement (as hereinafter defined) electronically over the internet and in printed paper form. The City deems such Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 (“Rule 15c2-12”) except for information allowed to be omitted by Rule 15c2-12. Within seven (7) business days from the date hereof and in any event not less than two days prior to the date of Closing (as defined below), the City shall deliver to the Underwriter a final Official Statement, executed on behalf of the City by an authorized representative of the City and dated the date hereof, which shall be in the form of the Preliminary Official Statement with only those changes necessary to reflect information permitted to be omitted by paragraph (b)(1) of Rule 15c2-12, and such other amendments or supplements as shall have been approved by the City and the Underwriter and such additional conformed copies thereof in “designated electronic format” (as defined in MSRB Rule G-32), as the Underwriter may reasonably request in sufficient quantities to comply with Rule 15c2-12 and to meet potential customer requests for copies of the Official Statement. The Official Statement, including the cover page, the appendices thereto and all information incorporated therein by reference is hereinafter referred collectively to as the “Official Statement.”

(b) The Underwriter hereby agrees that they will not send any confirmation requesting payment for the purchase of any Bonds unless the confirmation is accompanied by or preceded by the delivery of a copy of the Official Statement. The Underwriter agrees to: (1) provide the City with final pricing information on the Bonds on a timely basis prior to the Closing (2) take any and all other actions necessary to comply with applicable Securities and Exchange Commission rules and MSRB rules governing the offering, sale and delivery of the Bonds to ultimate purchasers; and (3) promptly file a copy of the final Official Statement, including any supplements prepared by the City, with the Municipal Securities Rulemaking Board.

(c) In connection with issuance of the Bonds, and in order to assist the Underwriter with complying with the provisions of Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”), the City will execute a continuing disclosure certificate countersigned by U.S. Bank National Association, as dissemination agent (the “Continuing Disclosure Certificate”), under which the City will undertake to provide certain financial and operating data as required by Rule 15c2-12. The form of the Continuing Disclosure Certificate will be attached as an appendix to the Preliminary and Final Official Statements.

Section 5. Representations, Warranties and Covenants of the City. The City hereby represents, warrants and agrees with the Underwriter that:

(a) **City Resolution.** The city council (the “City Council”) of the City has taken official action by Resolution (the “City Resolution”) adopted by a majority of the members of the City Council at meetings duly called, noticed and conducted, at which a quorum was present and acting throughout, authorizing the issuance of the Bonds and the execution, delivery and due performance of the Indenture, the Escrow Agreement, the Continuing Disclosure Certificate and this Purchase Contract (collectively, the “City Agreements”), and approving the Preliminary Official Statement and

the Official Statement and the taking of any and all such action as may be required on the part of the City to carry out, give effect to and consummate the transactions contemplated hereby. The Resolution is in full force and effect, and has not been amended or modified.

(b) ***Due Existence and Authority.*** The City is a municipal corporation duly organized and existing under the laws of the State of California (the “State”) and has all necessary power and authority to adopt the City Resolution, to enter into and perform its duties under the City Agreements and, when executed and delivered by the respective parties thereto, each of the City Agreements will constitute a legal, valid and binding obligation of the City enforceable in accordance with its terms.

(c) ***Due Authorization and Enforceability.*** (i) By all necessary official action, the City has duly adopted the City Resolution, has duly authorized the preparation and delivery of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, the City Agreements, and the consummation by it of all other transactions contemplated by the City Resolution, the City Agreements, the Preliminary Official Statement and the Official Statement. When executed and delivered by their respective parties, the City Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the City, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State and (ii) when delivered to and paid for by the Underwriter on the Closing Date in accordance with the provisions of this Purchase Contract, the Bonds will have been duly authorized, executed and delivered and will constitute valid and binding limited obligations of the City in conformity with and entitled to the benefit and security of the Indenture, except as enforcement of such obligations may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State of California.

(d) ***Preliminary Official Statement; Official Statement.*** The Preliminary Official Statement did not as of its date contain any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; (ii) the Preliminary Official Statement does not as of the date of this Purchase Agreement contain any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading and (iii) at the time of the City’s acceptance hereof and at all times subsequent thereto up to and including the time of the Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) ***No Breach or Default.*** The City is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States of America or any applicable judgment, decree, resolution, contract or other instrument or any agreement to which the City is a party or is otherwise subject the breach of which would materially affect its ability to perform its obligations under the City Agreements, and the execution and delivery of the Bonds and

the City Agreements and compliance with the provisions thereof will not in any material respect conflict with or constitute a material breach of or default under any applicable law, regulation, decree, writ, order or injunction or any agreement, resolution, contract or other instrument or any agreement to which the City is subject and which is material to the City's ability to perform its obligations under the City Agreements, nor will such execution, delivery and compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Commission under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Indenture.

(f) **No Litigation.** As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against the City or, to the best knowledge of the City, threatened, wherein an unfavorable decision, ruling or finding would:

(1) affect the creation, organization, existence or powers of the City, or the titles of its members or officers;

(2) in any way question or affect the validity or enforceability of City Agreements or the Bonds, or

(3) in any way question or affect the Purchase Contract or the transactions contemplated by the Purchase Contract, the Official Statement, or any other agreement or instrument to which the City is a party relating to the Bonds, or

(4) wherein an adverse decision would materially adversely affect the financial condition of the Water System.

(g) **No Consent or Approval Required.** There is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any regulatory authority having jurisdiction over the City required for the execution and delivery of this Purchase Contract or the consummation by the City of the other transactions contemplated by the Official Statement or the City Agreements.

(h) **Certificates.** Any certificate signed by any official of the City authorized to do so shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

(i) **No Borrowing Defaults.** The City is not in default, and at no time has the City defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

(j) **No Changes in Financial Condition.** The financial statements of the City relating to the Water system as of June 30, 2016 present fairly, in all material respects, the financial position of the Water System as of the dates and for the periods therein set forth. Except as disclosed in the Official Statement, there has not been any materially adverse change in the financial condition of the City or the Water System since June 30, 2016, and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(k) **Subsequent Events.**

(l) If any event occurs of which the City has knowledge between the date of this Purchase Contract and the date of the Closing that might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter and, if in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will cooperate with the Underwriter in causing the Official Statement to be amended or supplemented in a form and in a manner approved by the Underwriter. If the Official Statement is so amended or supplemented, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to this paragraph) at all times subsequent thereto up to and including the Closing Date, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. All expenses thereby incurred will be paid by the City, and the Underwriter will file, or cause to be filed, the amended or supplemented Official Statement with the Municipal Securities Rulemaking Board.

(1) After the Closing, until the earlier of (i) 25 days after the “end of the underwriting period” (as defined in Securities and Exchange Commission Rule 15c2-12(f)(2)) or (ii) the date when all of the Bonds have been sold by the Underwriter, any event known to the City occurs affecting the City which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will, at its expense, prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter. The City may assume that the “end of the underwriting period,” for purposes of Rule 15c2-12, and the sale of all of the Bonds by the Underwriter, will occur on the Closing Date unless otherwise notified, in writing, by the Underwriter on or prior to the Closing Date. After the earlier of (i) 25 days from the “end of the underwriting period” or (ii) the date when all of the Bonds have been sold by the Underwriter, the City will no longer be obligated to amend or supplement the Official Statement.

(m) **Rule 15c2-12 Compliance.** [[In the last five years, the City has not previously failed to comply in all material respects with any undertakings under Rule 15c2-12.]]

(n) **Compliance with Blue Sky Laws.** The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the “Blue Sky” or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, that the City shall not be required to consent to service of process outside of California.

Section 6. The Closing. (a) At 8:00 A.M., San Francisco time, on December __, 2017, or on such earlier or later time or date as may be agreed upon by the Underwriter and the City (the “Closing”), the City shall deliver or cause to be delivered to the Underwriter, the duly executed Bonds in book-entry form through the Trustee via the F.A.S.T. delivery book-entry system of The

Depository Trust Company (“DTC”). Prior to the Closing, the City shall deliver, at the offices of Bond Counsel in San Francisco, California, or such other place as are mutually agreed upon by the Underwriter and the City, the other documents described in this Purchase Contract. On the date of the Closing, the Underwriter shall pay the purchase price of the Bonds as set forth in Section 1 of this Purchase Contract in immediately available funds to the order of the Trustee.

(b) The Bonds shall be issued in fully registered form and shall be prepared and delivered as one Bond for each maturity registered in the name of a nominee of The Depository Trust Company, New York, New York (“DTC”). It is anticipated that CUSIP identification numbers will be inserted on the Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the Bonds in accordance with the terms of this Purchase Contract.

Section 7. Conditions to Underwriter’s Obligations. The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the City contained herein and to be contained in the documents and instruments to be delivered on the date of the Closing, and upon the performance by the City of its obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the date of the Closing. The Underwriter’s obligations under this Purchase Contract are and shall also be subject to the following conditions:

(a) ***Representations and Warranties.*** The representations and warranties of the City contained in this Purchase Contract shall be true and correct in all material respects on the date of this Purchase Contract and on and as of the date of the Closing as if made on the date of the Closing.

(b) ***No Modifications to Official Statement.*** As of the date of the Closing, the Official Statement may not have been amended, modified or supplemented, except in any case as may have been agreed to by the Underwriter.

(c) ***No Modifications to Resolutions or Agreements; Due Performance.***

(i) As of the date of the Closing, the City Resolution and the City Agreements shall be in full force and effect, and may not have been amended, modified or supplemented, except as may have been agreed to by the City and Underwriter,

(ii) the City shall perform or have performed all of its obligations required under or specified in the City Resolution, the City Agreements and this Purchase Contract to be performed at or prior to the date of the Closing;

(d) ***Official Actions.*** As of the date of the Closing, all necessary official action of the City relating to the City Agreements, the City Resolution, the Official Statement, and the sale and delivery of the Bonds shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect.

(e) ***No Material Changes.*** Subsequent to the date of this Purchase Contract, up to and including the date of the Closing, there shall not have occurred any change in or particularly affecting the City or the Water System, as these matters are described in the Official Statement, which in the

reasonable professional judgment of the Underwriter materially impairs the investment quality of the Bonds.

(f) ***Closing Documents.*** As of or prior to the date of the Closing, the Underwriter shall have received each of the following documents:

- (1) Certified copies of the City Resolution.
- (2) Duly executed copies of the Indenture, the Escrow Agreement, the Continuing Disclosure Certificate and this Purchase Contract.
- (3) The Preliminary Official Statement and the Official Statement, with the Official Statement duly executed on behalf of the City.
- (4) An approving opinion of Bond Counsel, dated as of the Closing, as to the validity of the Bonds and the exclusion of interest on the Bonds from federal gross income and State income taxation, addressed to the City in the form attached as an appendix to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriter.
- (5) A supplemental opinion of Bond Counsel, addressed to the Underwriter, to the effect that:
 - (i) The Purchase Contract has been duly executed and delivered by the City and is valid and binding upon the City, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles;
 - (ii) The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;
 - (iii) The statements contained in the Official Statement on the cover and under the headings "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS" and "TAX MATTERS," and in "APPENDIX A – Summary of Principal Legal Documents" and "APPENDIX E – Form of Opinion of Bond Counsel," insofar as such statements purport to describe certain provisions of the Bonds, or to state legal conclusions and the opinion of Bond Counsel regarding the tax-exempt nature of the Bonds, present a fair and accurate summary of the provisions thereof; and
 - (iv) The Prior Bonds have been defeased and are no longer outstanding under the indenture pursuant to which they were issued.
- (6) The opinion of Jones Hall, as Disclosure Counsel, addressed to the City and the Underwriter, to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Official Statement, and having made no independent investigation or verification thereof, no facts have come to their attention that lead them to believe that, as of its date and as of the date of the Closing, the Official Statement (except for Appendix B, D and F thereto, any financial or statistical data or forecasts, numbers, charts, estimates,

projections, assumptions or expressions of opinion, or any information about DTC or its book-entry only system, as to which no opinion or view need be expressed) contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(7) An opinion of the City Attorney, dated as of the Closing addressed to the City and the Underwriter, in form and substance acceptable to the Underwriter, to the effect that:

(i) The City is a municipal corporation organized and validly existing under the laws of the State of California with full legal right, power and authority to perform all of its obligations under the City Agreements.

(ii) The City has duly authorized, executed and delivered the Purchase Contract and the Escrow Agreement, and assuming due authorization, execution and delivery by the other parties thereto, as necessary, the Purchase Contract and the Escrow Agreement constitute the legal, valid and binding agreement of the City enforceable against the City in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, moratorium, insolvency, equitable remedies and other laws affecting creditors' rights or remedies.

(iii) To the best of the City Attorney's knowledge, there is no action, suit or proceeding before or by any court, public board or body pending or threatened wherein an unfavorable decision, ruling or finding would

(a) affect the creation, organization, existence or powers of the City or the titles of its officers to their respective offices,

(b) in any way question or affect the validity or enforceability of the City Agreements or the Bonds,

(c) find illegal, invalid or unenforceable the Bonds or the City Agreements or the transactions contemplated thereby, or any other agreement or instrument related to the issuance of the Bonds to which the City is a party, or

(d) have a material adverse effect on the financial condition of the Water System.

(iv) The execution and delivery of the Bonds and the City Agreements and the other instruments contemplated by any of such documents to which the City is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound in a manner which would materially adversely affect the City's performance under the City Agreements.

(8) An executed certificate of the City, dated as of the date of the Preliminary Official Statement, in the form attached as Exhibit B.

(9) An executed closing certificate of the City, dated as of the Closing, in the form attached as Exhibit C.

(10) The opinion of counsel of the Trustee, dated as of the Closing, addressed to the City and the Underwriter, to the effect that:

(i) The Trustee is a national banking association duly organized, validly existing and in good standing under the laws of the State, having full powers and authority and being qualified to enter into, accept and administer the trust created under the Indenture and to enter into the Indenture.

(ii) The Indenture has been duly authorized, executed and delivered by the Trustee, and, assuming due authorization, execution and delivery by the other parties thereto, the Indenture constitutes a legal, valid and binding agreement of the Trustee enforceable in accordance with its terms, subject to laws relating in bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought.

(iii) The Trustee is qualified to enter into, accept and administer the obligations of the Escrow Agent created under the Escrow Agreement, and to enter into the Escrow Agreement.

(iv) The Escrow Agreement has been duly authorized, executed and delivered by the Trustee, and, assuming due authorization, execution and delivery by the other parties thereto, the Indenture constitutes a legal, valid and binding agreement of the Trustee enforceable in accordance with its terms, subject to laws relating in bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought.

(11) A copy of the report of Causey Demgen & Moore P.C. with respect to the sufficiency of the amounts deposited pursuant to the Escrow Agreement and related matters.

(12) An Arbitrage Certificate duly signed on behalf of the City.

(13) Evidence of required filings with the California Debt and Investment Advisory Commission.

(14) Evidence that the Bonds have been rated “___” by Standard & Poor’s and “___” by Moody’s.

(15) A copy of the executed Blanket Issuer Letter of Representations by and between the City and DTC relating to the book-entry system.

(16) [[The concurrent issuance by the City of its bonds captioned “City of Sunnyvale Water Revenue Bonds, Series 2017.”]]

(17) An opinion of Bond Counsel as to the defeasance of the Prior Bonds, in accordance with the documents under which the Prior Bonds were issued, as of the Closing Date.

(18) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the City with legal requirements, the truth and accuracy, as of the date of the Closing, of the representations of the City herein contained and of the Official Statement and the due performance or satisfaction by the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the City.

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance satisfactory to the Underwriter. If the City is unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds are terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the City shall be under further obligations hereunder, except that the respective obligations of the City and the Underwriter to pay expenses set forth in Section 10 of this Purchase Contract shall continue in full force and effect.

Section 8. Conditions to City's Obligations. The performance by the City of its obligations under this Purchase Contract is conditioned upon:

- (i) the performance by the Underwriter of its obligations hereunder and
- (ii) receipt by the City of opinions addressed to the City, and receipt by the Underwriter of opinions addressed to the Underwriter, and the delivery of certificates being delivered on the date of the Closing by persons and entities other than the City.

Section 9. Termination Events. The Underwriter shall have the right to terminate the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds by notifying the City of its election to do so if, after the execution hereof and prior to the Closing, any of the following events occurs:

- (a) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially and adversely affected by any decision issued by a court of the United States (including the United States Tax Court) or of the State of California, by any ruling or regulation (final, temporary or proposed) issued by or on behalf of the Department of the Treasury of the United States, the Internal Revenue Service, or other governmental agency of the United States, or any governmental agency of the State of California, or by a tentative decision or announcement by any member of the House Ways and Means Committee, the Senate Finance Committee, or the Conference Committee with respect to contemplated legislation or by legislation enacted by, pending in, or favorably reported to either the House of Representatives or either House of the Legislature of the State of California, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State of California by the Governor of the State of California in an executive communication, affecting the tax status of the City, its property or income,

its bonds (including the Bonds) or the interest thereon, or any tax exemption granted or authorized by the Internal Revenue Code of 1986, as amended, or California law;

(b) the United States becomes engaged in hostilities that result in a declaration of war or a national emergency, or any other outbreak or escalation of hostilities occurs, or a local, national or international calamity or crisis occurs, financial or otherwise, the effect of such outbreak, calamity or crisis being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds;

(c) there occurs a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by the United States, New York State or California State authorities;

(d) a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter is issued or made to the effect that the issuance, offering or sale of the Bonds is or would be in violation of any provision of the Securities Act of 1933, as then in effect, or of the Securities Exchange Act of 1934, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(e) legislation is enacted by the House of Representatives or the Senate of the Congress of the United States of America, or a decision by a court of the United States of America is rendered, or a ruling or regulation by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter is made or proposed to the effect that the Bonds are not exempt from registration, qualification or other similar requirements of the Securities Act of 1933, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(f) in the reasonable judgment of the Underwriter, the market price of the Bonds, or the market price generally of obligations of the general character of the Bonds, might be materially and adversely affected because additional material restrictions not in force as of the date hereof is imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(g) the Comptroller of the Currency, The New York Stock Exchange, or other national securities exchange, or any governmental authority, imposes, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, or financial responsibility requirements of the Underwriter;

(h) a general banking moratorium is established by federal, New York or State authorities;

(i) any legislation, ordinance, rule or regulation is introduced in or be enacted by any governmental body, department or agency in the State or a decision of a court of competent jurisdiction within the State is rendered, which, in the opinion of the Underwriter, after consultation with the City, materially adversely affects the market price of the Bonds;

(j) any federal or California court, authority or regulatory body takes action materially and adversely affecting the collection of Revenues under the Indenture;

(k) any event occurring, or information becoming known that, in the reasonable judgment of the Underwriter, makes untrue any statement of a material fact contained in the Official Statement or results in an omission of a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

(l) a rating agency changes, withdraws or suspends its rating on the Bonds, or issues a negative qualification with respect to the Bonds (such as placing the Bonds on credit watch, negative outlook, or any similar outlook or qualification).

Section 10. Payment of Expenses.

(a) The Underwriter shall be under no obligation to pay, and the City shall pay the following expenses incident to the performance of the City's obligations hereunder:

(i) the fees and disbursements of Bond Counsel and Disclosure Counsel;

(ii) the cost of printing and delivering the Bonds, the Preliminary Official Statement and the Official Statement (and any amendment or supplement prepared pursuant to Section 4 of this Purchase Contract);

(iii) the fees and disbursements of accountants, advisers and of any other experts or consultants retained by the City; and

(iv) any other expenses and costs of the City incident to the performance of their respective obligations in connection with the authorization, issuance and sale of the Bonds, including out-of-pocket expenses and regulatory expenses, and any other expenses agreed to by the parties.

(b) The Underwriter shall pay all expenses incurred by it in connection with the public offering and distribution of the Bonds including, but not limited to:

(i) all advertising expenses in connection with the offering of the Bonds;

(ii) fees and expense of Underwriter's counsel; and

(iii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds, except as provided in (a) above or as otherwise agreed to by the Underwriter and the City.

Section 11. Notices. Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing to the City at the addresses set forth on the first page of this Purchase Contract, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to:

J.P. Morgan Securities LLC

Section 12. No Fiduciary Role. The City acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between the City and the Underwriter, (ii) in connection therewith and with the process leading to such transaction the Underwriter is acting solely as a principal and not the agent or fiduciary of the City, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the transactions contemplated hereby or the process leading thereto (irrespective of whether the Underwriter has advised or is currently advising the City on other matters) and (iv) the City has consulted their own legal and municipal advisors to the extent they have deemed appropriate. The City agrees that they will not claim that the Underwriter has rendered advisory services of any nature or respect, or owe a fiduciary or similar duty to the City in connection with this transaction or the process leading thereto.

Section 13. Survival of Representations, Warranties, Agreements. All of the City's representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect regardless of: (a) any investigations made by or on behalf of the Underwriter; or (b) delivery of and payment for the Bonds pursuant to this Purchase Contract. The agreements contained in this Section and in Section 10 shall survive any termination of this Purchase Contract.

Section 14. Benefit; No Assignment. This Purchase Contract is made solely for the benefit of the City and the Underwriter (including its successors and assigns), and no other person shall acquire or have any right hereunder or by virtue hereof. The rights and obligations created by this Purchase Contract are not subject to assignment by the Underwriter or the City without the prior written consent of the other party hereto.

Section 15. Severability. If any provision of this Purchase Contract is held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 16. Counterparts. This Purchase Contract may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

Section 17. Governing Law. This Purchase Contract shall be governed by the laws of the State of California.

Section 18. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance hereof by an authorized officer of the City, and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

J.P. MORGAN SECURITIES LLC

By: _____
Principal

Accepted:

CITY OF SUNNYVALE

By: _____
Name: _____
Title: _____

EXHIBIT A

**\$ _____
CITY OF SUNNYVALE
Water Revenue Bonds,
Series 2017A**

MATURITY SCHEDULES

\$ _____ Serial Bonds

Principal Payment Date <u>(April 1)</u>	\$	<u>Principal</u>	%	<u>Coupon</u>	%	<u>Yield</u>	%	<u>Price</u>
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\$ ____ % Term Bond due April 1, 20__, Yield: __%, Price: __%

* 10% Test Maturities

** Hold-the-Price Maturities

C Priced to par call on April 1, 20__

\$ _____
CITY OF SUNNYVALE
Taxable Water Revenue Bonds,
Series 2017A-T

MATURITY SCHEDULES

\$ _____ **Serial Bonds**

Sinking Fund Payment Date (April 1)	\$	<u>Principal</u>	%	<u>Coupon</u>	%	<u>Yield</u>	%	<u>Price</u>
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\$ ____ % Term Bond due April 1, 20__, Yield: __%, Price: __%

* 10% Test Maturities

** Hold-the-Price Maturities

C Priced to par call on April 1, 20__

Redemption Provisions

Optional Redemption (Series 2017A Bonds). The Series 2017A Bonds maturing on or before April 1, 20__, are not subject to optional redemption prior to maturity. The Series 2017A Bonds maturing on or after April 1, 20__, are subject to redemption prior to their respective maturity dates, at the option of the City, as a whole or in part, as to maturities as determined by the City (and if partial maturities, then by lot), on any date on or after April 1, 20__, from any source of available funds, at the principal amount of the 2017 Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Optional Redemption (Taxable Series 2017A-T Bonds). The Taxable Series 2017A-T Bonds may be redeemed, in whole or in part, at the option of the City, at any time at a redemption price equal to the greater of

(i) 100% of the principal amount of the Taxable Series 2017A-T Bonds to be redeemed, and

(ii) the sum of the present values of the applicable remaining scheduled payments of principal and interest on the Taxable Series 2017A-T Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Taxable Series 2017A-T Bonds are to be redeemed, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus ____ basis points,

plus in each case, accrued and unpaid interest on the Taxable Series 2017A-T Bonds being redeemed to the date fixed for redemption.

For purposes of the foregoing, the following definitions shall apply:

“Treasury Rate” means, with respect to any redemption date, with respect to the Taxable Series 2017A-T Bonds of a particular maturity, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue with respect thereto, computed as of the second business day immediately preceding that redemption date, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price with respect thereto for that redemption date.

“Comparable Treasury Issue” means, with respect to the Taxable Series 2017A-T Bonds of a particular maturity, the United States Treasury security selected by the Independent Investment Banker which has an actual maturity comparable to the remaining average life of the Taxable Series 2017A-T Bonds of such maturity to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Taxable Series 2017A-T Bonds of such maturity to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date, with respect to the Taxable Series 2017A-T Bonds of a particular maturity, (A) the average of the applicable Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker for the Taxable Series 2017A-T Bonds obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Quotations.

“Independent Investment Banker” means one of the Reference Treasury Dealers as designated by the City.

“Reference Treasury Dealer” means each of four firms, as designated by the City, and their respective successors; provided, however, that if any of them ceases to be a primary U.S. Government securities dealer in the City of New York (a “Primary Treasury Dealer”), the City will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date for the Taxable Series 2017A-T Bonds of a particular maturity, the average, as determined by the Independent Investment Banker and communicated to the City, of the bid and asked prices for the applicable Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker and communicated to the Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding that redemption date.

“Business Day” means any day, other than a Saturday or Sunday, and other than a day on which the Trustee is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed.

Mandatory Sinking Redemption — Series 2017A Bonds. The Series 2017A Bonds maturing on April 1, 20__ and April 1, 20__ (the “Series 2017A Term Bonds”) are subject to mandatory redemption in whole, or in part by lot, from Sinking Fund Installments made under the

Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on April 1 in the years as set forth in the following tables:

Series 2017A Term Bonds Maturing April 1, 20__

Sinking Fund Redemption Date <u>(April 1)</u>	Principal <u>Amount</u>
---	----------------------------

(Maturity)

Series 2017A Term Bonds Maturing April 1, 20__

Sinking Fund Redemption Date <u>(April 1)</u>	Principal <u>Amount</u>
---	----------------------------

(Maturity)

EXHIBIT B

\$ _____ *

**CITY OF SUNNYVALE
Water Revenue Bonds,
Series 2017**

15c2-12 CERTIFICATE

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the City of Sunnyvale (the "City"), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the City as follows:

- (1) This Certificate is delivered in connection with the offering and sale of the bonds captioned above (the "Bonds") in order to enable the underwriter of the Bonds to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule").
- (2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, setting forth information concerning the Bonds, the City and the City's water system (the "Preliminary Official Statement").
- (3) As used herein, "Permitted Omissions" means the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the Bonds.
- (4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of Rule 15c2-12, and the information therein is accurate and complete except for the Permitted Omissions.

Dated: December __, 2017

CITY OF SUNNYVALE

By: _____

Director of Finance

* Preliminary; subject to change.

EXHIBIT C

\$ _____
CITY OF SUNNYVALE
Water Revenue Bonds,
Series 2017

CLOSING CERTIFICATE OF THE CITY

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the City of Sunnyvale (the "City"), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the City as follows:

(i) The representations, warranties and covenants of the City contained in the Bond Purchase Contract dated as of December __, 2017, by and between the City and J.P. Morgan Securities LLC, as underwriter (the "Purchase Contract"), are true and correct and in all material respects on and as of the date of the Closing with the same effect as if made on the date of the Closing.

(ii) The City Resolution is in full force and effect at the date of the Closing and has not been amended, modified or supplemented, except as agreed to by the City and the Underwriter.

(iii) The City has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied on or prior to the date of the Closing.

(iv) Subsequent to the date of the Official Statement and on or prior to the date of such certificate, there has been no material adverse change in the condition (financial or otherwise) of the City or the Water System, whether or not arising in the ordinary course of operations, as described in the Official Statement.

(v) The Official Statement does not contain any untrue or misleading statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

Capitalized terms used but not defined herein have the meanings given in the Purchase Contract.

Dated: December __, 2017

CITY OF SUNNYVALE

By: _____

Director of Finance

\$ _____
CITY OF SUNNYVALE
Water Revenue Bonds,
Series 2017A

J.P. Morgan Securities LLC (“J.P. Morgan”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Series 2017A Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the 10% Test Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.
2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***
 - (a) J.P. Morgan offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Series 2017A Bonds is attached to this certificate as Schedule B.
 - (b) As set forth in the Purchase Contract, J.P. Morgan has agreed in writing that, (i) for each Maturity of the Hold-the-Price Maturities, it would neither offer nor sell any of the Series 2017A Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. J.P. Morgan has not offered or sold any Maturity of the Series 2017A Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Series 2017A Bonds during the Holding Period.
3. ***Defined Terms.***
 - (a) *10% Maturities* means those Maturities of the Series 2017A Bonds listed in Schedule A hereto as the “10% Maturities.”
 - (b) *Hold-the-Price Maturities* means those Maturities of the Series 2017A Bonds listed in Schedule A hereto as the “Hold-the-Price Maturities.”
 - (c) *Holding Period* means, with respect to a Hold-the-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (December __, 2017), or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Price Maturity.
 - (d) *Issuer* means City of Sunnyvale, California
 - (e) *Maturity* means Series 2017A Bonds with the same credit and payment terms. Series 2017A Bonds with different maturity dates, or Series 2017A Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

- (f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Series 2017A Bonds. The Sale Date of the Series 2017A Bonds is December __, 2017.
- (h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2017A Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Series 2017A Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2017A Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents J.P. Morgan’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Series 2017A Bonds, and by Jones Hall, A Professional Law Corporation in connection with rendering its opinion that the interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Series 2017A Bonds. The representations set forth herein are not necessarily based on personal knowledge and, in certain cases, the undersigned is relying on representations made by the other members of the Underwriting Group.

J.P. Morgan Securities LLC

By: _____
Authorized Representative

Dated: December __, 2017

DRAFT 12/7/17 EUM

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SUNNYVALE AUTHORIZING ISSUANCE AND SALE OF
WASTEWATER REVENUE REFUNDING BONDS, AND
APPROVING RELATED DOCUMENTS AND ACTIONS**

WHEREAS, the City is authorized pursuant to the provisions of Chapter 3.70 (commencing with Section 3.70.010) of the Sunnyvale Municipal Code (the "Bond Law"), enacted pursuant to the charter of the City and an ordinance adopted on the date hereof, entitled "Ordinance Of The City Of Sunnyvale Enacting The City Of Sunnyvale Municipal Utilities Revenue Bond Law, Relating To The Financing Of Public Utility Enterprises," to issue its revenue bonds for the purposes of financing improvements to a utility enterprise of the City; and

WHEREAS, in order to finance and refinance improvements to City's municipal wastewater utility enterprise (the "Wastewater System"), on June 29, 2010, the City issued its bonds captioned "City of Sunnyvale Wastewater Revenue Bonds, Series 2010" in the original principal amount of \$35,380,000 (the "2010 Bonds") which are secured by a pledge of and lien on the net revenues of the Wastewater System; and

WHEREAS, the City, after due investigation and deliberation, has determined that it is in the interests of the City at this time to provide for the issuance of its bonds captioned "City of Sunnyvale Wastewater Revenue Refunding Bonds, Series 2017A," in the maximum principal amount of \$15,000,000 (the "Series A Bonds"), and its bonds captioned "City of Sunnyvale Taxable Wastewater Revenue Refunding Bonds, Series 2017A-T," in the maximum principal amount of \$12,000,000 (the "Taxable Series A-T Bonds" and, together with the Series A Bonds, the "Bonds") in order to provide funds to pay, defease and redeem the 2010 Bonds and thereby realize debt service savings; and

WHEREAS, the Bonds will be issued under the Bond Law and an Indenture of Trust (the "Indenture") between the City and U.S. Bank National Association, as trustee (the "Trustee"); and

WHEREAS, the City Council wishes at this time to give its approval to the transactions described herein, and the form of the agreements and documents relating thereto.

NOW, THEREFORE, BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF SUNNYVALE THAT:

Section 1. Authorization of Bonds. The City Council hereby authorizes the issuance of the Series A Bonds by the City under and pursuant to the Bond Law and the Indenture, in an aggregate maximum principal amount of \$27,000,000, for the primary purpose of providing funds to pay, defease and refund the 2010 Bonds.

Section 2. Approval of Indenture.. The City Council hereby approves the Indenture by and between the City and the Trustee, in substantially the form on file with the City Clerk, together with such additions thereto and changes therein as the City Manager or the Director of Finance may deem necessary, desirable or appropriate; provided that the execution thereof by the City Manager or the Finance Director shall be conclusive evidence of the approval of any such additions and changes. The City Manager and the Finance Director are each hereby separately authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest, the final form of the Escrow Agreement for and in the name and on behalf of the City. The City Council hereby authorizes the delivery and performance of the Escrow Agreement.

Section 3. Approval of Escrow Agreement. In order to provide for the refunding of the 2010 Bonds, the City Council hereby approves the Escrow Deposit and Trust Agreement between the City and U.S. Bank Trust National Association, as escrow agent thereunder, in substantially the form on file with the City Clerk, together with such additions thereto and changes therein as the City Manager or the Director of Finance may deem necessary, desirable or appropriate; provided that the execution thereof by the City Manager or the Finance Director shall be conclusive evidence of the approval of any such additions and changes. The City Manager and the Finance Director are each hereby separately authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest, the final form of the Escrow Agreement for and in the name and on behalf of the City. The City Council hereby authorizes the delivery and performance of the Escrow Agreement.

Section 4. Sale of Bonds. The City Council hereby approves the sale of the Bonds pursuant to a Bond Purchase Agreement between the City and J.P. Morgan Securities LLC, as Underwriter of the Bonds (the "Underwriter"), in the form on file with the Director of Finance, so long as: the principal amount of the Series A Bonds does not exceed \$15,000,000; the principal amount of the Taxable Series A-T Bonds does not exceed \$12,000,000; the true interest cost with respect to the Bonds does not exceed 4.0%; and the Underwriter's discount on the Bonds does not exceed 0.5% of the aggregate principal amount of the Bonds.

Section 5. Official Statement. The City Council hereby approves and deems final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the Preliminary Official Statement describing the Bonds in the form on file with the City Clerk, together with such modifications thereof as may be approved by the City Manager or the Director of Finance, each of whom is hereby authorized and directed to (a) execute and deliver to the Underwriter a certificate deeming the Preliminary Official Statement to be final as of its date within the meaning of such Rule, (b) approve any changes in or additions to cause the Official Statement to be put in final form, and (c) execute the final Official Statement for and in the name and on behalf of the City. The City Council hereby authorizes the distribution of the Preliminary Official Statement and the Final Official Statement by the Underwriter.

Section 6. Official Actions. The Mayor, the City Manager, the Director of Finance, the City Clerk and any and all other officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, including execution and delivery of any and all certificates, requisitions, agreements, notices, consents and other documents, which they, or any of them, may deem necessary or advisable in order to

consummate the transactions as described herein. Whenever in this resolution any officer of the City is authorized to execute or attest any document or take any action, such execution, attestation or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

Section 7. Effective Date. This Resolution shall take effect upon its passage and adoption.

Adopted by the City Council at a regular meeting held on _____, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:
RECUSAL:

ATTEST:

APPROVED:

City Clerk
(SEAL)

Mayor

APPROVED AS TO FORM:

City Attorney

CERTIFICATION

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the City of Sunnyvale City Council held on _____.

ATTEST:

City Clerk
(SEAL)

INDENTURE OF TRUST

between the

CITY OF SUNNYVALE

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of December 1, 2017

Relating to

\$ _____
City of Sunnyvale
Wastewater Revenue Refunding Bonds, Series 2017

and

\$ _____
City of Sunnyvale
Taxable Wastewater Revenue Refunding Bonds, Series 2017A-T

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INDENTURE OF TRUST

This INDENTURE OF TRUST, dated as of December 1, 2017, is between the CITY OF SUNNYVALE, a municipal corporation and charter city organized and existing under the laws of the State of California (the "City"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in San Francisco, California, and being qualified to accept and administer the trusts hereby created (the "Trustee").

B A C K G R O U N D :

1. The City is authorized pursuant to the provisions of Chapter 3.70 (commencing with Section 3.70.010) of the Sunnyvale Municipal Code, enacted pursuant to the charter of the City and Ordinance No. 2917-10, adopted April 6, 2010 (collectively, the "Bond Law"), to issue its revenue bonds for the purposes of financing and refinancing improvements to a utility enterprise of the City.

2. The City owns and operates a public utility enterprise for the collection, treatment, disposal and reuse of wastewater within the service area of the City (the "Wastewater System").

3. In order to finance and refinance improvements to the Wastewater System, on June 29, 2010, the City issued its bonds captioned "City of Sunnyvale Wastewater Revenue Bonds, Series 2010" in the original principal amount of \$35,380,000 (the "2010 Bonds") which are secured by a pledge of and lien on the net revenues of the Wastewater System.

4. The 2010 Bonds are subject to redemption on any date on or after April 1, 2020, at a redemption price equal to the principal amount of the 2010 Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

5. The City, after due investigation and deliberation, has determined that it is in the interests of the City at this time to provide for the issuance of its bonds captioned "City of Sunnyvale Wastewater Revenue Refunding Bonds, Series 2017A," in the aggregate principal amount of \$_____ (the "Series A Bonds"), and its bonds captioned "City of Sunnyvale Taxable Wastewater Revenue Refunding Bonds, Series 2017A-T," in the aggregate principal amount of \$_____ (the "Taxable Series A-T Bonds" and, together with the Series A Bonds, the "Bonds") in order to provide funds to pay, defease and redeem the 2010 Bonds and thereby realize debt service savings.

6. The Bonds will be issued under the Bond Law, this Indenture, and a resolution of the City Council of the City adopted on December _____, 2017, and will be secured by a pledge of and lien on the net revenues of the Wastewater System, which is on a parity with the following obligation the City has previously incurred to finance improvements to the Wastewater System:

- an Installment Sale Agreement entitled "Headworks and Primary Treatment, Phase 1(A), Clean Water State Revolving Fund Project No. C-06-8153-110, Agreement No. D16-01024," in the original principal amount of \$127,068,522,

dated as of December 9, 2016, between the City and the State of California Water Resources Control Board.

7. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured, and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the City Council has authorized the execution and delivery of this Indenture.

8. All acts and proceedings required by law necessary to make the Bonds, when executed by the City, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the City, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Indenture have been in all respects duly authorized

A G R E E M E N T :

In order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the City and the Trustee hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in Appendix A when used in this Indenture.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

ISSUANCE OF BONDS

SECTION 2.01. *Authorization and Purpose of Bonds.* The City has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the City is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The City hereby authorizes the issuance of the Series A Bonds, designated the "City of Sunnyvale Wastewater Revenue Refunding Bonds, Series 2017A," in the aggregate principal amount of \$_____, and the Taxable Series A-T Bonds, designated the "City of Sunnyvale Taxable Wastewater Revenue Refunding Bonds, Series 2017A-T," in the aggregate principal amount of \$_____.

The Bonds are being issued for the purposes of providing funds to pay, defease and redeem the 2010 Bonds in full. The Bonds are authorized and issued under, and are subject to the terms of, this Indenture and the Bond Law.

SECTION 2.02. Terms of the Bonds.

(a) General. The Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date.

The Series A Bonds will be dated as of the Closing Date and will mature on April 1 in the years and in the respective principal amounts and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum as set forth in the following table:

Series A Bonds

Maturity Date (April 1)	Principal Amount	Interest Rate
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		

The Taxable Series A-T Bonds will be dated as of the Closing Date and will mature on April 1 in the years and in the respective principal amounts and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum as set forth in the following table:

Taxable Series A-T Bonds

Maturity Date (April 1)	Principal Amount	Interest Rate
------------------------------------	-----------------------------	--------------------------

(b) Calculation of Interest. Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (ii) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (iii) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

(c) Payments. Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

SECTION 2.03. *Redemption of Bonds.*

(a) Optional Redemption of Series A Bonds. The Series A Bonds maturing on or before April 1, 20__, are not subject to redemption prior to their respective stated maturities. The Series A Bonds maturing on or after April 1, 20__, are subject to redemption in whole, or in part among maturities on such basis and in such respective principal amounts as set forth in a Certificate of the City filed with the Trustee, and in any event by lot within a maturity as provided in subsection (c) below, at the option of the City, from any available source of funds, on any Business Day on or after April 1, 20__, at a redemption price equal to 100% of the principal amount thereof to be redeemed together with accrued interest to the redemption date, without premium.

The City shall give the Trustee written notice of its intention to redeem Series A Bonds under this subsection (a), and the manner of selecting such Series A Bonds for redemption from among the maturities thereof and the redemption price thereof, in sufficient time to enable the Trustee to give notice of such redemption in accordance with this Section.

(b) Optional Redemption of Taxable Series A-T Bonds.

[The Series 2017A-T Bonds maturing on or before April 1, 20____, are not subject to optional redemption prior to maturity. The Series 2017A-T Bonds maturing on or after April 1, 20____, are subject to redemption prior to their respective maturity dates, at the option of the City, as a whole or in part, as to maturities as determined by the City (and if partial maturities, then by lot), on any date on or after April 1, 20____, from any source of available funds, at the principal amount of the Series 2017A-T Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.]

[OR]

[The Taxable Series A-T Bonds may be redeemed, in whole or in part, at the option of the City, at any time at a redemption price equal to the greater of

(i) 100% of the principal amount of the Taxable Series A-T Bonds to be redeemed, or

(ii) the sum of the present values of the applicable remaining scheduled payments of principal and interest on the Taxable Series A-T Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Taxable Series A-T Bonds are to be redeemed, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus ____ basis points,

plus in each case, accrued and unpaid interest on the Taxable Series A-T Bonds being redeemed to the date fixed for redemption.]

For purposes of the foregoing, the following definitions shall apply:

“Treasury Rate” means, with respect to any redemption date, with respect to the Taxable Series A-T Bonds of a particular maturity, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue with respect thereto, computed as of the second business day immediately preceding that redemption date, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price with respect thereto for that redemption date.

“Comparable Treasury Issue” means, with respect to the Taxable Series A-T Bonds of a particular maturity, the United States Treasury security selected by the Independent Investment Banker which has an actual maturity comparable to the remaining average life of the Taxable Series A-T Bonds of such maturity to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the

remaining average life of the Taxable Series A-T Bonds of such maturity to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date, with respect to the Taxable Series A-T Bonds of a particular maturity, (A) the average of the applicable Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker for the Taxable Series A-T Bonds obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Quotations.

“Independent Investment Banker” means one of the Reference Treasury Dealers as designated by the City.

“Reference Treasury Dealer” means each of four firms, as designated by the City, and their respective successors; provided, however, that if any of them ceases to be a primary U.S. Government securities dealer in the City of New York (a “Primary Treasury Dealer”), the City will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date for the Taxable Series A-T Bonds of a particular maturity, the average, as determined by the Independent Investment Banker and communicated to the City, of the bid and asked prices for the applicable Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker and communicated to the Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding that redemption date.

“Business Day” means any day, other than a Saturday or Sunday, and other than a day on which the Trustee is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed.

(c) Mandatory Sinking Redemption of Series A Bonds. The Series A Term Bonds are subject to mandatory redemption in whole, or in part by lot, from sinking payments, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on April 1 in the years as set forth in the following tables:

Series A Term Bonds Maturing April 1, 20__

Sinking Payment Redemption Date (April 1)	Principal Amount
---	---------------------

(Maturity)

Series A Term Bonds Maturing April 1, 20__

Sinking Fund Redemption Date (April 1)	Principal Amount
--	---------------------

(Maturity)

If some but not all of the Series A Term Bonds have been redeemed under the optional redemption provisions set forth above, the total amount of all future sinking payments will be reduced by the aggregate principal amount of such Series A Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro-rata basis as determined by the City.

(d) Notice of Redemption. The Trustee on behalf and at the expense of the City shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories, and shall file such notice electronically with the Municipal Securities Rulemaking Board, at least 30 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Office of the Trustee identified in such notice for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

(e) Selection of Series A Bonds of the Same Maturity for Redemption. Whenever provision is made in this Section for the redemption of less than all of the Series A Bonds of a single maturity, the Trustee shall select the Series A Bonds of such maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, all Series A Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Series A Bonds which may be separately redeemed.

(f) Selection of Taxable Series A-T Bonds for Redemption. If less than all of the Taxable Series A-T Bonds are to be redeemed, the particular maturities of Taxable Series A-T Bonds to be redeemed at the option of the City will be determined by the City in its sole discretion.

If the Taxable Series A-T Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Taxable Series A-T Bonds, if less than all of the Taxable Series A-T Bonds of a maturity are called for prior redemption, the particular Taxable Series A-T Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Taxable Series A-T Bonds

are held in book-entry form, the selection for redemption of such Taxable Series A-T Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Taxable Series A-T Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

The City intends that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the City nor the Underwriter can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of Taxable Series A-T Bonds on such basis.

If the Taxable Series A-T Bonds are no longer registered in book-entry-only form, each owner will receive an amount of Taxable Series A-T Bonds equal to the original face amount then beneficially held by that owner, registered in such investor's name. Thereafter, any redemption of less than all of the Taxable Series A-T Bonds of any maturity will continue to be paid to the registered owners of such Taxable Series A-T Bonds on a pro-rata basis, based on the portion of the original face amount of any such Taxable Series A-T Bonds to be redeemed.

(g) Partial Redemption of a Particular Bond. If only a portion of any Bond is called for redemption, then upon surrender of such Bond the City will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the City, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

(h) Effect of Redemption. From and after the date fixed for redemption, if notice of redemption has been duly mailed and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. The Trustee will cancel and destroy all Bonds redeemed under this Section.

(h) Right to Rescind Notice of Optional Redemption. The City has the right to rescind any notice of the optional redemption of Bonds under subsection (a) of this Section by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The City and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall cause notice of such rescission to be mailed, first class mail, postage prepaid, to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books, and to the Municipal Securities Rulemaking Board and the Securities Depositories.

SECTION 2.04. *Book Entry System.*

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the

Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which are registered in the name of the Nominee, the City and the Trustee has no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the City and the Trustee has no responsibility or obligation with respect to

(i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds,

(ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption,

(iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the City elects to redeem the Bonds in part,

(iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or

(v) any consent given or other action taken by the Depository as Owner of the Bonds.

The City and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever.

The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the City to make payments of principal, interest and premium, if any, under this Indenture.

Upon delivery by the Depository to the City of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the City shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the City has previously executed and delivered to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection

(a) above or in any other way impose upon the City or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the City may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the City determines to terminate the Depository as such, then the City shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the City and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the City fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the City determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the City may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the City shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (ii) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the City's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Form and Execution of Bonds.* The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The City Manager shall execute, and the City Clerk shall attest, each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had

remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Bond are the proper officers of the City, duly authorized to execute debt instruments on behalf of the City, although on the date of such Bond any such person was not an officer of the City.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.06. *Transfer and Exchange of Bonds.*

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under this Section. Whenever any Bond or Bonds shall be surrendered for transfer, the City shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The City shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds under this subsection (b). The City shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section, any Bonds selected by the Trustee for redemption under Section 2.03, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

SECTION 2.07. *Registration Books*. The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and registration of transfer of the Bonds, which shall at all times during normal business hours, and upon reasonable notice, be open to inspection by the City; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Bonds as hereinbefore provided.

SECTION 2.08. *Bonds Mutilated, Lost, Destroyed or Stolen*. If any Bond becomes mutilated, the City, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to, or upon the order of, the City. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and,

if such evidence is satisfactory and if indemnity satisfactory to the Trustee is given, the City, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

ARTICLE III

ISSUE OF BONDS

SECTION 3.01. *Issuance of Bonds.* Upon the execution and delivery of this Indenture, (a) the City shall execute and deliver the Series A Bonds in the aggregate principal amount of \$_____ to the Trustee and the Trustee shall authenticate and deliver the Series A Bonds to the Underwriter upon receipt of a Request of the City therefor; and (b) the City shall execute and deliver the Taxable Series A-T Bonds in the aggregate principal amount of \$_____ to the Trustee and the Trustee shall authenticate and deliver the Taxable Series A-T Bonds to the Underwriter upon receipt of a Request of the City therefor.

SECTION 3.02. *Deposit and Application of Proceeds.* On the Closing Date, the Trustee shall apply the proceeds of the Bonds as follows:

(a) Series A Bonds. The Trustee shall apply the net proceeds of the Series A Bonds equal to \$_____ (calculated as the original principal amount of \$_____, plus net original issue premium of \$_____, less the Underwriter's discount of \$_____) as follows:

- (i) The Trustee shall deposit \$_____ in the Costs of Issuance Fund.
- (ii) The Trustee shall transfer \$_____, constituting the remainder of the Bond proceeds, to the Escrow Agent for deposit and application in accordance with the Escrow Agreement.

(b) Taxable Series A-T Bonds. The Trustee shall apply the net proceeds of the Taxable Series A-T Bonds equal to \$_____ (calculated as the

original principal amount of \$_____, plus net original issue premium of \$_____, less the Underwriter's discount of \$_____) as follows:

- (i) The Trustee shall deposit \$_____ in the Costs of Issuance Fund.
- (ii) The Trustee shall transfer \$_____, constituting the remainder of the Bond proceeds, to the Escrow Agent for deposit and application in accordance with the Escrow Agreement.

(c) Temporary Accounts. The Trustee may establish one or more temporary accounts to facilitate such deposit and transfer.

SECTION 3.03. *Costs of Issuance Fund*. There is hereby established a separate fund to be known as the "Costs of Issuance Fund", to be held by the Trustee in trust. The Trustee shall disburse moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance upon submission of a Request of the City stating (a) the person to whom payment is to be made, (b) the amounts to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Request of the City; in each case together with a statement or invoice for each amount requested thereunder.

On June 1, 2018, the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Bond Service Fund to be applied toward the payment of the interest next coming due and payable on the Series A Bonds, and the Trustee shall thereupon close the Costs of Issuance Fund.

SECTION 3.04. *Validity of Bonds*. The recital contained in the Bonds that they are issued pursuant to the laws of the State of California is conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV

REVENUES; FLOW OF FUNDS

SECTION 4.01. *Pledge of Net Revenues*. The Bonds shall be secured by a first pledge of all of the Net Revenues, on a parity with the pledge which secures all outstanding Parity Debt. In addition, the Bonds shall be secured by a pledge of all of the moneys in the Bond Service Fund, including all amounts derived from the investment of such moneys. So long as any of the Bonds are Outstanding, the Net Revenues and such moneys may not be used for any other purpose; except that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by Section 4.02.

SECTION 4.02. *Receipt, Deposit and Application of Net Revenues*. The City has previously established the Wastewater Fund, which it will continue to hold and maintain for the purposes and uses set forth herein. The City shall deposit all Gross Revenues in the Wastewater Fund promptly upon the receipt thereof, and shall apply amounts in the

Wastewater Fund solely for the uses and purposes set forth herein and purposes set forth in the Parity Debt Documents. The City shall withdraw amounts on deposit in the Wastewater Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

- (a) Bond Service Fund. Not later than the 3rd Business Day preceding each Interest Payment Date, so long as any Bonds remain Outstanding hereunder, the City shall withdraw from the Wastewater Fund and pay to the Trustee for deposit into the Bond Service Fund (which the Trustee shall establish and hold in trust hereunder) an amount which, together with other available amounts then on deposit in the Bond Service Fund, is at least equal to the aggregate amount of principal of (including sinking payments) and interest coming due and payable on the Bonds on such Interest Payment Date.

The Trustee shall apply amounts in the Bond Service Fund solely for the purposes of (i) paying the interest on the Bonds when due and payable (including accrued interest on any Bonds purchased or redeemed hereunder), and (ii) paying the principal (including sinking payments) of the Bonds at the maturity thereof. Upon the payment or discharge in full of all Bonds then Outstanding, the Trustee shall transfer any moneys remaining in the Bond Service Fund to the City for deposit into the Wastewater Fund.

- (b) Redemption Fund. If the City elects to redeem Outstanding Bonds under Section 2.03(a), the City shall transfer to the Trustee for deposit into the Redemption Fund (which the Trustee shall thereupon establish and hold in trust hereunder) an amount at least equal to the redemption price of the Bonds, excluding accrued interest, which is payable from the Bond Service Fund. Amounts in the Redemption Fund shall be applied by the Trustee solely for the purpose of paying the redemption price of Bonds to be redeemed under Section 2.03(a). Following any such redemption of the Bonds, any moneys remaining in the Redemption Fund shall be transferred by the Trustee to the City for deposit into the Wastewater Fund.

The City shall manage, conserve and apply moneys in the Wastewater Fund in such a manner that all deposits required to be made under this Section and under the Parity Debt Documents will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the City may at any time use and apply moneys in the Wastewater Fund for any one or more of the following purposes:

- (i) the acquisition and construction of improvements to the Wastewater System;
- (ii) the redemption of any of the Bonds, Parity Debt or other obligations of the Wastewater System, as the City in its discretion may determine; or

- (iii) any other lawful purpose of the City relating to the Wastewater System.

Nothing herein is intended or shall be construed to impair the ability of the City to apply amounts on deposit in the Wastewater Fund to pay Operation and Maintenance Costs when and as the same become due and payable.

SECTION 4.03. *Investments.*

(a) Investment of Funds Held by City. All moneys in the Wastewater Fund may be invested by the City from time to time in any securities in which the City is legally authorized to invest funds subject to its control.

(b) Investment of Funds Held by Trustee. The Trustee shall invest moneys in the funds and accounts held by it hereunder in Permitted Investments specified in the Request of the City delivered to the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such direction from the City, the Trustee shall invest any such moneys solely in Permitted Investments described in clause (f) of the definition thereof.

(c) General Investment Provisions. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. Whenever in this Indenture the City is required to transfer any moneys to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder shall be retained in the respective fund or account from which such investment was made. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon receipt by the Trustee of the Request of the City. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under this Section.

The Trustee shall furnish the City periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the City. Upon the City's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The City waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The City further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

SECTION 4.04. *Valuation and Disposition of Investments.*

(a) Except as otherwise provided in subsection (b) of this Section, the City covenants that all investments of amounts deposited in any fund or account created by or under this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as

of the date that valuation is required by this Indenture or the Tax Code) at Fair Market Value as such term is defined in subsection (d) below. The Trustee has no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the City in any Certificate or Request of the City.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued at cost thereof (consisting of present value thereof within the meaning of Section 148 of the Tax Code); provided that the City shall inform the Trustee which funds are subject to a yield restriction, and shall provide the Trustee with any necessary valuation criteria or formulae.

(c) Except as provided in the proceeding subsection (b), for the purpose of determining the amount in any fund, the Trustee shall value Permitted Investments credited to such fund at least annually at the Fair Market Value thereof. The Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system. If and as directed by the City in writing, the Trustee shall sell or present for redemption any Permitted Investment so purchased by the Trustee whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee has no liability or responsibility for any loss resulting therefrom.

(d) For purposes of this Section, the term "Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security – State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

ARTICLE V

COVENANTS OF THE CITY

SECTION 5.01. *Punctual Payment; Compliance With Documents.* The City will punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of this Indenture, and will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures.

SECTION 5.02. *Discharge of Claims.* The City covenants that in order to fully preserve and protect the priority and security of the Bonds the City shall pay from the Net Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Wastewater System which, if unpaid, may become a lien or charge upon the Net Revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. The City shall also pay from the Net Revenues all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Wastewater System or upon any part thereof or upon any of the Net Revenues therefrom.

SECTION 5.03. *Operation of Wastewater System in Efficient and Economical Manner.* The City covenants and agrees to operate the Wastewater System in an efficient and economical manner and to operate, maintain and preserve the Wastewater System in good repair and working order.

SECTION 5.04. *Sale or Eminent Domain of Wastewater System.* Except as provided herein, the City covenants that the Wastewater System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the City to pay the principal of or interest on the Bonds and the Parity Debt, or would materially adversely affect its ability to comply with the terms of this Indenture or the Parity Debt Documents. The City may not enter into any agreement which impairs the operation of the Wastewater System or any part of it necessary to secure adequate Net Revenues to pay the Bonds and the Parity Debt, or which otherwise would impair the rights of the Bond Owners with respect to the Net Revenues. If any substantial part of the Wastewater System is sold, the payment therefor shall either (a) be used for the acquisition or construction of improvements and extensions or replacement facilities or (b) be applied to redeem the Bonds or any Parity Debt in accordance with this Indenture and the related Parity Debt Documents, respectively.

Any amounts received as awards as a result of the taking of all or any part of the Wastewater System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the City, shall either (a) be used for the acquisition or construction of improvements to the Wastewater System, or (b) be applied to redeem the Bonds or any Parity Debt in accordance with this Indenture and the related Parity Debt Documents, respectively.

SECTION 5.05. *Insurance.* The City will at all times maintain with responsible insurers all such insurance on the Wastewater System as is customarily maintained with

respect to works and properties of like character against accident to, loss of or damage to the Wastewater System.

If any useful part of the Wastewater System is damaged or destroyed, such part shall be restored to usable condition. All amounts collected from insurance against accident to or destruction of any portion of the Wastewater System shall be used to repair or rebuild such damaged or destroyed portion of the Wastewater System, and to the extent not so applied, shall be applied to redeem the Bonds or any Parity Debt in accordance with this Indenture and the related Parity Debt Documents, respectively.

The City shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Trustee and the Owners of the Bonds.

Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the City, or may be in the form of self-insurance by the City. The City shall establish such fund or funds or reserves as are necessary to provide for its share of any such self-insurance.

The Trustee has no liability to determine whether the City is in compliance with the provisions of this Section.

SECTION 5.06. *Records and Accounts.* The City will keep proper books of record and accounts of the Wastewater System, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Wastewater System. Said books shall, upon reasonable request, be subject to the inspection of the Trustee (who shall have no duty to inspect) and the Owners of not less than 10% of the Outstanding Bonds or their representatives authorized in writing.

The City will cause the books and accounts of the Wastewater System to be audited annually by an Independent Accountant and will make available for inspection by the Bond Owners at the Office of the Trustee, upon reasonable request, a copy of the report of such Independent Accountant. The City will furnish a copy of such statements, upon reasonable request, to the Trustee (who shall have no duty to inspect) and any Bond Owner.

SECTION 5.07. *Rates and Charges.*

(a) Covenant Regarding Gross Revenues. The City will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which (together with other funds transferred from the Revenue Stabilization Fund or other funds which are lawfully available to the City for payment of any of the following amounts during such Fiscal Year) are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order:

- (i) all Operation and Maintenance Costs estimated by the City to become due and payable in such Fiscal Year;

- (ii) the principal of and interest on all outstanding Bonds and Parity Debt as they become due and payable during such Fiscal Year, without preference or priority;
- (iii) all amounts, if any, required to restore the balances in any reserve funds established for outstanding Parity Debt to their respective required levels;
- (iv) all payments coming due and payable during the Fiscal Year and required for compliance with the Parity Debt Documents; and
- (v) all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Gross Revenues or Net Revenues during the Fiscal Year.

(b) Covenant Regarding Net Revenues. In addition to the covenant set forth in the preceding clause (a) of this Section, the City will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which, taking into account allowances for contingencies, are sufficient to yield estimated Net Revenues which are at least equal to 120% of the aggregate amount of principal of and interest on all outstanding Bonds and Parity Debt coming due and payable during such Fiscal Year. The provisions of this subsection (b) are subject to the adjustments made for any transfers made from a Revenue Stabilization Fund under Section 5.08. Notwithstanding the foregoing provisions, if the actual collection of Net Revenues based on such rates, fees and charges is insufficient to yield Net Revenues which meet the requirements of this subsection (b), such event shall not constitute an Event of Default unless it has continued uncured for a period of at least 12 months.

SECTION 5.08. *Establishment of Revenue Stabilization Fund.* The City has the right at any time to establish a Revenue Stabilization Fund to be held by it and administered in accordance with this Section, for the purpose of stabilizing the rates and charges imposed by the City with respect to the Wastewater System. From time to time the City may deposit amounts in the Revenue Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Bonds, as the City may determine.

The City may, but is not required to, withdraw amounts on deposit in the Revenue Stabilization Fund and deposit such amounts in the Wastewater Fund in any Fiscal Year for the purpose of paying the principal of and interest on the Bonds and any outstanding Parity Debt coming due and payable in such Fiscal Year.

Amounts so transferred from the Revenue Stabilization Fund to the Wastewater Fund shall constitute Gross Revenues for such Fiscal Year (except as otherwise provided herein), and shall be applied for the purposes of the Wastewater Fund. Amounts on deposit in the Revenue Stabilization Fund shall not be pledged to or otherwise secure the Bonds or any Parity Debt.

To the extent that the City appropriates funds from Gross Revenues into the Revenue Stabilization Fund for the Wastewater System, a deduction shall be made from Gross Revenues of the Wastewater System in the Fiscal Year during which said transfer occurred for purposes of calculations to be made under Section 5.07 and Section 5.09.

To the extent that the City appropriates funds from the Revenue Stabilization Fund into the Wastewater Fund, the City may count the funds so transferred as Gross Revenues in the Fiscal Year in which said transfer occurs, for purposes of Section 5.07 and Section 5.09.

All interest or other earnings on deposits in the Revenue Stabilization Fund shall be retained therein or, at the option of the City, be applied for any other lawful purposes. The City has the right at any time to withdraw any or all amounts on deposit in the Revenue Stabilization Fund and apply such amounts for any other lawful purposes of the City.

SECTION 5.09. *Issuance of Parity Debt.* The City may issue additional Parity Debt from time to time in such principal amount as it determines, subject to the following conditions precedent:

- (a) No Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods have passed, would constitute an Event of Default) has occurred and is continuing.
- (b) The amount of such Net Revenues, calculated in accordance with generally accepted accounting principles, as shown by the books of the City for the latest Fiscal Year or as shown by the books of the City for any more recent 12-month period selected by the City, in either case verified by a certificate or opinion of an Independent Accountant, plus (at the option of the City) the Additional Revenues, are at least equal to 120% of the amount of Maximum Annual Debt Service on all outstanding Bonds and Parity Debt, including the proposed issuance of Parity Debt.
- (c) The issuance of such Parity Debt shall comply with all conditions to the issuance thereof as set forth in the applicable provisions of the Parity Debt Documents.
- (d) The City shall deliver to the Trustee a Certificate of the City certifying, and an opinion of Bond Counsel stating, that the conditions precedent to the issuance of such Parity Debt set forth in this Section have been satisfied.

SECTION 5.10. *Superior and Subordinate Obligations.* The City shall not issue or incur any additional bonds or other obligations having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Bonds. Nothing herein limits or affects the ability of the City to issue or incur (a) Parity Debt under Section 5.09, or (b) obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder.

SECTION 5.11. *Tax Covenants Relating to Series A Bonds.*

(a) Generally. The City shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest on the Series A Bonds to become includable in gross income for federal income tax purposes.

(b) Private Activity Bond Limitation. The City shall assure that the proceeds of the Series A Bonds are not used in a manner which would cause the Series A Bonds to become “private activity bonds” within the meaning of Section 141(a) of the Tax Code or to meet the private loan financing test of Section 141(c) of the Tax Code.

(c) Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(d) No Arbitrage. The City shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Series A Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Series A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code.

(e) Rebate of Excess Investment Earnings. The City shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Series A Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The City shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any source of legally available funds of the City. The City shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Series A Bonds, records of the determinations made under this subsection (e).

The Trustee has no duty to monitor the compliance by the City with any of the covenants contained in this Section.

SECTION 5.12. *Refunding of 2010 Bonds.* The City shall cause the proceeds of the Bonds to be applied to the payment, defeasance and redemption of the 2010 Bonds in accordance with the provisions of the indenture under which the 2010 Bonds were issued and the Escrow Agreement. From and after the Closing Date, the 2010 Bonds shall be fully discharged and shall no longer be secured by a pledge of or lien on the Gross Revenues or the Net Revenues, or any portion thereof.

SECTION 5.13. *Compliance With Parity Debt Documents.* The City will observe and perform all of the covenants, agreements and conditions on its part required to be observed and performed under the Parity Debt Documents. The City will not take or omit to take any action within its control which would, or which if not corrected with the passage of time would, constitute an event of default under and within the meaning of the Parity Debt Documents.

SECTION 5.14. *Continuing Disclosure.* The City will comply with and carry out all of the provisions of the Continuing Disclosure Certificate which has been executed and delivered by the City on the Closing Date. Notwithstanding any other provision hereof, failure of the City to comply with the Continuing Disclosure Certificate does not constitute an Event of Default hereunder; *provided, however,* that any Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate,

including seeking specific performance by court order, to cause the City to comply with its obligations under this Section.

SECTION 5.15. *Further Assurances.* The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds, the Trustee the rights and benefits provided in this Indenture.

ARTICLE VI

THE TRUSTEE

SECTION 6.01. Duties, Immunities and Liabilities of Trustee.

(a) Performance of Duties. The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or duties will be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a reasonable corporate trustee would exercise or use.

(b) Removal of Trustee. The City may remove the Trustee at any time, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Trustee ceases to be eligible in accordance with subsection (e) of this Section, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. The City may accomplish such removal by giving 30 days written notice to the Trustee, whereupon the City will appoint a successor Trustee by an instrument in writing.

(c) Resignation by Trustee. The Trustee may at any time resign by giving written notice of such resignation to the City, and by giving notice of such resignation by first class mail, postage prepaid, to the Bond Owners at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the City will promptly appoint a successor Trustee by an instrument in writing.

(d) Appointment of Successor Trustee. Any removal or resignation of the Trustee and appointment of a successor Trustee becomes effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, any Owner (on behalf of such Owner and all other Owners) may petition any federal or state court for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper,

appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, upon the receipt by the predecessor Trustee of the Request of the City or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the City will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the City shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to each Rating Agency, and to the Owners at the addresses shown on the Registration Books. If the City fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the City.

(e) Qualifications of Trustee. Any Trustee appointed under the provisions of this Section in succession to the Trustee shall:

- (i) be a company or bank having trust powers,
- (ii) have a corporate trust office in the State of California,
- (iii) have (or be part of a bank holding company system whose bank holding company has) a combined capital and surplus of at least \$75,000,000, and
- (iv) be subject to supervision or examination by federal or state authority.

If such bank or company publishes a report of condition at least annually, under law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in subsection (c) of this Section.

The City will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this subsection (e), so long as any Bonds are Outstanding.

SECTION 6.02. *Merger or Consolidation.* Any bank or company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or company shall be eligible under subsection (e) of Section 6.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 6.03. *Rights and Liabilities of Trustee.*

(a) The recitals of facts herein and in the Bonds contained are taken as statements of the City, and the Trustee has no responsibility for the correctness of the same, nor does it have any liability whatsoever therefor, nor make any representations as to the validity or sufficiency of this Indenture or of the Bonds nor shall it incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee is, however, responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee is not liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of any Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. The Trustee, either as principal or agent, may engage in or be entrusted in any financial or other transaction with the City.

(b) The Trustee has no liability with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(c) The Trustee has no liability for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder is not construed as a mandatory duty.

(d) The Trustee will not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer of the Trustee has actual knowledge thereof, or unless and until a responsible officer of the Trustee has received written notice thereof at its Office. Except as otherwise expressly provided herein, the Trustee is not bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder or thereunder. The Trustee is not responsible for the City's payment of principal and interest on the Bonds, the City's observance or performance of any other covenants, conditions or terms contained herein, or the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, and notwithstanding anything herein

to the contrary, the Trustee is not responsible for reviewing the contents of any financial statements furnished to the Trustee under Section 5.06 and may rely conclusively on the Certificate of the City accompanying such financial statements to establish the City's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Gross Revenues into the Wastewater Fund and the investment and application of moneys on deposit in the Wastewater Fund (other than its covenants to transfer such moneys to the Trustee when due hereunder).

(e) No provision in this Indenture requires the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder. The Trustee is entitled to receive interest on any moneys advanced by it hereunder, at the maximum rate permitted by law.

(f) The Trustee may establish additional accounts or subaccounts of the funds established hereunder as the Trustee deems necessary or prudent in furtherance of its duties under this Indenture.

(g) The Trustee has no responsibility or liability whatsoever with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, nor shall the Trustee have any obligation to review any such material, and any such review by the Trustee will not be deemed to create any obligation, duty or liability on the part of the Trustee.

(h) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, have the right (but not the duty) fully to inspect the Wastewater System, including all books, papers and records of the City pertaining to the Wastewater System and the Bonds, and to take such memoranda from and with regard thereto as may be desired but which is not privileged by statute or by law.

(i) Before taking any action under Article VIII the Trustee may require indemnity satisfactory to the Trustee be furnished to it to hold the Trustee harmless from any expenses whatsoever and to protect it against any liability it may incur hereunder.

(j) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(k) The permissive right of the Trustee to do things enumerated in this Indenture is not construed as a duty.

(l) The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and is not answerable for the conduct of the same if appointed by it with reasonable care.

SECTION 6.04. *Right to Rely on Documents.* The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, Bond Counsel or other counsel of or to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization

and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith.

The Trustee is not bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and such person's title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the City, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but has no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant appointed by the City.

SECTION 6.05. *Preservation and Inspection of Documents.* All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject during normal business hours, and upon reasonable prior written notice, to the inspection of the City and any Owner, and their agents and representatives duly authorized in writing.

SECTION 6.06. *Compensation and Indemnification.* Absent any agreement to the contrary, the City shall pay to the Trustee from time to time compensation for all services rendered under this Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including any allocated costs of internal counsel), agents and employees, incurred in and about the performance of its powers and duties under this Indenture. The Trustee has a first lien on the Net Revenues and all funds and accounts held by the Trustee hereunder to secure the payment to the Trustee of all fees, costs and expenses, including compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in Article VIII. Any such expenses incurred by the Trustee shall be deemed to constitute a substantial contribution to the trust estate which secures the Bonds.

The City further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities, whether or not litigated, which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability and of enforcing any remedies hereunder and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the City under this Section shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

SECTION 6.07. *Accounting Records and Financial Statements.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which accurate entries shall be made of all

transactions made by it relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee under this Indenture. Such books of record and account shall be available for inspection by the City at reasonable hours, during regular business hours, with reasonable prior notice and under reasonable circumstances. The Trustee shall furnish to the City, at least semiannually, an accounting (which may be in the form of its customary statements) of all transactions relating to the proceeds of the Bonds and all funds and accounts held by the Trustee under this Indenture.

ARTICLE VII

MODIFICATION AND AMENDMENT OF THIS INDENTURE

SECTION 7.01. *Amendments Permitted.*

(a) Amendment With Bond Owner Consent. This Indenture and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended by the City and the Trustee upon Request of the City at any time by the execution of a Supplemental Indenture, but only with the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding with respect to all Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.05. Any such Supplemental Indenture becomes effective upon the execution and delivery thereof by the parties thereto and upon consent of the requisite Bond Owners. No such modification or amendment shall:

- (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal thereof, or interest thereon, or any premium payable on the redemption thereof, at the time and place and at the rate and in the currency provided therein, without the written consent of the Owner of such Bond, or
- (ii) permit the creation by the City of any mortgage, pledge or lien upon the Gross Revenues or the Net Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as expressly permitted by this Indenture), or reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification, or
- (iii) modify any of the rights or obligations of the Trustee without its written consent.

(b) Amendment Without Bond Owner Consent. This Indenture and the rights and obligations of the City and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners of the Bonds, but only for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City contained in this Indenture, other covenants and agreements thereafter to be

observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;

- (ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in this Indenture, or in any other respect whatsoever as the City deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the City and the Trustee;
- (iii) to provide for the issuance of Parity Debt under Section 5.09, and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of Section 5.09; or
- (iv) to amend any provision hereof to assure the exclusion from gross income of interest on the Bonds for federal income tax purposes under the Tax Code, in the opinion of Bond Counsel filed with the City and the Trustee.

(c) Notice of Amendments. The City shall deliver or cause to be delivered a draft of any Supplemental Indenture to each Rating Agency, at least 10 days prior to the effective date of such Supplemental Indenture under this Section.

SECTION 7.02. *Effect of Supplemental Indenture.* From and after the time any Supplemental Indenture becomes effective under this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 7.03. *Endorsement or Replacement of Bonds After Amendment.* After the effective date of any amendment or modification hereof under this Article, the City may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the City, as to such amendment or modification and in that case upon demand of the City the Owners of such Bonds shall present such Bonds for that purpose at the Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the City may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and in that case upon demand of the City the Owners of the Bonds shall present such Bonds for exchange at the Office of the Trustee without cost to such Owners.

SECTION 7.04. *Amendment by Mutual Consent.* The provisions of this Article VII shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner.

SECTION 7.05. *Trustee's Reliance.* The Trustee may conclusively rely, and is protected in relying, upon a Certificate of the City and an opinion of counsel stating that all requirements of this Indenture relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Owners.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

SECTION 8.01. *Events of Default and Acceleration of Maturities.* Each of the following events constitutes an Event of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the City to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the City by the Trustee; *provided, however*, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the City institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The City commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in any Parity Debt Documents.

If an Event of Default occurs and is continuing, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding, and (b) subject to the provisions of Section 8.06, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity to enforce the rights of the Bond Owners under this Indenture.

Immediately upon obtaining actual knowledge of the occurrence of an Event of Default, but in no event later than five Business Days following obtaining actual knowledge of such occurrence, the Trustee shall give notice of such Event of Default to the City by

telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds has been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners in the same manner as provided herein for notices of redemption of the Bonds, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee declares the Bonds to become due and payable under the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at an interest rate of 10% per annum, and the reasonable fees and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the City and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 8.02. *Application of Funds Upon Acceleration.* All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture shall be applied by the Trustee as follows and in the following order

- (a) *First*, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under this Indenture and the payment of all fees, costs and expenses owing to the Trustee under Section 6.06, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law.
- (b) *Second*, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by those Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

SECTION 8.03. *Power of Trustee to Control Proceedings.* If the Trustee, upon the happening of an Event of Default, takes any action, by judicial proceedings or otherwise, in the performance of its duties hereunder, whether upon its own discretion, upon the request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, it has full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action. The Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

SECTION 8.04. *Limitation on Owners' Right to Sue.* No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless:

- (a) said Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;
- (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;
- (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy hereunder; it being understood and intended that no one or more Owners has any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and premium, if any, and interest on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

SECTION 8.05. *Non-waiver.* Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds, affects or impairs the obligation of the City, which is absolute and unconditional, to pay from the Net Revenues and other amounts pledged

hereunder, the principal of and interest and redemption premium (if any) on the Bonds to the Bond Owners when due and payable as herein provided, or affects or impairs the right of action, which is also absolute and unconditional, of the Bond Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner does not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Bond Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Bond Owners.

If a suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Bond Owners, the City the Bond Owners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

SECTION 8.06. *Actions by Trustee as Attorney-in-Fact.* Any suit, action or proceeding which any Owner has the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, subject to the provisions of Article VI. Notwithstanding the foregoing provisions of this Section, the Trustee has no duty to enforce any such right or remedy unless it has been indemnified to its satisfaction for any additional fees, charges and expenses of the Trustee related thereto, including without limitation, fees and charges of its attorneys and advisors.

SECTION 8.07. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Bond Law or any other law.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. *Limited Liability of City.* Notwithstanding anything contained in this Indenture, the City is not required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Gross Revenues). The City may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the City for such purpose without incurring indebtedness.

The Bonds are revenue bonds, payable exclusively from the Net Revenues and other funds as provided herein. The general fund of the City is not liable, and the credit of the City is not pledged, for the payment of the interest on or principal of the Bonds. The Owners of the Bonds have no right to compel the forfeiture of any property of the City. The principal of and interest on the Bonds, and any premiums upon the redemption of any thereof, are not a debt of the City, or a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or upon any of its income, receipts or revenues except the Net Revenues and other funds pledged to the payment thereof as provided in this Indenture.

SECTION 9.02. *Benefits of Indenture Limited to Parties.* Nothing in this Indenture, expressed or implied, gives to any person other than the City and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the City shall be for the sole and exclusive benefit of the Trustee and the Owners of the Bonds.

SECTION 9.03. *Defeasance of Bonds.* If the City pays and discharges the entire indebtedness on any Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing with the Trustee or an escrow agent, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under this Indenture, is fully sufficient to pay such Bonds, including all principal, interest and redemption premium, if any;
- (c) by irrevocably depositing with the Trustee or an escrow agent, in trust, Federal Securities in such amount as an Independent Accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or

- (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been duly given or provision satisfactory to the Trustee has been made for the giving of such notice, then, at the election of the City, and notwithstanding that any such Bonds have not been surrendered for payment, the pledge of the Net Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the City under this Indenture with respect to such Bonds shall cease and terminate, except only:

- (a) the obligations of the City under Section 5.11,
- (b) the obligation of the Trustee to transfer and exchange Bonds hereunder,
- (c) the obligation of the City to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and
- (d) the obligations of the City to compensate and indemnify the Trustee under Section 6.06.

The City shall file notice of such election with the Trustee. The Trustee shall pay any funds thereafter held by it, which are not required for said purpose, to the City.

In the case of a defeasance or payment of all of the Bonds Outstanding in accordance with this Section, the Trustee shall pay all amounts held by it in any funds or accounts hereunder, which are not required for said purpose or for payment of amounts due the Trustee under Section 6.06, to the City.

SECTION 9.04. *Execution of Documents and Proof of Ownership by Owners.* Any request, consent, declaration or other instrument which this Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of Bonds and the amount, maturity, number and date of ownership thereof are conclusively proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Bond binds all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Trustee in good faith and in accordance therewith.

SECTION 9.05. *Disqualified Bonds.* In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the City (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. The Trustee will not be deemed to have knowledge that any Bond is owned or held by the City unless the City is the Registered Owner or the Trustee has received written notice to that effect.

SECTION 9.06. *Waiver of Personal Liability.* No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.07. *Destruction of Canceled Bonds.* Whenever in this Indenture provision is made for the surrender to the City of any Bonds which have been paid or canceled under the provisions of this Indenture, a certificate of destruction duly executed by the Trustee shall be deemed to be the equivalent of the surrender of such canceled Bonds and the City shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to. The City shall pay all costs of any microfilming of Bonds to be destroyed.

SECTION 9.08. *Funds and Accounts.* Any fund or account required by this Indenture to be established and maintained by the City or the Trustee may be established and maintained in the accounting records of the City or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the City shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

SECTION 9.09. *Notices.* All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the City:

City of Sunnyvale
650 W. Olive Avenue
Sunnyvale, CA 94086
Attention: Finance Director

If to the Trustee:

U.S. Bank National Association
One California Street, Suite 1000
San Francisco, California 94111
Attention: Global Corporate Trust Services

SECTION 9.10. *Unclaimed Moneys.* Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the City for the payment of the principal of and interest and redemption premium (if any) on such Bonds.

SECTION 9.11. *Execution in Several Counterparts.* This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the City and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 9.12. *Governing Law.* This Indenture shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the CITY OF SUNNYVALE has caused this Indenture to be signed in its name by its City Manager and to be attested by its City Clerk, and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

CITY OF SUNNYVALE

By _____
City Manager

Attest

City Clerk

**U.S. BANK NATIONAL ASSOCIATION, as
Trustee**

By _____
Vice President

APPENDIX A

DEFINITIONS

“Additional Revenues” means, with respect to any issuance of Parity Debt:

(i) an allowance for Net Revenues from any additions to or improvements or extensions of the Wastewater System to be made with the proceeds of such Parity Debt, and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source, but in any case which, during all or any part of such Fiscal Year or such 12-month period, were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown in the written report of an Independent Accountant or Financial Consultant engaged by the City; and

(ii) an allowance for earnings arising from any increase in the rates and charges made for service from the Wastewater System which has become effective prior to the incurring of such additional indebtedness but which, during all or any part of such Fiscal Year or such 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in such rates and charges had been in effect during the whole of such Fiscal Year or such 12-month period.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Law” means Chapter 3.70 (commencing with Section 3.70.010) of the Sunnyvale Municipal Code, enacted pursuant to the charter of the City and Ordinance No. 2917-10, adopted April 6, 2010, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

“Bond Service Fund” means the fund by that name established and held by the Trustee under Section 4.02(a).

“Bond Year” means any twelve-month period commencing on April 2 in a year and ending on the next succeeding April 1, both dates inclusive; except that the first Bond Year commences on the Closing Date and ends on April 1, 2018.

“Bonds” means, collectively, the Series A Bonds and the Taxable Series A-T bonds.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located, and on which the Federal Reserve Bank system is not closed.

"Certificate of the City" means a certificate in writing signed by the Mayor, City Manager or Director of Finance of the City, or any other officer of the City duly authorized by the City Council for that purpose.

"City" means the City of Sunnyvale, a municipal corporation and charter city organized and existing under the laws of the State of California, and any successor thereto.

"Closing Date" means December ____, 2017, being the date of delivery of the Bonds to the Underwriter.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the Bonds and the refunding of the 2010 Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and its counsel, including the Trustee's first annual administrative fee; fees, charges and disbursements of attorneys, municipal advisors, accounting firms, consultants and other professionals; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds and the refunding of the 2010 Bonds.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee under Section 3.03.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.04.

"Depository System Participant" means any participant in the Depository's book-entry system.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Escrow Agent" means U.S Bank National Association, as escrow bank under the Escrow Agreement.

"Escrow Agreement" means the Escrow Deposit and Trust Agreement dated as of the Closing Date, between the City and the Escrow Agent, relating to the payment, redemption and defeasance of the 2010 Bonds.

"Event of Default" means any of the events described in Section 8.01.

"Federal Securities" means:

(a) any direct general non-callable obligations of the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America; and

(b) any obligations the timely payment of principal of and interest on which are fully guaranteed by the United States of America or which are secured by obligations described in the preceding clause (a).

“Financial Consultant” means any consultant or firm of such consultants appointed by the City and who, or each of whom: (a) is judged by the City to have experience in matters relating to the financing of wastewater systems; (b) is in fact independent and not under domination of the City; (c) does not have any substantial interest, direct or indirect, with the City; and (d) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Fiscal Year” means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or such other period as may be established by the City as its official fiscal year period (written notice of which shall be given by the City to the Trustee).

“Gross Revenues” means all gross charges received for, and all other gross income and receipts derived by the City from, the ownership and operation of the Wastewater System or otherwise arising from the Wastewater System, determined in accordance with generally accepted accounting principles, including but not limited to investment earnings thereon, insurance proceeds, transfers from (but exclusive of any transfers to) the Revenue Stabilization Fund, and all moneys received by the City from other public entities whose inhabitants are served by the Wastewater System pursuant to contracts with the City.

However, “Gross Revenues” exclude (a) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the City levied for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Wastewater System, (b) any taxes levied for the sole purpose of providing for payment of principal and interest on any voter-approved indebtedness incurred by the City, which would not otherwise be subject to levy but for the issuance of such indebtedness, (c) the proceeds of any state or federal grants with respect to the Wastewater System, and (d) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the City.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

“Independent Accountant” means any accountant or firm of such accountants appointed and paid by the City, and who, or each of whom (a) is in fact independent and not under domination of the City; (b) does not have any substantial interest, direct or indirect, with the City; and (c) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or other audits of the books of or reports to the City.

“Interest Payment Date” means April 1 and October 1 in each year, beginning April 1, 2018, and continuing so long as any Bonds remain Outstanding.

“Maximum Annual Debt Service” means, as of the date of any calculation, the maximum sum obtained for the current or any future Fiscal Year so long as any of the Bonds remain Outstanding by totaling the following amounts for such Fiscal Year:

- (a) the aggregate amount of principal of (including sinking payments) and interest on the Outstanding Bonds coming due and payable in such Fiscal Year;
- (b) the principal amount of all outstanding Parity Debt, if any, coming due and payable by their terms in such Fiscal Year, including the principal of any Parity Debt coming due and payable by operation of mandatory sinking fund redemption; and
- (c) the amount of interest which would be due during such Fiscal Year on the aggregate principal amount of the Bonds and Parity Debt which would be outstanding in such Fiscal Year if such Bonds and Parity Debt are retired as scheduled.

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to Section 2.04(a).

“Office” means, with respect to the Trustee, the corporate trust office of the Trustee at the address set forth in Section 9.09, or at such other or additional offices as may be specified by the Trustee in writing to the City; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

“Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Wastewater System, determined in accordance with generally accepted accounting principles, including but not limited to (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and (b) all administrative costs of the City that are charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, and the necessary contribution to retirement of such employees, overhead, taxes (if any) and insurance.

However, “Operation and Maintenance Costs” do not include (i) administrative costs which the City is required to pay hereunder, (ii) payments of debt service on bonds, notes, installment sale agreements or other obligations issued by the City with respect to the Wastewater System, (iii) depreciation, replacement and obsolescence charges or reserves therefor, and (iv) amortization of intangibles or other bookkeeping entries of a similar nature, and (v) costs and expenses which under generally accepted accounting principles are chargeable to a capital account.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the City has been discharged in accordance with Section 9.03; (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture; and (d) Bonds which are required to be disregarded and not deemed Outstanding under Section 9.05.

“Owner”, when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

“Parity Debt” means, collectively:

- (a) the Installment Sale Agreement entitled “Headworks and Primary Treatment, Phase 1(A), Clean Water State Revolving Fund Project No. C-06-8153-110, Agreement No. D16-01024,” in the original principal amount of \$127,068,522, dated as of December 9, 2016, between the City and the State of California Water Resources Control Board; and
- (b) all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the City payable from and secured by a pledge of and lien upon any of the Net Revenues issued or incurred on a parity with the Bonds under Section 5.09.

“Parity Debt Documents” means all leases, installment sale agreements, trust agreements, indentures of trust and other documents prescribing the terms and provisions applicable to any issue of Parity Debt.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.
- (c) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (d) Commercial paper rated in the highest short-term rating category by S&P.

- (e) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating in the highest rating category of S&P.
- (f) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating in the highest rating category of S&P (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).
- (g) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Federal Securities.
- (h) Bonds or notes issued by any state or municipality which are rated by S&P in one of the two highest rating categories assigned by S&P.
- (i) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P at the time of initial investment.
- (j) The Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.
- (k) The California Asset Management Program (CAMP).

“Record Date” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date.

“Redemption Fund” means the fund by that name established and held by the Trustee under Section 4.02(c).

“Registration Books” means the books maintained by the Trustee under Section 2.07 for the registration and transfer of ownership of the Bonds.

“Request of the City” means a request in writing signed by the Mayor, City Manager or Director of Finance of the City, or any other officer of the City duly authorized by the City Council for that purpose.

“S&P” means Standard & Poor's Corporation, of New York, New York, and its successors.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in a Request of the City delivered by the City to the Trustee.

“Series A Bonds” means the City of Sunnyvale Wastewater Revenue Refunding Bonds, Series 2017A, issued in the aggregate principal amount of \$_____ and at any time Outstanding hereunder.

“Series A Term Bonds” means the Series A Bonds maturing on April 1, 20__ and April 1, 20__.

“Supplemental Indenture” means any indenture, agreement, resolution or other instrument hereafter duly adopted or executed in accordance with the provisions of Section 7.01.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Taxable Series A-T Bonds” means the City of Sunnyvale Taxable Wastewater Revenue Refunding Bonds, Series 2017A-T, issued in the aggregate principal amount of \$_____ and at any time Outstanding hereunder.

“Trustee” means U.S. Bank National Association, as Trustee hereunder, or any successor thereto appointed as Trustee hereunder in accordance with the provisions of Article VI.

“2010 Bonds” means the bonds of the City captioned “City of Sunnyvale Wastewater Revenue Bonds, Series 2010” issued in the original principal amount of \$35,380,000.

“Underwriter” means J.P. Morgan Securities LLC, as original purchaser of the Bonds on the Closing Date.

“Wastewater Fund” means the fund or funds which the City has previously established for the receipt and deposit of Gross Revenues derived from the Wastewater System.

“Wastewater System” means the existing wastewater system of the City, comprising all facilities for the collection, treatment, disposal or reuse of wastewater, including sewage treatment plants, intercepting and collecting sewers, outfall sewers, force mains, pumping stations, ejector stations, oxidation ponds, pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, treatment, purification, reclamation or disposal of sewage, together with any necessary lands, rights, entitlements and other property useful in connection therewith, and all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the City.

APPENDIX B

FORM OF SERIES A BOND

No. R-1

***\$_____**

CITY OF SUNNYVALE WASTEWATER REVENUE REFUNDING BOND, SERIES 2017A

INTEREST RATE: MATURITY DATE: ISSUE DATE: CUSIP:
 April 1, _____ December __, 2017

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \$_____

The City of Sunnyvale, a municipal corporation and charter city organized and existing under the laws of the State of California (the "City") for value received, hereby promises to pay (but only out of the Net Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner stated above, or registered assigns, on the Maturity Date stated above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount stated above, in lawful money of the United States of America; and to pay interest thereon in like lawful money from the Interest Payment Date next preceding the date of authentication of this Bond (unless this Bond is authenticated as of a day during the period commencing after the 15th day of the month preceding an Interest Payment Date and ending on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before March 15, 2018, in which event it shall bear interest from the Issue Date stated above) until payment of such principal sum shall be discharged as provided in the Indenture hereinafter mentioned, at the Interest Rate per annum stated above, payable semiannually on each April 1 and October 1, commencing April 1, 2018 (each, an "Interest Payment Date").

The principal (or redemption price) hereof is payable by check at the Office (as defined in the Indenture referred to below) of U.S. Bank National Association (together with any successor trustee under the Indenture, the "Trustee"). Interest hereon is payable by check of the Trustee mailed on each Interest Payment Date to the Registered Owner as of the 15th day of the month preceding each Interest Payment Date (except with respect to payment of defaulted interest as provided in the Indenture hereinafter referred to) at the address shown on the registration books maintained by the Trustee. Payment of interest

will be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee before the 15th day of the month preceding the applicable Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the City designated as its "City of Sunnyvale Wastewater Revenue Refunding Bonds, Series 2017A" (the "Bonds"), in the aggregate principal amount of \$_____, authorized under the provisions of Chapter 3.70 (commencing with Section 3.70.010) of the Sunnyvale Municipal Code, enacted pursuant to the charter of the City and Ordinance No. 2917-10, adopted April 6, 2010 (the "Bond Law"), and issued under an Indenture of Trust dated as of December 1, 2017 (the "Indenture"), between the City and the Trustee. The Bonds have been issued for the purpose of refunding outstanding obligations of the City issued to finance improvements to the City's system for the collection, treatment, disposal or reuse of wastewater, (the "Wastewater System").

Reference is hereby made to the Indenture (a copy of which is on file at said Office of the Trustee) and all indentures supplemental thereto and to the Bond Law for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the City thereunder. The Registered Owner of this Bond, by acceptance hereof, assents and agrees to all the provisions of the Indenture.

The Bonds and the interest thereon are payable from Net Revenues of the Wastewater System (as such terms are defined in the Indenture) and are secured by a pledge and assignment of said Net Revenues and of amounts held in the Bond Fund established under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The City has the right under the Indenture to issue additional obligations on a parity with the Bonds, subject to the specific conditions set forth in the Indenture. The Bonds are special obligations of the City and are not a lien or charge upon the funds or property of the City, except to the extent of the aforesaid pledge and assignment.

The Bonds maturing on or before April 1, 20____, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after April 1, 20____, are subject to redemption in whole, or in part among maturities on such basis as set forth in a Certificate of the City filed with the Trustee, and in any event by lot within a maturity, at the option of the City, from any available source of funds, on any Business Day on or after April 1, 20____, at a redemption price equal to 100% of the principal amount thereof to be redeemed together with accrued interest to the redemption date, without premium.

The Bonds maturing on April 1, 20____, and April 1, 20____ (the "Series A Term Bonds") are subject to mandatory redemption in whole, or in part by lot, from sinking payments, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on April 1 in the years as set forth in the following tables:

Series A Term Bonds Maturing April 1, 20__

Sinking Payment Redemption Date <u>(April 1)</u>	Principal <u>Amount</u>
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(Maturity)

Series A Term Bonds Maturing April 1, 20__

Sinking Fund Redemption Date <u>(April 1)</u>	Principal <u>Amount</u>
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(Maturity)

If some but not all of the Series A Term Bonds have been redeemed under the optional redemption provisions set forth above, the total amount of all future sinking payments will be reduced by the aggregate principal amount of such Series A Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro-rata basis as determined by the City.

The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default.

The Trustee on behalf and at the expense of the City shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption, at least 30 but not more than 60 days prior to the redemption date, at their respective addresses appearing on the Registration Books. Neither the failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Interest on the Bonds called for redemption will not accrue from and after the redemption date.

The Bonds are issuable as fully registered Bonds in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations provided in the Indenture, Bonds may be exchanged, at said Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, but only in the manner, subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds, of authorized denomination or denominations, of the same maturity and for the same aggregate principal amount, will be

issued to the transferee in exchange herefor. The City and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the City and the Trustee shall not be affected by any notice to the contrary.

The Indenture and the rights and obligations of the City and of the owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the City to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified and recited that any and all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Bond Law, and by the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any limit prescribed by the Bond Law and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond is not entitled to any benefit under the Indenture, or is not valid or obligatory for any purpose, until the certificate of authentication hereon endorsed has been signed by the Trustee.

IN WITNESS WHEREOF, City of Sunnyvale has caused this Bond to be executed in its name and on its behalf by the facsimile signature of its City Manager and attested to by the facsimile signature of its City Clerk, all as of the Issue Date stated above.

CITY OF SUNNYVALE

By _____
City Manager

Attest

City Clerk

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed

Note: Signature(s) shall be guaranteed by an eligible guarantor institution.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

FORM OF TAXABLE SERIES A-T BOND

No. R-1

***\$_____**

**CITY OF SUNNYVALE
TAXABLE WASTEWATER REVENUE REFUNDING BOND,
SERIES 2017A-T**

INTEREST RATE: **MATURITY DATE:** **ISSUE DATE:** **CUSIP:**
 April 1, _____ December __, 2017

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \$_____

The City of Sunnyvale, a municipal corporation and charter city organized and existing under the laws of the State of California (the "City") for value received, hereby promises to pay (but only out of the Net Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner stated above, or registered assigns, on the Maturity Date stated above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount stated above, in lawful money of the United States of America; and to pay interest thereon in like lawful money from the Interest Payment Date next preceding the date of authentication of this Bond (unless this Bond is authenticated as of a day during the period commencing after the 15th day of the month preceding an Interest Payment Date and ending on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before March 15, 2018, in which event it shall bear interest from the Issue Date stated above) until payment of such principal sum shall be discharged as provided in the Indenture hereinafter mentioned, at the Interest Rate per annum stated above, payable semiannually on each April 1 and October 1, commencing April 1, 2018 (each, an "Interest Payment Date").

The principal (or redemption price) hereof is payable by check at the Office (as defined in the Indenture referred to below) of U.S. Bank National Association (together with any successor trustee under the Indenture, the "Trustee"). Interest hereon is payable by check of the Trustee mailed on each Interest Payment Date to the Registered Owner as of the 15th day of the month preceding each Interest Payment Date (except with respect to payment of defaulted interest as provided in the Indenture hereinafter referred to) at the address shown on the registration books maintained by the Trustee. Payment of interest will be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000

or more who shall furnish written wire instructions to the Trustee before the 15th day of the month preceding the applicable Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the City designated as its "City of Sunnyvale Taxable Wastewater Revenue Refunding Bonds, Series 2017A-T" (the "Bonds"), in the aggregate principal amount of \$_____, authorized under the provisions of Chapter 3.70 (commencing with Section 3.70.010) of the Sunnyvale Municipal Code, enacted pursuant to the charter of the City and Ordinance No. 2917-10, adopted April 6, 2010 (the "Bond Law"), and issued under an Indenture of Trust dated as of December 1, 2017 (the "Indenture"), between the City and the Trustee. The Bonds have been issued for the purpose of refunding outstanding obligations of the City issued to finance improvements to the City's system for the collection, treatment, disposal or reuse of wastewater, (the "Wastewater System").

Reference is hereby made to the Indenture (a copy of which is on file at said Office of the Trustee) and all indentures supplemental thereto and to the Bond Law for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the City thereunder. The Registered Owner of this Bond, by acceptance hereof, assents and agrees to all the provisions of the Indenture.

The Bonds and the interest thereon are payable from Net Revenues of the Wastewater System (as such terms are defined in the Indenture) and are secured by a pledge and assignment of said Net Revenues and of amounts held in the Bond Fund established under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The City has the right under the Indenture to issue additional obligations on a parity with the Bonds, subject to the specific conditions set forth in the Indenture. The Bonds are special obligations of the City and are not a lien or charge upon the funds or property of the City, except to the extent of the aforesaid pledge and assignment.

The Bonds may be redeemed, in whole or in part, at the option of the City, at any time at a redemption price equal to the greater of

(i) 100% of the principal amount of the Taxable Series A-T Bonds to be redeemed, and

(ii) the sum of the present values of the applicable remaining scheduled payments of principal and interest on the Taxable Series A-T Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Taxable Series A-T Bonds are to be redeemed, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus ____ basis points,

plus in each case, accrued and unpaid interest on the Taxable Series A-T Bonds being redeemed to the date fixed for redemption (as such terms used above are defined in the Indenture).

The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of

optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default.

The Trustee on behalf and at the expense of the City shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption, at least 30 but not more than 60 days prior to the redemption date, at their respective addresses appearing on the Registration Books. Neither the failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Interest on the Bonds called for redemption will not accrue from and after the redemption date.

The Bonds are issuable as fully registered Bonds in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations provided in the Indenture, Bonds may be exchanged, at said Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, but only in the manner, subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds, of authorized denomination or denominations, of the same maturity and for the same aggregate principal amount, will be issued to the transferee in exchange herefor. The City and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the City and the Trustee shall not be affected by any notice to the contrary.

The Indenture and the rights and obligations of the City and of the owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the City to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified and recited that any and all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Bond Law, and by the laws of the State of California, and that

the amount of this Bond, together with all other indebtedness of the City, does not exceed any limit prescribed by the Bond Law and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond is not entitled to any benefit under the Indenture, or is not valid or obligatory for any purpose, until the certificate of authentication hereon endorsed has been signed by the Trustee.

IN WITNESS WHEREOF, City of Sunnyvale has caused this Bond to be executed in its name and on its behalf by the facsimile signature of its City Manager and attested to by the facsimile signature of its City Clerk, all as of the Issue Date stated above.

CITY OF SUNNYVALE

By _____
City Manager

Attest

City Clerk

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed

Note: Signature(s) shall be guaranteed by an eligible guarantor institution.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

ESCROW DEPOSIT AND TRUST AGREEMENT

\$35,380,000
CITY OF SUNNYVALE
WASTEWATER REVENUE BONDS, SERIES 2010

This ESCROW DEPOSIT AND TRUST AGREEMENT, dated as of December __, 2017 (the "**Agreement**"), is by and between the City of Sunnyvale, a municipal corporation and charter city organized and existing under the laws of the State of California (the "City"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, acting as escrow agent for the Prior Bonds defined below (the "Escrow Agent") and as trustee (the "Prior Bonds Trustee") for the Prior Bonds defined below.

BACKGROUND:

1. The City owns and operates a public utility enterprise for the collection, treatment, disposal and reuse of wastewater within the service area of the City (the "Wastewater System").

2. In order to finance and refinance improvements to the Wastewater System, the City has previously issued its bonds captioned "City of Sunnyvale Wastewater Revenue Bonds, Series 2010" in the original principal amount of \$35,380,000 (the "Prior Bonds") under an Indenture of Trust dated as of June 1, 2010 (the "Prior Bonds Indenture"), between the City and the Prior Trustee.

3. Under the Prior Bonds Indenture, the Prior Bonds are subject to redemption on any date on or after April 1, 2020, at a redemption price equal to the principal amount of the Prior Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

4. In order to provide funds to defease, pay and redeem the Prior Bonds and thereby discharge the indebtedness represented by the Prior Bonds in accordance with the Prior Bonds Indenture, the City Council has authorized the issuance of its bonds captioned "City of Sunnyvale Wastewater Revenue Refunding Bonds, Series 2017A," in the aggregate principal amount of \$_____ (the "Series A Bonds"), and its bonds captioned "City of Sunnyvale Taxable Wastewater Revenue Refunding Bonds, Series 2017A-T," in the aggregate principal amount of \$_____ (the "Taxable Series A-T Bonds" and, together with the Series A Bonds, the "Refunding Bonds") under an Indenture of Trust dated as of December 1, 2017 (the "Refunding Bonds Indenture"), between the City and U.S. Bank National Association (the "Refunding Bonds Trustee").

5. The City wishes to appoint the Escrow Agent for the purpose of establishing an irrevocable escrow fund to be funded, invested, held and administered for the purpose of providing for the payment and redemption of the Prior Bonds in full in accordance with the Prior Bonds Indenture.

6. As a result of the deposit and investment of funds in accordance with this Agreement, the Prior Bonds will be discharged and defeased in accordance with the provisions of Section 9.03 of the Prior Bonds Indenture.

A G R E E M E N T :

In consideration of the premises and the material covenants contained herein, the City and the Escrow Agent hereby agree as follows:

SECTION 1. *Appointment of Escrow Agent; Establishment of Escrow Fund.* The City hereby appoints the Escrow Agent to act as escrow agent for purposes of administering the funds required to defease, pay and redeem the Prior Bonds in full in accordance with the Prior Bonds Indenture.

The Escrow Agent is hereby directed to establish an escrow fund to be known as the "City of Sunnyvale Wastewater Revenue Bonds, Series 2010, Escrow Fund" (the "Escrow Fund") to be held by the Escrow Agent as an irrevocable escrow securing the defeasance, payment and redemption of the Prior Bonds in accordance with the Prior Bonds Indenture. If at any time the Escrow Agent receives actual knowledge that the cash and securities in the Escrow Fund will not be sufficient to make any payment required by Section 5, the Escrow Agent shall notify the City of such fact and the City shall immediately cure such deficiency from any source of legally available funds. The Escrow Agent has no liability for any such insufficiency.

SECTION 2. *Deposit of Amounts in Escrow Fund.* On December ____, 2017 (the "Closing Date"), the City shall cause to be transferred to the Escrow Agent for deposit into the Escrow Fund the amount of \$_____ in immediately available funds, to be derived from the proceeds of the Refunding Bonds.

In addition, on the Closing Date, the Escrow Agent, in its capacity as Prior Bonds Trustee, shall withdraw all funds held in the funds and accounts established under the Prior Bonds Indenture, in the combined amount of \$_____, for deposit into the Escrow Fund, for a total deposit equal to \$_____.

SECTION 3. *Investment of Amounts in Escrow Fund.* On the Closing Date, the Escrow Agent shall invest \$_____ of the amounts deposited in the Escrow Fund in the federal securities listed on Exhibit A and hold the remaining \$_____ in cash, uninvested.

SECTION 4. *Irrevocable Election to Redeem the Prior Bonds.* The City hereby irrevocably elects to redeem the Prior Bonds in full on April 1, 2020 (the "Redemption Date"), in accordance with Section 2.02(a) of the Prior Bonds Indenture.

At the written direction of the City, notice of redemption of the Prior Bonds shall be given by the Escrow Agent, in its capacity as Prior Bonds Trustee, in accordance with Section 2.02(c) of the Prior Bonds Indenture, at the expense of the City, using a redemption notice in the form set forth in Exhibit B. Notice of redemption of the Prior Bonds shall be given by the Escrow Agent no later than March 2, 2020.

The City further hereby directs the Escrow Agent to file on the Closing Date the notice attached as Exhibit C on the Municipal Securities Rulemaking Board's EMMA system with respect to the defeasance of the Prior Bonds. The sole remedy for the Escrow Agent's failure to file such notice with EMMA shall be an action in mandamus by the

holders of the Prior Bonds for specific performance, or a similar remedy to compel performance.

SECTION 5. *Application of Amounts in Escrow Fund.* The Escrow Agent shall apply an amount on deposit in the Escrow Fund to pay and redeem the Prior Bonds on the Redemption Date, in accordance with the following schedule:

Redemption Date	Interest	Principal Redeemed	Total
4/01/2018	\$ _____	\$ _____	\$ _____
10/1/2018	\$ _____	\$ _____	\$ _____
4/01/2019	\$ _____	\$ _____	\$ _____
10/1/2019	\$ _____	\$ _____	\$ _____
4/01/2020	\$ _____	\$ _____	\$ _____

Following the payment and redemption of the Prior Bonds in full on the Redemption Date, the Escrow Agent shall transfer any amounts remaining on deposit in the Escrow Fund to the Refunding Bonds Trustee to be deposited in the Bond Service Fund established for the Refunding Bonds under Section 4.02 of the Refunding Bonds Indenture and applied to pay interest next coming due and payable on the Refunding Bonds.

SECTION 6. *Compensation to Escrow Agent.* The City shall pay the Escrow Agent full compensation for its services under this Agreement, including out-of-pocket costs such as publication costs, redemption expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase, substitution or withdrawal of any securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes. The Escrow Agent has no lien upon or right of set off against the cash and securities at any time on deposit in the Escrow Fund.

The City shall indemnify, defend and hold harmless the Escrow Agent and its officers, directors, employees, representatives and agents, from and against and reimburse the Escrow Agent for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Agent directly or indirectly relating to, or arising from, claims against the Escrow Agent by reason of its participation in the transactions contemplated hereby, except to the extent caused by the Escrow Agent's negligence or willful misconduct. The provisions of this Section shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Agent.

SECTION 7. *Immunities and Liability of Escrow Agent.* The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent shall not have any liability hereunder except to the extent of its gross negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, indirect or consequential damages. The Escrow Agent shall not be permitted to make any investments of amounts held by it in the Escrow Fund. The Escrow Agent may consult with legal counsel of its own choice and the Escrow Agent shall not be liable for any action taken or not taken by it in good faith in reliance upon the opinion

or advice of such counsel. The Escrow Agent shall not be liable for the recitals or representations contained in this Agreement and shall not be responsible for the validity of this Agreement, the sufficiency of the Escrow Fund or the moneys and securities to pay the principal and interest represented by the Prior Bonds.

Whenever in the administration of this Agreement the Escrow Agent deems it necessary or desirable that a matter be proved or established prior to taking or not taking any action, such matter may be deemed to be conclusively proved and established by a certificate of an authorized representative of the City and shall be full protection for any action taken or not taken by the Escrow Agent in good faith reliance thereon.

The Escrow Agent may conclusively rely as to the truth and accuracy of the statements and correctness of any opinions or calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any notice, instruction, request, certificate, document, opinion or other writing furnished to the Escrow Agent in connection with this Agreement and believed by the Escrow Agent to be signed by the proper party, and it need not investigate any fact or matter stated therein.

None of the provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care. The Escrow Agent shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Escrow Agent and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Escrow Agent may at any time resign by giving 30 days' written notice of resignation to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Escrow Agent from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to each of the City, the resigning Escrow Agent and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor.

Any bank, corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

SECTION 8. *Furnishing of Statements.* The Escrow Agent shall furnish the City periodic cash transaction statements which include detail for all investment transactions effected by the Escrow Agent or brokers selected by the City. Upon the City's election, such statements will be delivered via the Escrow Agent's online service and upon electing such service, paper statements will be provided only upon request. The City waives the right to receive brokerage confirmations of security transactions effected by the Escrow Agent as they occur, to the extent permitted by law. The City further understands that trade confirmations for securities transactions effected by the Escrow Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

SECTION 9. *Electronic Communications.* The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Escrow Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

SECTION 10. *Termination of Agreement.* Upon payment and redemption in full of the Prior Bonds, and upon payment of all fees, expenses and charges of the Escrow Agent

as described above, this Agreement shall terminate and the Escrow Agent shall be discharged from any further obligation or responsibility hereunder.

SECTION 11. *Execution in Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 12. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

CITY OF SUNNYVALE

By _____
City Manager

Attest

City Clerk

**U.S. BANK NATIONAL
ASSOCIATION,**
as Escrow Agent and as Prior Bonds
Trustee

By _____
Authorized Officer

EXHIBIT A

ESCROW SECURITIES

Type of Security	Delivery Date	Maturity Date	Par Amount	Coupon	
	12/___/2017	4/01/2020			

EXHIBIT B

FORM OF NOTICE OF REDEMPTION

NOTICE OF FULL REDEMPTION

\$35,380,000

**CITY OF SUNNYVALE
WASTEWATER REVENUE BONDS, SERIES 2010**

Original Date of Issue: June 29, 2010

NOTICE IS HEREBY GIVEN, by the City of Sunnyvale (the "City"), with respect to the captioned bonds (the "2010 Bonds"), that it has elected to optionally redeem all of the outstanding 2010 Bonds on April 1, 2020 (the "Redemption Date"). The redemption price of the 2010 Bonds equals the par amount thereof together with accrued interest thereon to the Redemption Date, without redemption premium. Interest on the 2010 Bonds will not accrue after the Redemption Date.

The 2010 Bonds being optionally redeemed consist of the following:

Maturity Date (April 1)	Principal Amount	Interest Rate	CUSIP†
2020	\$1,060,000	5.000%	867604 AK6
2021	1,115,000	5.000	867604 AL4
2022	1,165,000	5.000	867604 AM2
2023	1,230,000	5.000	867604 AN0
2024	1,290,000	5.250	867604 AP5
2025	1,355,000	5.250	867604 AQ3
2026	1,430,000	5.250	867604 AR1
2027	1,510,000	5.250	867604 AS9
2040 T	13,325,000	5.250	867604 AT7

T: Term Bonds

† The City and the Trustee shall not be responsible for the selection or use of the CUSIP numbers listed above, nor is any representation made as to the accuracy of the CUSIP numbers listed above or as printed on any 2010 Bond; the CUSIP numbers are included solely for the convenience of the owners of the 2010 Bonds.

The 2010 Bonds must be surrendered by the owners thereof at the corporate trust office of the Trustee, listed below, for payment of the redemption price.

Registered/Certified Mail:
U.S. Bank National Association
Global Corporate Trust Services
111 Fillmore Ave E
St. Paul, MN 55107

Dated: _____, 2020

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

EXHIBIT C

FORM OF NOTICE OF DEFEASANCE

NOTICE OF DEFEASANCE

\$35,380,000

**CITY OF SUNNYVALE
WASTEWATER REVENUE BONDS, SERIES 2010**

Original Date of Issue: June 29, 2010

NOTICE IS HEREBY GIVEN, by the City of Sunnyvale (the "City"), that the captioned bonds (the "2010 Bonds") have been defeased and discharged under and within the meaning of the Indenture of Trust dated as of June 1, 2010, between the City and U.S. Bank National Association (the "Indenture"), authorizing the issuance of the 2010 Bonds. Funds for the payment of the 2010 Bonds have been deposited with U.S. Bank National Association, as escrow agent, and the sufficiency of the funds and investments for the purpose of paying the principal of and interest on the 2010 Bonds has been verified by Causey Demgen & Moore P.C., certified public accountants. As a consequence of the foregoing actions and in accordance with the Indenture, the 2010 Bonds are no longer secured by a pledge of revenues under the Indenture, and the 2010 Bonds are now payable solely from the moneys set aside in escrow as described above and, if necessary, from other legally available funds of the City.

The City has elected to optionally redeem all of the outstanding 2010 Bonds on April 1, 2020 (the "Redemption Date"). The redemption price of the 2010 Bonds equals the par amount thereof together with accrued interest thereon to the Redemption Date, without redemption premium. Interest on the 2010 Bonds will not accrue after the Redemption Date.

The 2010 Bonds being defeased consist of the following:

Maturity Date (April 1)	Principal Amount	Interest Rate	CUSIP†
2018	\$1,515,000	5.000%	867604 AH3
2019	1,010,000	5.000	867604 AJ9
2020	1,060,000	5.000	867604 AK6
2021	1,115,000	5.000	867604 AL4
2022	1,165,000	5.000	867604 AM2
2023	1,230,000	5.000	867604 AN0
2024	1,290,000	5.250	867604 AP5
2025	1,355,000	5.250	867604 AQ3
2026	1,430,000	5.250	867604 AR1
2027	1,510,000	5.250	867604 AS9
2040 T	13,325,000	5.250	867604 AT7

T: Term Bonds

† The City and the Trustee shall not be responsible for the selection or use of the CUSIP numbers listed above, nor is any representation made as to the accuracy of the CUSIP numbers listed above or as printed on any 2010 Bond; the CUSIP numbers are included solely for the convenience of the owners of the 2010 Bonds.

The 2010 Bonds must be surrendered by the owners thereof at the corporate trust office of the Trustee for payment of the redemption price.

Dated: _____, 2017

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER ___, 2017**NEW ISSUE - FULL BOOK-ENTRY**

RATINGS: S&P “___”
Moody’s: “___”
See “Ratings”

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. Interest on the Taxable Series 2017A-T Bonds is not intended to be excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the 2017 Bonds is exempt from California personal income taxes. See “TAX MATTERS.”

\$ _____
City of Sunnyvale
Wastewater Revenue Refunding
Bonds, Series 2017A

\$ _____
City of Sunnyvale
Taxable Wastewater Revenue Refunding
Bonds, Series 2017A-T

Dated: Date of Delivery

Due: April 1, as shown on inside cover

Authority for Issuance. The bonds captioned above (the “Series 2017A Bonds” and the “Taxable Series 2017A-T Bonds” and together, the “2017 Bonds”) are being issued by the City of Sunnyvale (the “City”) under (i) a resolution adopted by the City Council of the City, (ii) the provisions of Chapter 3.70 (commencing with Section 3.70.010) of the Sunnyvale Municipal Code, enacted pursuant to the charter of the City and Ordinance No. 2917-10, adopted April 6, 2010, (and (iii) an Indenture of Trust dated as of December 1, 2017 (the “Indenture”), by and between the City and U.S. Bank National Association, as trustee. See “THE 2017 BONDS – Authority for Issuance.”

Security for the 2017 Bonds. The 2017 Bonds are special obligations of the City, payable solely from “Net Revenues” of the City’s facilities for the collection, treatment, disposal and reuse of wastewater within the service area of the City (the “Wastewater System”), and amounts on deposit in certain funds and accounts established under the Indenture as and to the extent provided in the Indenture. The City will not fund a debt service reserve fund for the 2017 Bonds. See “SECURITY FOR THE 2017 BONDS.”

Parity Debt. Upon the issuance of the 2017 Bonds, there will be no outstanding bonds or other debt payable from Net Revenues on a parity with the 2017 Bonds other than the 2016 State Loan (defined herein). In addition, additional series of bonds or other debt may be issued in the future that is payable from Net Revenues on a parity with the 2017 Bonds, subject to the conditions contained in the Indenture. See “SECURITY FOR THE 2017 BONDS – Parity Debt.”

Use of Proceeds. The 2017 Bonds are being issued to provide funds to (i) pay, defease, and redeem, on an advance basis, the City’s bonds captioned “\$35,380,000 City of Sunnyvale Wastewater Revenue Bonds, Series 2010” (the “2010 Bonds”), and (ii) pay the costs of issuing the 2017 Bonds. See “FINANCING PLAN.”

Bond Terms; Book-Entry Only. The 2017 Bonds will bear interest at the rates shown on the inside cover, payable semiannually on April 1 and October 1 of each year, commencing on April 1, 2018, and will be issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple of \$5,000. The 2017 Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Purchasers of the 2017 Bonds will not receive certificates representing their interests in the 2017 Bonds. Payments of the principal of, premium, if any, and interest on the 2017 Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2017 Bonds. See “THE 2017 BONDS – General Bond Terms.”

Redemption. The 2017 Bonds are subject to redemption prior to maturity. See “THE 2017 BONDS – Redemption.”

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE 2017 BONDS OR INTEREST THEREON. THE 2017 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, OR LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE NET REVENUES OF THE WASTEWATER SYSTEM AND AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE AS AND TO THE EXTENT PROVIDED IN THE INDENTURE.

MATURITY SCHEDULE
(see inside cover)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE 2017 BONDS. INVESTMENT IN THE 2017 BONDS INVOLVES RISKS THAT MAY NOT BE APPROPRIATE FOR SOME INVESTORS. SEE “BOND OWNERS’ RISKS.”

The 2017 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the City by

Jones Hall, A Professional Law Corporation, as Disclosure Counsel, and by the City Attorney, and will be passed upon for the Underwriter by its counsel, Stradling, Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the 2017 Bonds, in book-entry only form, will be available through the facilities of DTC on or about _____, 2017.

[LOGO OF JP MORGAN]

The date of this Official Statement is: _____, 2017.

* Preliminary; subject to change.

MATURITY SCHEDULE*

Series 2017A Bonds
\$_____ Serial Bonds
(Base CUSIP†: _____)

Maturity (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
-----------------------	---------------------	------------------	-------	-------	--------

\$ ____ % Term Bond due April 1, 20____, Yield: ____%, Price: ____%, CUSIP† No. ____

Taxable Series 2017A-T Bonds
\$_____ Serial Bonds
(Base CUSIP†: _____)

Maturity (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
-----------------------	---------------------	------------------	-------	-------	--------

\$ ____ % Term Bond due April 1, 20____, Yield: ____%, Price: ____%, CUSIP† No. ____

* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the City nor the Underwriter takes any responsibility for the accuracy of such numbers.

CITY OF SUNNYVALE

CITY COUNCIL

Glenn Hendricks, *Mayor, Seat #2*
Gustav Larsson, *Vice Mayor, Seat #1*
Jim Griffith, *Councilmember, Seat #3*
Larry Klein, *Councilmember, Seat #4*
Nancy Smith, *Councilmember, Seat #6*
Russ Melton, *Councilmember, Seat #5*
Michael S. Goldman, *Councilmember, Seat #7*

CITY OFFICIALS

Kent Steffens, *Interim City Manager*¹
Teri Silva, *Interim Assistant City Manager*
Timothy J. Kirby, *Director of Finance*
Craig Mobeck, *Interim Director of Public Works*
John Nagel, *City Attorney*

Bond Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Municipal Advisor

Ross Financial
San Francisco, California

Underwriter's Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Trustee

U.S. Bank National Association
San Francisco, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

¹ The City has hired a recruitment firm to manage a national recruitment process for a permanent city manager. Initial Interviews occurred in November 2017 with additional interviews planned in December 2017.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2017 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2017 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or the Wastewater System since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2017 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2017 Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

Document References and Summaries. All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Involvement of Underwriter. The following statement has been included in this Official Statement on behalf of the Underwriter: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Stabilization of and Changes to Offering Prices. The Underwriter may over allot or take other steps that stabilize or maintain the market price of the 2017 Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2017 Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the 2017 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Internet Site. The City maintains an internet site; however, none of the information contained on that internet site is incorporated by reference in this Official Statement.

[REGIONAL MAP]

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OFFICIAL STATEMENT

\$ _____ *
City of Sunnyvale
Wastewater Revenue Refunding
Bonds, Series 2017A

\$ _____ *
City of Sunnyvale
Taxable Wastewater Revenue Refunding
Bonds, Series 2017A-T

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. Capitalized terms used but not defined in this Official Statement have the meanings given in the Indenture (as defined below). See "APPENDIX A – Summary of Certain Provisions of the Indenture."

Authority for Issuance. The bonds captioned above (the "**Series 2017A Bonds**" and the "**Taxable Series 2017A-T Bonds**" and together, the "**2017 Bonds**") are being issued by the City of Sunnyvale (the "**City**") under (i) a resolution adopted by the City Council of the City, (ii) the provisions of Chapter 3.70 (commencing with Section 3.70.010) of the Sunnyvale Municipal Code, enacted pursuant to the charter of the City and Ordinance No. 2917-10, adopted April 6, 2010 (the "**Bond Law**"), and (iii) an Indenture of Trust dated as of December 1, 2017 (the "**Indenture**"), by and between the City and U.S. Bank National Association, as trustee (the "**Trustee**"). See "THE 2017 BONDS – Authority for Issuance."

Security for the 2017 Bonds. The 2017 Bonds are special obligations of the City, payable solely from "Net Revenues" of the City's facilities for the collection, treatment, disposal and reuse of wastewater within the service area of the City (the "**Wastewater System**"), and amounts on deposit in certain funds and accounts established under the Indenture as and to the extent provided in the Indenture. "**Net Revenues**" are generally defined in the Indenture as the "Gross Revenues" received from the Wastewater System, less the amount of "Maintenance and Operation Costs" of the Wastewater System (as those terms are defined in the Indenture). See "SECURITY FOR THE 2017 BONDS."

Parity Debt. Upon the issuance of the 2017 Bonds, there will be no outstanding bonds or other debt payable from Net Revenues on a parity with the 2017 Bonds other than the 2016 State Loan (defined below). The 2017 Bonds are payable on a parity with an Installment Sale Agreement entitled "Headworks and Primary Treatment, Phase 1(A), Clean Water State Revolving Fund Project No. C-06-8153-110, Agreement No. D16-01024," in the original principal amount of \$127,068,522, dated as of December 9, 2016, between the City and the State of California Water Resources Control Board (the "**2016 SWRCB Installment Sale Agreement**" or the "**2016 State Loan**").

* Preliminary; subject to change.

Additional series of bonds or other debt may be issued in the future that is payable from Net Revenues on a parity with the 2017 Bonds and the 2016 State Loan, subject to the conditions contained in the Indenture. See “SECURITY FOR THE 2017 BONDS – Parity Debt.”

Purpose of the 2017 Bonds. The 2017 Bonds are being issued to provide funds to (i) pay, defease, and redeem, on an advance basis, the City’s bonds captioned “City of Sunnyvale Wastewater Revenue Bonds, Series 2010,” which were issued in the original principal amount of \$35,380,000 (the “**2010 Bonds**”), and (ii) pay the costs of issuing the 2017 Bonds. See “FINANCING PLAN.”

Rate Covenants. Under the Indenture, the City is obligated to fix, prescribe, revise, and collect charges for the Wastewater System during each Fiscal Year that are sufficient to yield Net Revenues of at least 120% of Debt Service on the 2017 Bonds, the 2016 State Loan and any other Parity Debt (if any) in that Fiscal Year (as such capitalized terms are defined in the Indenture).

The City must also fix, prescribe, revise, and collect charges for the Wastewater System during each Fiscal Year to pay all Maintenance and Operation Costs of the Wastewater System estimated by the City to become due and payable in such Fiscal Year, the Debt Service on the 2017 Bonds, all other payments required for compliance with the Indenture, and all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Gross Revenues of the Wastewater System or the Net Revenues of the Wastewater System on a parity basis to the 2017 Bonds (as such capitalized terms are defined in the Indenture).

See “SECURITY FOR THE 2017 BONDS – Rate Covenants.”

No Reserve Fund. The City will not fund a debt service reserve fund for the 2017 Bonds.

Risks of Investment. For a discussion of some of the risks associated with the purchase of the 2017 Bonds, see “BOND OWNERS’ RISKS.”

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE 2017 BONDS OR INTEREST THEREON. THE 2017 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, OR LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE NET REVENUES OF THE WATER SYSTEM AND AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE AS AND TO THE EXTENT PROVIDED IN THE INDENTURE.

FINANCING PLAN

The 2017 Bonds are being issued to provide funds to (i) pay, defease, and redeem the City's 2010 Bonds, on an advance basis, and (ii) pay the costs of issuing the 2017 Bonds.

Payment, Defeasance, and Redemption of the 2010 Bonds

The City previously issued the 2010 Bonds in the original principal amount of \$35,380,000 to construct and acquire certain improvements to the Wastewater System, prepay a portion of the City's obligation to make installment payments to the Sunnyvale Financing Authority relating to the Wastewater System, and fund a debt service reserve account for the 2010 Bonds. The 2010 Bonds are currently outstanding in the principal amount of \$_____.

Pursuant to an Escrow Deposit and Trust Agreement (the "**Escrow Agreement**"), between the City and U.S. Bank National Association, as escrow agent (the "**Escrow Agent**"), the City will deliver a portion of the proceeds of the 2017 Bonds to the Escrow Agent for deposit in the escrow fund established under the Escrow Agreement (the "**Escrow Fund**").

The Escrow Agent will invest certain amounts deposited in the Escrow Fund in federal securities as set forth in the Escrow Agreement and hold the remainder in cash uninvested. Amounts on deposit in the Escrow Fund will be applied to (i) pay the principal amount of the 2010 Bonds maturing on and prior to April 1, 2020 (the "**Redemption Date**") together with accrued interest thereon to their respective maturity dates, and (ii) redeem in full on the Redemption Date the principal amount of the 2010 Bonds maturing on and after April 1, 2021.

Sufficiency of the deposits in the Escrow Fund for those purposes will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the "**Verification Agent**"). See "VERIFICATION OF MATHEMATICAL ACCURACY" herein. As a result of the deposit of funds with the Escrow Agent on the date of issuance of the 2017 Bonds, the 2010 Bonds will be legally defeased and will be payable solely from amounts held for that purpose under the Escrow Agreement, and will cease to be secured by a pledge of the Net Revenues of the Wastewater System.

The amounts held by the Escrow Agent in the Escrow Fund are available solely to prepay and redeem the 2010 Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service with respect to the 2017 Bonds.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2017 Bonds are as follows:

<u>Sources:</u>	Series 2017A	Taxable Series 2017A-T	Total 2017 Bonds
Principal Amount of 2017 Bonds	\$	\$	\$
Plus Net Original Issue Premium			
Plus Funds Related to the 2010 Bonds			
<i>TOTAL SOURCES</i>	\$	\$	\$
<u>Uses:</u>			
Deposit to Escrow Fund			
Costs of Issuance ⁽¹⁾			
<i>TOTAL USES</i>	\$	\$	\$

(1) Costs of Issuance include legal fees, municipal advisor's fee, Underwriter's discount, printing costs, rating agency fees, and other expenses related to the issuance of the 2017 Bonds.

THE 2017 BONDS

This section provides summaries of the 2017 Bonds and certain provisions of the Indenture. See APPENDIX A for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

Authority for Issuance

The 2017 Bonds are being issued by the City under a Resolution adopted by the City Council of the City on December 12, 2017; the Bond Law; and the Indenture.

General Bond Terms

Bond Terms. The 2017 Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. The 2017 Bonds will mature in the amounts and on the dates, and bear interest at the rates per annum, set forth on the inside cover page of this Official Statement.

Payments. Interest on the 2017 Bonds will be payable on April 1 and October 1 of each year to maturity (each an “**Interest Payment Date**”), commencing April 1, 2018.

Interest on the 2017 Bonds will be payable on each Interest Payment Date to the person whose name appears on the Bond Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee mailed by first class mail to the Owner or, at the option of any Owner of at least \$1,000,000 aggregate principal amount of the 2017 Bonds with respect to which written instructions have been filed with the Trustee prior to the applicable Record Date, by wire transfer, at the address of such Owner as it appears on the Bond Registration Books.

If there exists a default in payment of interest due on such Interest Payment Date, such interest will be payable on a payment date established by the Trustee to the persons in whose names the 2017 Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Trustee to the registered Owners of the 2017 Bonds not less than 15 days preceding such special record date.

Principal of and premium (if any) on any 2017 Bond will be paid upon presentation and surrender thereof at the Principal Corporate Trust Office of the Trustee. Both the principal of and interest and premium (if any) on the 2017 Bonds will be payable in lawful money of the United States of America.

However, as long as Cede & Co. is the registered owner of the 2017 Bonds, as described below, payments of the principal of, premium, if any, and interest on the 2017 Bonds will be made directly to Depository Trust Company (“DTC”), or its nominee, Cede & Co.

Calculation of Interest. The 2017 Bonds will be dated their date of delivery and bear interest based on a 360-day year comprised of twelve 30-day months from the Interest Payment Date next preceding its date of authentication, unless said date of authentication is an Interest Payment Date, in which event such interest is payable from such date of authentication, and unless said date of authentication is prior to March 15, 2018, in which event such interest is payable from their date of delivery; provided, however, that if, as of the date of authentication of

any 2017 Bond, interest thereon is in default, such 2017 Bond will bear interest from the date to which interest has previously been paid or made available for payment thereon in full.

Record Date. The Indenture defines the “**Record Date**” for the 2017 Bonds as the 15th calendar day of the month immediately preceding an Interest Payment Date.

Book-Entry Only System. The 2017 Bonds will be registered in the name of Cede & Co., as nominee of DTC, New York, New York, as the initial securities depository for the 2017 Bonds. Ownership interests in the 2017 Bonds may be purchased in book-entry form only. Purchasers of the 2017 Bonds will not receive physical bonds representing their ownership interests in the 2017 Bonds purchased.

Principal and interest payments with respect to the 2017 Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the 2017 Bonds. See “APPENDIX F – DTC and the Book-Entry Only System.”

So long as the 2017 Bonds are registered in the name of Cede & Co., as nominee of DTC, references in this Official Statement to the “owners” mean Cede & Co., and not the purchasers or Beneficial Owners of the 2017 Bonds. See “APPENDIX F – DTC and the Book-Entry Only System.”

Redemption*

Optional Redemption (Series 2017A Bonds). The Series 2017A Bonds maturing on or before April 1, 20____, are not subject to optional redemption prior to maturity. The Series 2017A Bonds maturing on or after April 1, 20____, are subject to redemption prior to their respective maturity dates, at the option of the City, as a whole or in part, as to maturities as determined by the City (and if partial maturities, then by lot), on any date on or after April 1, 20____, from any source of available funds, at the principal amount of the Series 2017A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Optional Redemption (Taxable Series 2017A-T Bonds). [The Series 2017A-T Bonds maturing on or before April 1, 20____, are not subject to optional redemption prior to maturity. The Series 2017A-T Bonds maturing on or after April 1, 20____, are subject to redemption prior to their respective maturity dates, at the option of the City, as a whole or in part, as to maturities as determined by the City (and if partial maturities, then by lot), on any date on or after April 1, 20____, from any source of available funds, at the principal amount of the Series 2017A-T Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.] [OR]

[The Taxable Series 2017A-T Bonds may be redeemed, in whole or in part, at the option of the City, at any time at a redemption price equal to the greater of

(i) 100% of the principal amount of the Taxable Series 2017A-T Bonds to be redeemed, or

(ii) the sum of the present values of the applicable remaining scheduled payments of principal and interest on the Taxable Series 2017A-T Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on

* Preliminary; subject to change.

which such Taxable Series 2017A-T Bonds are to be redeemed, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus ____ basis points,

plus in each case, accrued and unpaid interest on the Taxable Series 2017A-T Bonds being redeemed to the date fixed for redemption.

For purposes of the foregoing, the following definitions shall apply:

“Treasury Rate” means, with respect to any redemption date, with respect to the Taxable Series 2017A-T Bonds of a particular maturity, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue with respect thereto, computed as of the second business day immediately preceding that redemption date, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price with respect thereto for that redemption date.

“Comparable Treasury Issue” means, with respect to the Taxable Series 2017A-T Bonds of a particular maturity, the United States Treasury security selected by the Independent Investment Banker which has an actual maturity comparable to the remaining average life of the Taxable Series 2017A-T Bonds of such maturity to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Taxable Series 2017A-T Bonds of such maturity to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date, with respect to the Taxable Series 2017A-T Bonds of a particular maturity, (A) the average of the applicable Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker for the Taxable Series 2017A-T Bonds obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Quotations.

“Independent Investment Banker” means one of the Reference Treasury Dealers as designated by the City.

“Reference Treasury Dealer” means each of four firms, as designated by the City, and their respective successors; provided, however, that if any of them ceases to be a primary U.S. Government securities dealer in the City of New York (a “Primary Treasury Dealer”), the City will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date for the Taxable Series 2017A-T Bonds of a particular maturity, the average, as determined by the Independent Investment Banker and communicated to the City, of the bid and asked prices for the applicable Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker and communicated to the Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding that redemption date.

"Business Day" means any day, other than a Saturday or Sunday, and other than a day on which the Trustee is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed.]

Mandatory Sinking Redemption — Series 2017A Bonds. The Series 2017A Bonds maturing on April 1, 20__ and April 1, 20__ (the "Series 2017A Term Bonds") are subject to mandatory redemption in whole, or in part by lot, from Sinking Fund Installments made under the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on April 1 in the years as set forth in the following tables:

Series 2017A Term Bonds Maturing April 1, 20__

Sinking Fund Redemption Date (April 1)	Principal Amount
--	---------------------

(Maturity)

Series 2017A Term Bonds Maturing April 1, 20__

Sinking Fund Redemption Date (April 1)	Principal Amount
--	---------------------

(Maturity)

If some but not all of the Series 2017A Term Bonds have been redeemed under the optional redemption provisions set forth above, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of such Series 2017A Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the City.

Notice of Redemption. Unless waived by the Owner of any 2017 Bonds to be redeemed, notice of any redemption of 2017 Bonds will be given, at the expense of the City, by the Trustee by mailing a copy of a redemption notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the 2017 Bond or 2017 Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice will affect the sufficiency of the proceedings for the redemption of the 2017 Bonds. Any such notice also will be given to the Securities Depositories and the Information Services on the same date that it is given to the Owner of the 2017 Bonds.

However, while the 2017 Bonds are subject to DTC's book-entry system, the Trustee will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the City and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the 2017

Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any 2017 Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Indenture.

Rescission of Redemption and Cancellation of Redemption Notice. The City has the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Outstanding Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture.

The City and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption.

Selection of Series 2017A Bonds of the Same Maturity for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Series 2017A Bonds of a single maturity, the Trustee shall select the Series 2017A Bonds of such maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, all Series 2017A Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Series A Bonds which may be separately redeemed.

Selection of Taxable Series A-T Bonds for Redemption. If less than all of the Taxable Series 2017A-T Bonds are to be redeemed, the particular maturities of Taxable Series 2017A-T Bonds to be redeemed at the option of the City will be determined by the City in its sole discretion.

If the Taxable Series 2017A-T Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Taxable Series 2017A-T Bonds, if less than all of the Taxable Series 2017A-T Bonds of a maturity are called for prior redemption, the particular Taxable Series 2017A-T Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Taxable Series 2017A-T Bonds are held in book-entry form, the selection for redemption of such Taxable Series 2017A-T Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Taxable Series 2017A-T Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

The City intends that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the City nor the Underwriter can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of Taxable Series 2017A-T Bonds on such basis.

In connection with any repayment of principal, including payments of scheduled mandatory sinking fund payments, the Trustee will direct DTC to make a pass-through distribution of principal to the holders of the Taxable Series 2017A-T Bonds. A Pro Rata Pass-Through Distribution of Principal table is included as APPENDIX G and reflects the current schedule of mandatory sinking fund redemptions applicable to the Taxable Series 2017A-T Bonds and the factors applicable to such redemption amounts and remaining bond balances, which is subject to change upon certain optional redemptions.

For purposes of calculation of the “pro rata pass-through distribution of principal,” “pro rata” means, for any amount of principal to be paid, the application of a fraction to each denomination of the respective Taxable Series 2017A-T Bonds where (a) the numerator of which is equal to the amount due to the respective bondholders on a payment date, and (b) the denominator of which is equal to the total original par amount of the respective Taxable Series 2017A-T Bonds.

If the Taxable Series 2017A-T Bonds are no longer registered in book-entry-only form, each owner will receive an amount of Taxable Series 2017A-T Bonds equal to the original face amount then beneficially held by that owner, registered in such investor's name. Thereafter, any redemption of less than all of the Taxable Series 2017A-T Bonds of any maturity will continue to be paid to the registered owners of such Taxable Series 2017A-T Bonds on a pro-rata basis, based on the portion of the original face amount of any such Taxable Series 2017A-T Bonds to be redeemed.

Selection of Bonds for Partial Redemption. If only a portion of any Bond is called for redemption, then upon surrender of such Bond redeemed in part only, the City will execute and the Trustee shall authenticate and deliver to the Owner, at the expense of the City, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Effect of Redemption. From and after the date fixed for redemption, if notice of redemption has been duly mailed and funds available for the payment of the principal of and interest (and premium, if any) on the 2017 Bonds so called for redemption have been duly provided, such 2017 Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice.

Registration, Transfer and Exchange

Bond Registration Books. The Trustee will keep or cause to be kept at its trust office sufficient Bond Registration Books for the registration and transfer of the 2017 Bonds, which will at all times during regular business hours, and upon reasonable notice, be open to inspection by the City; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as provided in the Indenture.

Transfer of 2017 Bonds. Any 2017 Bond may, in accordance with its terms, be transferred upon the Bond Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2017 Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed.

Whenever any 2017 Bond is surrendered for transfer, the City will execute and the Trustee will thereupon authenticate and deliver to the transferee a new Bond or Bonds of like tenor, series, maturity and aggregate principal amount. No 2017 Bonds the notice of redemption of which has been mailed pursuant to the Indenture will be subject to transfer under this provision of the Indenture.

Exchange of 2017 Bonds. 2017 Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for 2017 Bonds of the same tenor, series and maturity and of other authorized denominations. No 2017 Bonds the notice of redemption of which has been mailed pursuant to the Indenture will be subject to exchange under this provision of the Indenture.

DEBT SERVICE SCHEDULE

Annual debt service (including scheduled sinking payments, if any) on the 2017 Bonds is presented below.

Period Ending April 1	Series 2017A Bonds Principal	Series 2017A Bonds Interest	Taxable Series 2017A-T Bonds Principal	Taxable Series 2017A-T Bonds Interest	Total Annual Debt Service
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Total:

SECURITY FOR THE 2017 BONDS

This section provides summaries of the security for the 2017 Bonds, and certain provisions of the Indenture. Unless the context otherwise requires, "Bonds" refers to the 2017 Bonds and any Parity Debt outstanding under the Indenture. See APPENDIX A for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

General; Pledge of Net Revenues

Transfer and Pledge of Net Revenues. Under the Indenture, the 2017 Bonds are secured by a first pledge of all of the Net Revenues, on a parity with the pledge which secures all outstanding Parity Debt. In addition, the 2017 Bonds are secured by a pledge of all of the moneys in the Bond Service Fund, including all amounts derived from the investment of such moneys. So long as any of the 2017 Bonds are Outstanding, the Net Revenues and such moneys may not be used for any other purpose; except that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

Limited Obligation of the City. The City is not required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the principal of or interest on the 2017 Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants contained in the Indenture (except to the extent any such covenants are expressly payable from the Gross Revenues under the Indenture). The general fund of the City is not liable, and the credit of the City is not pledged, for the payment of the interest on or principal of the 2017 Bonds. The Owners of the 2017 Bonds have no right to compel the forfeiture of any property of the City. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE 2017 BONDS OR INTEREST THEREON. THE 2017 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, OR LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE NET REVENUES OF THE WATER SYSTEM AND AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE AS AND TO THE EXTENT PROVIDED IN THE INDENTURE.

Net Revenues. The Indenture defines "Net Revenues" with respect to the Wastewater System as, for any period of computation, the amount of the Gross Revenues received from the Water System during such period, less the amount of Maintenance and Operation Costs of the Water System becoming payable during such period.

Gross Revenues. The Indenture defines "Gross Revenues," as for any period of computation, all gross charges received for, and all other gross income and revenues derived by the City from, the ownership or operation of the Wastewater System or otherwise arising from the Wastewater System during such period, determined in accordance with generally accepted accounting principles, including but not limited to:

- (a) investment earnings thereon,
- (b) insurance proceeds,
- (c) transfers from (but exclusive of any transfers to) the Revenue Stabilization Fund, and

(d) all moneys received by the City from other public entities whose inhabitants are served pursuant to contracts with the City.

However, "Gross Revenues" exclude (a) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the City levied for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Wastewater System, (b) any taxes levied for the sole purpose of providing for payment of principal and interest on any voter-approved indebtedness incurred by the City, which would not otherwise be subject to levy but for the issuance of such indebtedness, (c) the proceeds of any state or federal grants with respect to the Wastewater System, and (d) customers' deposits or any other deposits subject to refund until such deposits have become the property of the City.

Operation and Maintenance Costs. The Indenture defines "**Operation and Maintenance Costs**," as the reasonable and necessary costs spent or incurred by the City for maintaining and operating the Wastewater System, determined in accordance with generally accepted accounting principles, including but not limited to:

(a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and

(b) all administrative costs of the City that are charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, and the necessary contribution to retirement of such employees, overhead, taxes (if any) and insurance.

Operation and Maintenance Costs exclude (i) administrative costs which the City is required to pay under the Indenture, (ii) payments of debt service on bonds, notes, installment sale agreements, or other obligations issued by the City with respect to the Wastewater System, (iii) depreciation, replacement and obsolescence charges or reserves therefor, (iv) amortization of intangibles or other bookkeeping entries of a similar nature, and (v) costs and expenses that, under generally accepted accounting principles, are chargeable to a capital account.

No Reserve Fund. The City will not fund a debt service reserve fund for the 2017 Bonds.

Receipt and Deposit of Net Revenues; Allocation of Net Revenues

The City has previously established the Wastewater Fund, which it will continue to hold and maintain for the purposes and uses set forth in the Indenture. Under the Indenture, the City will deposit all Gross Revenues in the Wastewater Fund promptly upon the receipt thereof, and apply amounts in the Wastewater Fund solely for the uses and purposes set forth in the Indenture and purposes set forth in the Parity Debt Documents.

Under the Indenture, the City will withdraw amounts on deposit in the Wastewater Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

(a) **Bond Service Fund.** Not later than the 3rd Business Day preceding each Interest Payment Date, so long as any Bonds remain Outstanding hereunder, the City will withdraw from the Wastewater Fund and pay to the Trustee for deposit into the Bond Service Fund (which the Trustee will establish and hold in trust under the Indenture) an amount which, together with other available amounts then on deposit in the Bond Service

Fund, is at least equal to the aggregate amount of principal of (including sinking payments) and interest coming due and payable on the 2017 Bonds on such Interest Payment Date.

The Trustee will apply amounts in the Bond Service Fund solely for the purpose of (i) paying the interest on the 2017 Bonds when due and payable (including accrued interest on any Bonds purchased or redeemed under the Indenture), (ii) paying the principal of (including sinking payments) the 2017 Bonds at the maturity thereof. Upon the payment or discharge in full of all 2017 Bonds then Outstanding, the Trustee shall transfer any moneys remaining in the Bond Service Fund to the City for deposit into the Wastewater Fund.

(b) *Redemption Fund.* If the City elects to redeem Outstanding 2017 Bonds under the Indenture, the City will transfer to the Trustee for deposit into the Redemption Fund (which the Trustee will thereupon establish and hold in trust under the Indenture) an amount at least equal to the redemption price of the 2017 Bonds, excluding accrued interest, which is payable from the Bond Service Fund. Amounts in the Redemption Fund will be applied by the Trustee solely for the purpose of paying the redemption price of Bonds to be redeemed under the Indenture. Following any such redemption of the 2017 Bonds, any moneys remaining in the Redemption Fund will be transferred by the Trustee to the City for deposit into the Wastewater Fund.

The City will manage, conserve and apply moneys in the Wastewater Fund in such a manner that all deposits required to be made under Indenture and under the Parity Debt Documents will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the City may at any time use and apply moneys in the Wastewater Fund for any one or more of the following purposes:

- (i) the acquisition and construction of improvements to the Wastewater System;
- (ii) the redemption of any of the 2017 Bonds, Parity Debt or other obligations of the Wastewater System, as the City in its discretion may determine; or
- (iii) any other lawful purpose of the City relating to the Wastewater System.

Nothing herein is intended or will be construed to impair the ability of the City to apply amounts on deposit in the Wastewater Fund to pay Operation and Maintenance Costs when and as the same become due and payable.

Revenue Stabilization Fund

Under the Indenture, the City has the right at any time to establish a Revenue Stabilization Fund (the “**Revenue Stabilization Fund**”) to be held by it and administered in accordance with the Indenture, for the purpose of stabilizing the rates and charges imposed by the City with respect to the Wastewater System. From time to time the City may deposit amounts in the Revenue Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues that are released from the pledge and lien, which secures the 2017 Bonds, as the City may determine.

The City may, but is not required to, withdraw from any amounts on deposit in a Revenue Stabilization Fund and deposit such amounts in the Wastewater Fund in any Fiscal Year for the

purpose of paying principal of and interest on the 2017 Bonds and any outstanding Parity Debt coming due and payable in such Fiscal Year. Amounts so transferred from a Revenue Stabilization Fund to the Wastewater Fund will constitute Gross Revenues for such Fiscal Year (except as otherwise provided in the Indenture), and will be applied for the purposes of the Wastewater Fund. Amounts on deposit in a Revenue Stabilization Fund will not be pledged to or otherwise secure the 2017 Bonds or any Parity Debt.

To the extent that the City appropriates funds from Gross Revenues into the Revenue Stabilization Fund for the Wastewater System, a deduction will be made from Gross Revenues of the Wastewater System in the Fiscal Year during which said transfer occurred for purposes of calculations to be made under the Indenture. To the extent that the City appropriates funds from the Revenue Stabilization Fund into the Wastewater Fund, the City may count the funds so transferred as Gross Revenues in the Fiscal Year in which said transfer occurs, for purposes of the Indenture.

All interest or other earnings on deposit in a Revenue Stabilization Fund will be retained therein or, at the option of the City, be applied for any other lawful purposes. The City has the right at any time to withdraw any or all amounts on deposit in a Revenue Stabilization Fund and apply such amounts for any lawful purposes of the City.

The City does not currently have any amounts set aside in a Revenue Stabilization Fund.

Rate Covenants under Indenture

Covenant Regarding Gross Revenues. The City will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which (together with other funds transferred from the Revenue Stabilization Fund or other funds which are lawfully available to the City for payment of any of the following amounts during such Fiscal Year) are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order:

- (i) all Operation and Maintenance Costs estimated by the City to become due and payable in such Fiscal Year;
- (ii) the principal of and interest on all outstanding Bonds and Parity Debt as they become due and payable during such Fiscal Year, without preference or priority;
- (iii) all amounts, if any, required to restore the balances in any reserve funds established for outstanding Parity Debt to their respective required levels;
- (iv) all payments coming due and payable during the Fiscal Year and required for compliance with the Parity Debt Documents; and
- (v) all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Gross Revenues or Net Revenues during the Fiscal Year.

Covenant Regarding Net Revenues. In addition, under the Indenture, the City will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which, taking into account allowances for contingencies, are sufficient to yield estimated Net Revenues which are at least equal to 120% of

the aggregate amount of principal of and interest on all outstanding Bonds and Parity Debt coming due and payable during such Fiscal Year. The provisions of this covenant are subject to the adjustments made for any transfers made from a Revenue Stabilization Fund under the Indenture. Notwithstanding the foregoing provisions, if the actual collection of Net Revenues based on such rates, fees and charges is insufficient to yield Net Revenues which meet the requirements of the Indenture, such event will not constitute an Event of Default unless it has continued uncured for a period of at least 12 months.

Parity Debt

The City may issue additional Parity Debt from time to time in such principal amount as it determines, subject to the following conditions precedent:

(a) No Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods has passed, would constitute an Event of Default) has occurred and is continuing.

(b) The amount of such Net Revenues, calculated in accordance with generally accepted accounting principles, as shown by the books of the City for the latest Fiscal Year or as shown by the books of the City for any more recent 12-month period selected by the City, in either case verified by a certificate or opinion of an Independent Accountant, plus (at the option of the City) the Additional Revenues, are at least equal to 120% of the amount of Maximum Annual Debt Service on all outstanding Bonds and Parity Debt, including the proposed issuance of Parity Debt.

(c) The issuance of such Parity Debt must comply with all conditions to the issuance thereof as set forth in the applicable provisions of the Parity Debt Documents.

(d) The City will deliver to the Trustee a Certificate of the City certifying, and an opinion of Bond Counsel stating, that the conditions precedent to the issuance of such Parity Debt set forth in this Section have been satisfied.

“Additional Revenues” means, with respect to any issuance of Parity Debt:

(i) an allowance for Net Revenues from any additions to or improvements or extensions of the Wastewater System to be made with the proceeds of such Parity Debt, and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source, but in any case which, during all or any part of such Fiscal Year or such 12-month period, were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown in the written report of an Independent Accountant or Financial Consultant engaged by the City; and

(ii) an allowance for earnings arising from any increase in the rates and charges made for service from the Wastewater System which has become effective prior to the incurring of such additional indebtedness but which, during all or any part of such Fiscal Year or such 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in

such rates and charges had been in effect during the whole of such Fiscal Year or such 12-month period.

For so long as the 2016 State Loan is outstanding, the City must also comply with the parity debt test set forth therein, which similarly requires that the Net Revenues in the most recent fiscal year, be a minimum of 120% of the maximum annual debt service for existing and proposed additional debt. For additional information on the 2016 State Loan, see "THE WASTEWATER SYSTEM – Outstanding and Anticipated Wastewater System Obligations – 2016 SWRCB Installment Sale Agreement.

Subordinate Obligations

The Indenture does not prohibit or impair the authority of the City to issue bonds or other obligations secured by a lien on Net Revenues which is subordinate to the lien established under the Indenture ("**Subordinate Bonds**"), upon such terms and in such principal amounts as the City may determine. However, the issuance of Subordinate Bonds is subject to compliance with the conditions precedent set forth in the Indenture related thereto. See "APPENDIX A – Summary of Certain Provisions of the Indenture."

Casualty Insurance and Eminent Domain Proceeds

Covenant to Maintain Insurance. The City covenants in the Indenture that it will at all times maintain such insurance on the Wastewater System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties.

Any such insurance will be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the City, or may be in the form of self-insurance by the City. The City will establish such fund or funds or reserves as are necessary to provide for its share of any such self-insurance.

Insurance Proceeds. If any useful part of the Wastewater System is damaged or destroyed, such part will be restored to usable condition. All amounts collected from insurance against accident to or destruction of any portion of the Wastewater System will be used to repair or rebuild such damaged or destroyed portion of the Wastewater System, and to the extent not so applied, will be applied to redeem the 2017 Bonds or any Parity Debt in accordance with the Indenture and the related Parity Debt Documents, respectively. The City will also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Trustee and the Owners of the 2017 Bonds.

Eminent Domain Proceeds. Any amounts received as awards as a result of the taking of all or any part of the Wastewater System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the City, will either (a) be used for the acquisition or construction of improvements to the Wastewater System, or (b) be applied to redeem the 2017 Bonds or any Parity Debt in accordance with the Indenture and the related Parity Debt Documents, respectively.

THE CITY UTILITY ENTERPRISES

The City's utility enterprises consist of the Wastewater System, a water treatment and distribution system (the "**Water System**"), and a solid waste collection system (the "**Solid Waste System**"). In addition, the City owns and operates a solid waste materials recovery and transfer station (the "**SMaRT Station**"). The Water System, Wastewater System, Solid Waste System and SMaRT Station are collectively referred to as the "**Utility Enterprises.**"

Enterprise Management

The operation of the Utility Enterprises is administered and managed by Melody Tovar, Interim Director of Environmental Services. Ms. Tovar is a registered civil engineer with a B.S. in civil engineering, with emphasis on water resources and the environment. She has worked for 22 years in the environmental services field in various areas of water management, including water conservation, industrial water efficiency, water pollution prevention, sanitary engineering, private development review, stormwater program management, environmental lab oversight, environmental enforcement, and regulatory oversight. For the last six years, she has served the leadership team for Sunnyvale's Environmental Services Department as Regulatory Programs Division Manager and was recently appointed Interim Director for Environmental Services. Her previous experience includes 16 years with the City of San José also in the environmental services department.

The Environmental Services Department manages the operations for the Utility Enterprises as well as leading the City's sustainability initiatives. Capital project administration is led by the Public Works Department.

Enterprise Funds

The City accounts for the deposit of revenues and the payment of expenses relating to each of Utility Enterprises in the following enterprise funds (each an "**Enterprise Fund**" and, collectively, the "**Enterprise Funds**"):

- (i) the Water Supply and Distribution Fund (the "**Water Fund**")
- (ii) the Wastewater Management Fund (the "**Wastewater Fund**")
- (iii) the Solid Waste Management Fund
- (iv) the SMaRT Station Fund which includes an Operating Sub-Fund and
- (v) an Equipment Replacement Sub-Fund

Although each Enterprise Fund constitutes an independent enterprise, the accounting, budgeting and rate-setting procedures are common to the operation of each. Common elements of each Enterprise Fund are described below.

Contingency Reserve, Rate Stabilization Reserve and Capital and Infrastructure Reserve

In accordance with the City's Twenty Year Resource Allocation Plan (as described below; see "–Budgeting and Planning Process"), the City has established as separate reserves: a contingency reserve, a rate stabilization reserve, and a capital and infrastructure reserve for the Water Fund, the Wastewater Fund and the Solid Waste Management Fund. The SMaRT Station Equipment Replacement Sub-Fund includes an equipment replacement reserve.

Contingency Reserve. Council Fiscal Policy requires each Utility Enterprise to maintain a contingency reserve to be used only in case of disasters or other emergencies. The amount that must be maintained in the contingency reserve for the Water Enterprise and the Wastewater Enterprise in any year equals 25% of budgeted direct operating costs for the respective Enterprise for that year (including, for the Water Enterprise, the cost of purchasing wholesale water). This level of funding is intended to provide the cash resources needed to operate the respective Enterprise for three months.

Unexpended monies in the Contingency Reserve are carried over to the subsequent Fiscal Year. To the extent the required contingency reserve amount increases for an Enterprise in a given year, the additional amount is paid from the revenues of that Enterprise.

The currently planned Fiscal Year 2017-18 contingency reserve amount for the Wastewater Fund is approximately \$4.8 million.

Rate Stabilization Reserve. The rate stabilization reserves in each of the Water Fund, Wastewater Fund and Solid Waste Fund represent the projected resources in excess of those needed to fund that Enterprise's anticipated operating costs, capital expenditures, deposits to the contingency reserve fund and other expenditures in each year. Monies in the rate stabilization reserve may be used for any purpose of the related Enterprise. The rate stabilization reserve enables each Utility Enterprise to maintain a generally consistent pattern of rate increases over a rolling 20-year period, rather than experience volatile swings in rates that may occur due to unanticipated cost increases in a particular year. Amounts in the rate stabilization reserve for each System are anticipated to fluctuate each year.

The currently planned Fiscal Year 2017-18 rate stabilization reserve amount for the Wastewater Fund is approximately \$5.4 million.

The City's rate stabilization reserve is separate and apart from the Revenue Stabilization Fund that may be established under the Indenture. See "SECURITY FOR THE 2017 BONDS – Revenue Stabilization Fund."

Capital and Infrastructure Reserve. The City has capital and infrastructure reserves in the Water Fund and Wastewater Fund. These reserves represent the projected resources needed to fund anticipated costs related to planned revenue-funded capital and infrastructure improvements to each system. Monies in the capital and infrastructure reserve may be used for any purpose related to the enterprise, but are intended to help maintain a consistent pattern of rate increases instead of increasing rates inconsistently to fund anticipated capital or infrastructure costs in a particular year.

The currently planned Fiscal Year 2017-18 capital and infrastructure reserve amount for the Wastewater Fund is approximately \$3.7 million.

Utility Rate Setting

The City adjusts rates for each of its utilities annually. Each year, as part of the budget process, staff analyzes the current condition of and long-term outlook for each of the City's Utility Enterprises. This includes a review of available fund balances, state and federal environmental requirements, revenues, anticipated capital, infrastructure and operational requirements, debt service, and a detailed inspection of significant expenditure areas (e.g. the anticipated cost of purchased water, environmental regulations related to wastewater discharge, the cost of the City's

solid waste collection contract, etc.). The results of these analyses lead to proposed annual adjustments to rates that will generate the revenues necessary to meet planned expenditures. Throughout this review, staff attempts to keep utility rates as stable as possible, while maintaining high quality, reliable, and efficient services through long-term planning.

Approximately every five years, staff reviews the pricing structure of each utility in detail. This cost of service review includes each utility's costs, customer rate classifications, usage patterns by customer group, and current rate design. The goal of the review is to equitably allocate the revenue requirement of each utility between the various customer classes of service, and to design a rate for each class of service that meets the revenue needs of the utility, along with any other rate design goals or objectives.

The practice of long-term planning and the use of rate stabilization reserves have enabled the City to maintain relatively stable (albeit increasing) utility rates and avoid significant rate increases by spreading the effects of anticipated operating and infrastructure costs over twenty years in accordance with each year's adopted Resource Allocation Plan. See "—Budgeting and Planning Process" and "THE WASTEWATER SYSTEM – Wastewater Rates, Fees and Charges."

Utility Billing and Collection Procedures

Billing Procedure. The City issues a combined bill to each of its customers for fees and charges related to water, wastewater, and garbage and recycling collection and disposal services, as applicable. The majority of the City's customers are billed every two months with the exception of commercial customers, which are billed monthly.

Collection of Delinquent Utility Charges. The City's Utilities Division begins the process of collecting delinquent billings if no payment is received 30 days after the billing date, after which the bill is considered delinquent and a 5% penalty is applied. At 35 days of non-payment, any customer whose balance is \$10 or more is sent a reminder notice stating that utility service could be terminated within the next 30 days and listing the fees for the delivery of the final demand (or 48-hour notice of service interruption) and the fees to restore interrupted service.

At 61 days of delinquency, if no disputes have been lodged or alternate payment arrangements have been made, the delinquent customer is hand-delivered a 48-hour notification of water service interruption. At 68 days of delinquency, the delinquent customer's water is shut-off. In order to have their service restored, the customer is responsible for the delinquent balance and a restoration fee.

Sewer and garbage services cannot be interrupted for public health reasons, however, garbage service is reduced to the minimum service and no additional services (such as recycling services) are provided to customers whose water service has been interrupted for non-payment. Restoration of these services also occurs once the delinquent balance has been collected.

Shortfalls in the receipt of utility revenues are allocated pro rata among the Enterprises. The City has historically collected approximately 99% of its utility charges each year.

Budgeting and Planning Process

Budgeting and planning for the Utility Enterprises occur within the framework of the City's planning and management system. Key elements include:

- Long-term financial planning (includes projections over a twenty-year Resource Allocation Plan for revenues, operations, projects, debt and reserves)
- Short-term allocation of resources (the two-year action budget)
- Performance measurement of service delivery

This integrated framework has enabled the City, over time, to accomplish the long-range strategic goals established by the Council in the General Plan Elements and in Council Policy. This approach has assisted the City in maintaining, and even expanding, services during times of numerous Federal/State mandates and revenue restrictions or reductions because the focus is on long-term fiscal management. The City's planning and management systems have also served as a valuable tool in producing and capturing gains in efficiency and productivity, supporting the City's mission of providing the highest possible quality services at the lowest possible cost to its community.

The City 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, and City Council fiscal policy requires that the budget be balanced for the entire Twenty-Year Resource Allocation Plan. A Twenty-Year Resource Allocation Plan is developed each year for each of the Utility Enterprises as part of the utility rate setting process.

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 significant swings in service levels during the upturns and downturns of economic cycles by enabling the recognition of trends over time. The long-term financial planning process also includes an update of the twenty-year project budget. This also includes a review of project operating costs which are those ongoing costs that will need to be included in future years upon completion of a given project.

The long-term financial planning process provides the opportunity to begin consideration of the necessary steps to alter the long-term forecasted position of a particular fund should that appear necessary.

The performance based management system is an important part of the City's planning and management process. The City began to implement this management concept in the late 1970s and has consistently refined the system over the years. In recognition of the effort needed to develop operating budgets under a performance management system, the City implemented a two-year operating budget concept in the early 1980s. The City's two-year operating budget focuses on identifying and quantifying the value created from the efficient and effective provision of City services. This allows decisions to be made by Council on levels of service desired and allows staff to measure and evaluate performance. Annual results of the City's efforts are reported to Council and the citizens so they are aware of what they are receiving for their tax dollars.

THE WASTEWATER SYSTEM

History

The City has provided wastewater collection and wastewater treatment service to the residents of the City since 1912, the year of its incorporation. An engineering study conducted in that year concluded that a sewer system should be installed and that treatment and disposal of the collected sewage could be accomplished through dilution in the waters of the Guadalupe Slough and South San Francisco Bay. The first sewers and outfall lines were installed shortly thereafter.

Throughout its early years the City was an agriculturally based community, but by the 1940s the City had developed into an industrial and residential city. By 1952, the City's population had grown from an initial population of approximately 1,500 to approximately 10,000. In 1951, an engineering study indicated that the City was in need of a city-wide sewage treatment system. In 1953 the Regional Water Quality Control Board issued regulations prohibiting discharges into the San Francisco Bay or its tributaries (including Guadalupe Slough) that would cause: grease, scum or any other floating material originating from sewage or industrial waste; sludge deposits; odors of sewage or industrial waste; toxic concentrations of substances deleterious to fish or wildlife; or a reduction in dissolved oxygen content in the surface water of Guadalupe Slough of less than 0.5 parts per million.

To address these stricter water quality requirements, the City completed construction of a primary water treatment plant in 1956. The plant included three sedimentation tanks and two digesters. In 1958, the City completed construction of a 200 million gallon holding pond for treatment of industrial waste.

By 1960, the City determined that, in order to continue to meet the requirements of the Regional Water Quality Control Board, it would need to double the primary treatment capacity of the Water Pollution Control Plant. The City also determined that secondary treatment facilities were needed. By 1962 the City completed additions to the Water Pollution Control Plant that included expanding its capacity to 15 million gallons per day, and adding an additional digester and three sedimentation tanks.

In 1969, City residents approved a \$3,290,000 revenue bond issue to finance major improvements to and expansion of the Water Pollution Control Plant, which was required in light of increasingly stringent water quality regulations. Before the expansion was completed, regulatory requirements were again tightened. By 1978, with the aid of Federal and State grants, the City designed, constructed, and placed in operation tertiary facilities at the Water Pollution Control Plant. These facilities consist of dissolved air floatation units, fixed growth reactors, dual media filters, and chlorination and dechlorination.

Today, the Water Pollution Control Plant is a Grade V tertiary treatment facility with a 29.5 million gallon per day capacity. In 2016, the City entered into the 2016 State Loan to finance various improvements to the WPCP. See “— Outstanding and Anticipated Wastewater System Obligations – 2016 SWRCB Installment Sale Agreement” and “—Sunnyvale Clean Water Program” for additional details on the 2016 State Loan and the project it will finance.

The Wastewater System is currently staffed by 73 full-time equivalent City employees.

Service Area

The City is the sole and exclusive provider of wastewater service within its corporate limits, which encompasses approximately 25 square miles and an estimated population of 140,450. The City also offers service to approximately 1,870 customers in the cities of San Jose and Cupertino.

For additional background and demographic information regarding the area in and around the City, see "APPENDIX D – General Demographic Information Regarding the City of Sunnyvale and Santa Clara County."

Management

Under the direction of the Director of Environmental Services, the Wastewater System is administered and managed by Mansour Nasser, the Water and Sewer Systems Division Manager, and Bhavani Yerrapotu, the Water Pollution Control Division Manager.

Mr. Nasser has worked in the municipal services field for over 36 years. He is a licensed professional civil engineer in the state of California. He also holds a Water Distribution Certificate Grade D5, and Water Treatment Operator Certificate Grade T4, both issued by the California State Water Board. Before joining the City in January 2012, Mr. Nasser was employed with the City of San José for over thirty years, from April 1981 to January 2012. Starting in 1984 and until he left in 2012, Mr. Nasser served in various capacities in the San Jose Municipal Water System (SJMWS) ranging from Junior Engineer to Deputy Director of the Environmental Services Department. As a Senior Engineer in San José, Mr. Nasser managed the Engineering Section and was responsible for the capital improvement program for the water utility. As the Water Utility Manager, Mr. Nasser oversaw the SJMWS and was responsible for operations, maintenance, engineering and customer service for a period of thirteen years. As Deputy Director of the Environmental Service Department for Water Resources, Mr. Nasser oversaw the SJMWS, South Bay Water Recycling Program and Water Conservation.

Ms. Yerrapotu is responsible for the management of the City's Water Pollution Control Plant and is also the key technical lead on the Clean Water Program, a \$450 Million Capital Improvement program aimed at rebuilding the facility. Ms. Yerrapotu is a registered Civil Engineer with B.S. and M.S. Degrees in Civil and Environmental Engineering. She is a Board Certified Environmental Engineer and is a key representative for Sunnyvale on the Bay Area Clean Water Agencies (BACWA) consortium negotiating the regional watershed permit related to nutrient discharges into the bay. She has worked in the field of water/wastewater and engineering for over 23 years. Previous experience included six years as the Division Manager/Deputy Director for the Engineering and Technical Support Division of the San Jose/Santa Clara Regional Wastewater Facility, overseeing their \$40 Million/Year capital improvement program, IT/SCADA, regulatory, and process engineering sections.

Wastewater Collection and Treatment System

The Wastewater System has an average nominal flow capacity of 29.5 million gallons per day, with current flows averaging 12 to 15 million gallons per day. The fixed assets controlled by the Wastewater System include the wastewater collection system and Water Pollution Control Plant, which is the City's primary wastewater treatment facility.

Wastewater Collection System. The wastewater collection system consists of approximately 327 miles of sewer mains, including pipes ranging from six inches to 48 inches in diameter constructed of PVC pipe, and pre-cast concrete manholes.

The City was incorporated as a city in 1912, and the first sanitary sewers were installed shortly thereafter in the downtown area. Gravity flow patterns are generally from south to north and west to east. Five major interceptors, referred to as the Borregas, Lawrence, Cannery, Lockheed and Moffett Interceptors, convey all sewer flow to the WPCP for treatment and disposal. The sanitary sewer collection system includes approximately 310 miles of active City-owned gravity pipelines ranging in size from 4 to 48-inches in diameter, approximately 6,000 manholes, five sewer lift stations, and two miles of sewer force main. Approximately 15 miles of gravity pipelines are located south of the City boundary in an area known as Rancho Rinconada. In addition to City-owned gravity pipelines, there are many private sewer pipelines that the City does not maintain, including an extensive system of private sewers serving industrial development in the northwest portion of the City.

Over 93% of the gravity pipelines are constructed of Vitrified Clay Pipe (VCP), and most were constructed in the 1950s and 1960s. Maintenance activities for the gravity pipelines and manholes include cleaning (hydro-flushing), closed-circuit television (CCTV) video inspection, and root control. The City maintains a robust pay-as-you-go capital program for its collection system, jump started by the issuance of the 2010 Wastewater Bonds. The current budget and long term financial plan includes an ongoing annual allocation for pipeline lining and replacements, as well as the maintenance of other collection system infrastructure.

Water Pollution Control Plant (WPCP). The City's Water Pollution Control Plant is a Grade V Treatment Facility, and the Water Pollution Control Operations Supervisor is a Grade V certified by the State of California Water Resources Control Board. The Water Pollution Control Plant has a fully equipped laboratory under the direction of a qualified chemist. A team of industrial waste inspectors oversee an industrial/commercial pretreatment program to ensure that toxic, hazardous, or untreatable wastes are not discharged to the Wastewater System.

The Water Pollution Control Plant includes a mechanical screen, aerated grit tanks, primary sedimentation tanks, a roughing trickling filter, a secondary clarifier, an equalization basin, nitrification aeration basins, nitrification clarifiers, and chlorination. Effluent is normally pumped to evaporation/percolation ponds. Sludge is processed using a floatation thickener followed by anaerobic digestion and sludge drying beds or a centrifuge for dewatering. The Water Pollution Control Plant uses three distinct processes to treat wastewater, as described below:

Primary Treatment. Wastewater enters the plant 30 feet below ground. Large debris is ground up before the wastewater is pumped up to the ground level, where solids are removed in aerated grit tanks and sedimentation basins. (Sludge that is removed is processed using a floatation thickener followed by anaerobic digestion in anaerobic digesters and then on to sludge drying beds for dewatering.)

Secondary Treatment. The primary effluent then flows to the oxidation ponds, where bacteria consume the remaining solid materials.

Tertiary Treatment. The effluent is then pumped up and over nitrification clarifiers, also known as fixed growth reactors. Next the wastewater is transferred to the aerated floatation tanks, where polymer and air are injected causing algae to flocculate and rise to the top. The algae is collected and sent to the digesters or back to the ponds. The wastewater is sent through dual media filters to remove the remaining algae and then to the chlorine contact channels, where chlorine is used as a disinfectant.

Following tertiary treatment, the effluent is 95% free of any pollutants, and with the addition of sulfur dioxide to render the chlorine harmless the water can be discharged to the San Francisco Bay as highly treated wastewater, or used as recycled water (based on the level of treatment).

The Water Pollution Control Plant has consistently met all National Pollutant Discharge Elimination System discharge requirements, and has been highly reliable.

In 1998 the City installed a new power generation facility at the Water Pollution Control Plant that currently meets the electrical needs of the plant, and exports excess power to the electricity grid. The \$4 million power generation facility currently uses waste gases produced by the Sunnyvale Landfill and as a by-product of wastewater treatment as fuel for engine generators. The power generation facility saves approximately \$800,000 in energy costs per year.

The Sunnyvale Clean Water Program. The Sunnyvale Clean Water Program is working to rebuild the existing Water Pollution Control Plant (WPCP or Plant), which was initially built in 1956. With additions over the subsequent 15-20 years it has grown to a tertiary treatment facility with an average dry weather flow rate of 12 million gallons per day (MGD) and a permitted average dry weather flow rate of 29.5 MGD. An asset condition assessment conducted in 2006 identified several critical Plant structures as at-risk and in need of immediate rehabilitation. Based on this assessment, the City began implementing several rehabilitation projects and also developed a long-term Strategic Infrastructure Plan (SIP) to serve as a road map for the physical improvements and process enhancements needed to maintain a high level of treatment and to meet current and expected regulatory requirements and stewardship objectives. In 2013, to help implement the SIP, the City secured the professional services of Carollo Engineers to develop a comprehensive Master Plan, which included the “basis of design” development for the various process areas to be rebuilt and a programmatic environmental impact report (PEIR). The Master Plan was adopted by City Council in 2016.

The Master Plan consists of more than 30 capital improvement projects. The City anticipates awarding multiple consulting contracts over the next several years. A Program Management Consultant (PMC) will be required to coordinate this work with the City and other City Consultants for the life of the project, which is expected to continue for the next 15 to twenty years at a total cost of approximately \$462 million.

Phase one, which builds new primary treatment facilities and headworks, is currently underway. It is being funded through the \$127 million 2016 State Loan, which is payable on parity with the 2017 Bonds. See “–Outstanding and Anticipated Wastewater System Obligations” below.

As part of phase one, the City has awarded a \$100 million contract for the primary treatment and headworks project, which has begun construction, funded by the 2016 State Loan (which is also funding the design and construction management services). This phase of the project is anticipated to be completed by Fiscal Year 2021-22. Due to the environmentally friendly features of the project, the City obtained \$4 million in principal forgiveness from the State in connection with the 2016 State Loan. To date, with the project just underway, the City has drawn approximately \$3 million of the funds, with the principal forgiveness coming first.

Capital Improvement Program

The City’s Recommended FY 2017-18 Twenty-Year Resource Allocation Plan projects capital improvements to the Wastewater System for Fiscal Years 2017-18 through 2036-37 in the aggregate amount of approximately \$790.8 million. Of that amount, \$676.4 million is attributable

to the new or renovated Water Pollution Control Plant, which the City expects to finance through a combination of pay-as-you-go revenues, loans from the State Revolving Fund program and bonds.

Table 1
WASTEWATER SYSTEM
Five Year Capital Improvement Program Summary

Projects	2017-18	2018-19	2019-20	2020-21	2021-22	Total
WPCP Electronic Operations & Maintenance Manual	\$306,000	\$208,080	\$0	\$0	\$0	\$514,080
Sanitary and Storm System Hydraulic Model Update	765,000	0	0	0	0	765,000
Storm System Trash Control Devices	183,600	712,674	0	487,094	596,204	1,979,572
Green Streets for Stormwater	425,000	500,000	0	0	0	925,000
Repairs to WPCP Support Facilities	0	100,000	100,000	0	0	200,000
SCWP Secondary Treatment Improvements-Split Flow CAS Stage 1		0	0	10,000,000	0	10,000,000
SCWP Administration and Lab Building			6,000,000	0	0	6,000,000
WPCP Biosolids Processing - Program Funded	1,683,000	2,080,800	2,122,416	2,164,864	2,208,162	10,259,242
WPCP Waste Gas Burner Replacement	175,000	460,000	60,000	0	0	695,000
Adjust Utilities in Support of Paving Projects	81,600	83,232	84,897	86,595	88,326	424,650
Storm Trash Reduction Programs	357,000	312,120	318,362	324,730	331,224	1,643,436
WPCP Oxidation Pond Levee Rehab	306,000	468,180	344,893	378,851	358,826	1,856,750
Sewer Emergency Repair and Replacement	204,000	208,080	212,242	216,486	55,204	896,012
Replacement/Rehab of Sewer Pipes	0	208,080	1,273,450	216,486	1,324,897	3,022,913
Replacement/Rehab of Storm Drain Pipes	51,000	260,100	318,362	757,703	0	1,387,165
Lawrence Expressway Sanitary Sewer Rehab	1,428,000	0	0	0	0	1,428,000
Existing Secondary Process Rehab	165,000	130,000	80,000	0	0	375,000
Repairs to Power Generation and Distribution	0	0	100,000	500,000	100,000	700,000
Existing Tertiary Process Rehab	0	390,150	397,953	162,365	165,612	1,116,080
Wastewater Cost of Service Study	20,400	0	0	0	0	20,400
SCVURPPP Contracting and Fiscal Agent	50,000	50,000	50,000	50,000	50,000	250,000
Annual Digester Cleaning	81,600	166,464	84,897	86,595	176,653	596,209
<i>Sub-total</i>	<i>\$6,282,200</i>	<i>\$6,337,960</i>	<i>\$11,547,472</i>	<i>\$15,431,769</i>	<i>\$5,455,108</i>	<i>\$45,054,509</i>
Design and Construction of Water Pollution Control Plant	\$53,600,000	\$51,676,399	\$45,610,000	\$68,440,000	\$84,390,000	\$303,716,399
Total	\$59,882,200	\$58,014,359	\$57,157,472	\$83,871,769	\$89,845,108	\$348,770,908

Source: City of Sunnyvale, Department of Finance.

As shown in the table above, a major component of the City's planned Wastewater System improvements is the renovation program for the Water Pollution Control Plant. See "– Wastewater Collection and Treatment System" above.

Wastewater Rates, Fees and Charges

Wastewater Rate Setting. Wastewater rates are based entirely on the City's costs for operating and maintaining its Wastewater System. Rates are broken into customer classification and type of use. Periodically, the City conducts a study and revises estimates for flows and treatment parameters. This information is used to ensure proper cost recovery from the different classes of customers. The next wastewater cost of service rate study is planned for Fiscal Year 2017-18. See "THE CITY UTILITY ENTERPRISES – Utility Rate Setting" for a further discussion of rate-setting procedures common to all City Utility Enterprises.

Wastewater Rate Structure. The following table summarizes the current rate structure for the Wastewater System. Rates shown represent bi-monthly charges.

Table 2
WASTEWATER SYSTEM
Summary of Rate Structure by User Type
Fiscal Year 2017-18

<u>User Type</u>	<u>Rate</u>	<u>Basis for Calculation</u>
Single-Family Residences	\$47.18	Flat rate per residence
Apartments/Mobile Homes	30.45	Flat rate per unit
<u>Commercial:</u>		
Standard Strength (most common users)	\$4.20	Per hundred cubic feet of water consumed
Low Strength	4.65	Per hundred cubic feet of water consumed
High strength	7.96	Per hundred cubic feet of water consumed
Significant Industrial Users		Significant Industrial Users are sampled individually each year and a rate is calculated based on their actual discharge of suspended solids, total organic carbon, ammonia nitrogen and total flow
	\$4,399.69	per 1,000,000 gallons of flow
	1,601.19	per 1000 pounds of suspended solids
	2,076.50	per 1000 pounds of total organic carbon
	6,318.62	per 1000 pounds of ammonia nitrogen

Source: City of Sunnyvale, Department of Finance.

Historical Wastewater Rate Increases. The City has historically increased wastewater rates for each customer class each year. The most recent increase was adopted in 2017, for Fiscal Year 2017-18. Rate increases in recent years have been designed to address capital upgrades to facilities and the Water Pollution Control Plant.

The following table sets forth a five-year history of wastewater rate increases.

Table 3
WASTEWATER SYSTEM
Historic Wastewater Rate Increases for all Customer Classes

<u>Year</u>	<u>Increase</u>
2013-14	6.5%
2014-15	9%
2015-16	8%
2016-17	8%
2017-18	10%

Source: City of Sunnyvale Department of Finance.

Projected Rate Increases. The Resource Allocation Plan for the Wastewater Fund makes provisions for the long-term cost of infrastructure renovation and replacement, supply costs and other factors that affect the Wastewater Fund.

The Fiscal Year 2017-18 Resource Allocation Plan that was approved by the City Council on June 20, 2017, projects that wastewater rates will increase by 10.0% in Fiscal Year 2018-19, 9.0% annually in Fiscal Year 2019-20, Fiscal Year 2020-21 and Fiscal Year 2021-22. Increases between 1.0% and 6.0% per year are planned for Fiscal Years 2022-23 through 2026-27, with increases between 1.0% and 8.0% per year for the remaining ten years of the planning period.

All of these projected rate increases are dependent on approval by the City Council following the notice and protest procedures required under Proposition 218. See “BOND OWNERS’ RISKS – Proposition 218.” No assurance can be given that the City Council will approve any or all of the projected rate increases in the amounts or at the times set forth in the Resource Allocation Plan (but subject, however, to the City’s covenant to maintain the debt service coverage ratios set forth in the Indenture; see “SECURITY FOR THE 2017 BONDS – Covenants Regarding Water System Rates and Charges” above), or that the City Council’s approval of any proposed rate increase will not be precluded by a successful protest brought by ratepayers under Proposition 218 (see “BOND OWNERS’ RISKS – Proposition 218” below). In addition, these projected rate increases could change depending on future Resource Allocation Plans, and will largely depend on the timing of the work on the Water Pollution Control Plant and future operation and maintenance costs of the Wastewater System.

Comparative Monthly Wastewater Service Charges. The following table compares the City's residential wastewater service charges to neighboring Santa Clara County cities and agencies.

**Table 4
WASTEWATER SYSTEM
Comparative Rates
Fiscal Year 2016-17**

<u>Community</u>	<u>Monthly Residential Rate</u>
Fremont	\$31.67
Mountain View	34.30
Palo Alto	34.83
San Jose	35.60
Cupertino	37.04
Santa Clara	41.65
Sunnyvale	42.89
Milpitas	45.14

Source: City of Sunnyvale Department of Finance.

Connection Fees. The City charges various connection fees for new connections to the Wastewater System. For Fiscal Year 2017-18, for a residential unit (standard occupancy unit), the fee is \$7,887 and for a residential unit (low occupancy unit), the fee is \$5,127. Commercial and industrial users are charged a connection fee based on the characteristics of the waste and the estimated discharge amount.

Customer Base

The following table summarizes the number of customers served as of June 30, 2017, by the Wastewater System, grouped by customer type.

**Table 5
WASTEWATER SYSTEM
Summary of Sewer Accounts and Usage by User Type
As of June 30, 2017**

<u>User Type</u>	<u>Number of Accounts</u>	<u>Revenues</u>	<u>Billings as a Percent of Total</u>
Single-Family Residences	26,504	\$13,664,392	40%
Apartments/Mobile Homes	1,720	10,883,850	32
Industrial	39	2,990,787	9
Commercial	1,688	6,333,022	19
Other	62	303,505	1
Total	30,013	34,175,556	100%

Source: City of Sunnyvale, Department of Finance.

The following table sets forth a five-year history of the number of accounts for the Wastewater System.

Table 6
WASTEWATER SYSTEM
Number of Accounts
Fiscal Years 2012-13 through 2016-17

<u>Fiscal Year</u>	<u>Number of Accounts [1]</u>
2012-13	29,145
2013-14	29,368
2014-15	28,197
2015-16	28,164
2016-17	30,013

[1] As of June 30 each year.

Source: City of Sunnyvale Department of Finance.

Largest Wastewater Customers. The following are the ten largest Wastewater System customers for the current Fiscal Year to date, which currently represent approximately 14% of the Wastewater System service charges received by the City.

Table 7
WASTEWATER SYSTEM
Ten Largest Customers
Fiscal Year 2016-17

<u>Customer</u>	<u>Land Use</u>	<u>Primary Business Activity</u>	<u>Percent of Total Revenues</u>
Applied Materials	Commercial	Semiconductor and Related	3.86%
NASA/Ames Research	Commercial	Space Research and Technology	2.22
Northrop Grumman	Commercial	Transportation Equipment Manufacturing	2.17
Casa De Amigos	Multi-unit Dwelling	Mobile Home Park	0.92
Spieker Companies	Multi-unit Dwelling	Apartment	0.84
ERP Operating LP	Multi-unit Dwelling	Apartment	0.83
Plaza Del Rey	Multi-unit Dwelling	Mobile Home Park	0.81
Prometheus Real Estate	Multi-unit Dwelling	Apartment	0.77
Avalon Bay Communities	Multi-unit Dwelling	Homeowners Association	0.72
BRE Properties	Multi-unit Dwelling	Apartment	0.68
Total Top Ten:			13.82%

Source: City of Sunnyvale, Department of Finance.

Outstanding and Anticipated Wastewater System Obligations

2016 SWRCB Installment Sale Agreement. The City entered into the 2016 SWRCB Installment Sale Agreement in December 2016 in the original principal amount of \$127,068,522, in order to finance certain improvements to the Wastewater System, payments on which are made on a parity with the 2017 Bonds. Debt service payments commence after funds are fully drawn down (expected in Fiscal Year 2021-22) and will be based on 30-year level debt service. The City's current estimated annual payment, starting in Fiscal Year 2021-22, is equal to \$5,270,934.

The 2016 State Loan will finance major upgrades to the headworks and primary sedimentation facilities at the WPCP. The City plans to construct new headworks and primary treatment facilities in the eastern portion of the WPCP. The new facilities will be designed to provide additional capacity for future flows and loads through buildout (estimated to occur by 2035). After the new primary treatment facilities are in service, the existing headworks and primary sedimentation tanks would be decommissioned and no longer used. The new headworks will include: electrical pumps, screening facility and screenings/grit handling building, electrical building, and odor control facility. The new primary treatment facilities will include: 6 primary sedimentation tanks, Chemically Enhanced Primary Treatment facility, new utilities tunnel, new primary effluent pipeline and junction boxes. Other improvements that will be implemented as part of this project include installation of a mechanized dewatering unit, a temporary construction gate, extended fencing to encompass site extension to the south and east, installation of heat recovery system at the power generation facility, and a 12 kV main switchgear and a 2000 kW diesel engine generator. The project includes an energy efficiency component. Energy demand at the plant's pump station will be reduced by replacing three large pumps and biogas fueled engines with new high efficiency pumps and motors.

Consistent with the 2017 Bonds, the 2016 State Loan requires the City to establish rates equal to at least 120% of Net Revenues.

The 2016 State Loan provides that it may be terminated by the SWRCB upon violation by the City of any material provision of the 2016 State Loan (after a reasonable cure period). Following such termination, the City would be required to immediately repay all outstanding amounts under the 2016 State Loan, plus penalties and expenses of SWRCB. In the event of termination, interest will accrue at the highest legal rate of interest from the date that notice of termination is mailed by the SWRCB to the City to the date all monies due have been received by the SWRCB.

Future Indebtedness. The City currently anticipates that it will issue future bonds or other forms of indebtedness to finance all or a portion of the planned WPCP renovations (Sunnyvale Clean Water Program), which is currently estimated to cost approximately \$458 million, over the next 15 to 20 years.

Wastewater System Historical Fund Balances

The following table sets forth the balance sheets for the Wastewater Fund for the last five Fiscal Years.

Table 8
WASTEWATER SYSTEM
Historical Balance Sheets
As of June 30, 2017

	Audited 2012-13	Audited 2013-14	Audited 2014-15	Audited 2015-16	Audited 2016-17
Assets					
<u>Current Assets:</u>					
Cash and Investments Held by City	\$25,515,467	\$30,367,605	\$24,324,645	\$21,658,792	\$14,880,433
Cash and Investments Held by Fiscal Agent	12,124,458	4,560,070	1,443,095	1,442,397	1,439,420
Receivables, Net	3,349,060	4,009,294	3,928,638	4,138,809	4,616,360
Intergovernmental Receivables	2,645	5,363	293,121	873,861	5,332,224
Advances to Other Funds	--	--	404,744	404,744	404,744
Inventories and Prepayments	36,182	40,674	39,572	64,132	30,512
Total Current Assets	\$41,027,812	\$38,983,006	\$30,433,815	\$28,582,735	\$26,703,693
<u>Noncurrent Assets:</u>					
Advances to Other Funds	\$2,184,050	\$2,282,332	\$1,980,293	\$1,682,876	\$1,372,075
<u>Capital Assets:</u>					
Land & Non-Depreciable Assets	7,892,096	12,843,389	25,603,561	35,172,381	51,394,570
Depreciable Assets, Net	39,436,041	42,860,426	44,613,175	45,656,880	43,990,337
Total Noncurrent Assets	\$49,512,187	\$57,986,147	\$72,197,029	\$82,512,137	\$96,756,982
Total Assets	90,539,999	96,969,153	102,630,844	111,094,872	123,460,675
Deferred Outflows of Resources	133,878	124,315	1,637,144	1,801,207	4,207,468
Liabilities					
<u>Current Liabilities:</u>					
Accounts Payable and Accrued Liabilities	\$1,317,541	\$3,289,244	\$4,227,564	\$3,045,798	\$3,324,247
Advances from Other Funds	1,264,380	1,264,380	1,264,379	1,264,379	1,316,438
Refundable Deposits	117,276	170,536	155,320	181,851	202,927
Interest Payable	400,931	388,381	372,069	354,881	336,881
Unearned Revenues	--	--	30,000	30,000	30,000
Long-term Debt - Due Within One Year	1,255,000	1,305,000	1,375,000	1,440,000	1,515,000
Total Current Liabilities	\$4,355,128	\$6,417,541	\$7,424,332	\$6,316,909	\$6,725,493
<u>Noncurrent Liabilities:</u>					
Advances from Other Funds	\$10,298,238	\$9,843,241	\$9,356,394	\$8,835,468	\$8,226,019
Long-term Debt - Due in More than One Year	32,940,496	31,531,218	30,051,940	28,507,663	26,888,385
Net Pension Liability	--	--	15,154,220	15,998,547	19,026,245
Total Noncurrent Liabilities	\$43,238,734	\$41,374,459	\$54,562,554	\$53,341,678	\$54,140,649
Total Liabilities	47,593,862	47,792,000	61,986,886	59,658,587	60,866,142
Deferred Inflows of Resources	--	--	3,044,225	1,447,676	531,348
<u>Net Assets:</u>					
Invested in Capital Assets, Net of Related Debt	25,390,977	27,551,982	40,347,643	52,429,185	68,516,569
Restricted for Debt Service	--	--	--	--	5,270,934
Unrestricted	17,689,038	21,749,486	(1,110,766)	(639,369)	(7,516,850)
TOTAL NET ASSETS	\$43,080,015	\$49,301,468	\$39,236,877	\$51,789,816	\$66,270,653

Source: City of Sunnyvale Comprehensive Annual Financial Reports.

Wastewater System Historical Revenues, Expenses and Debt Service Coverage

Historical Revenues and Expenses. The following table presents historical revenues, expenses and changes in retained earnings of the Wastewater System for the past five Fiscal Years. In this table, retained earnings are portrayed on the full accrual basis of accounting as opposed to the cash basis used in the historical debt service coverage and projected debt service coverage tables presented on the following pages. Examples of the differences between the accrual presentation in the table below and the cash presentation in the debt service coverage tables on the following pages include (a) the treatment of capital or infrastructure assets, which are capitalized under the accrual basis and treated as an expense on a cash basis, and (b) the change in fair value of investments, which have no effect on budgetary fund balance but are included as income or loss on an accrual basis.

Table 9
WASTEWATER SYSTEM
Historical Revenues, Expenses and Changes in Retained Earnings
As of June 30

	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
Operating Revenues:						
Charges for Services	\$24,828,630	\$25,936,275	\$27,911,138	\$29,735,512	\$32,497,829	\$34,357,829
Operating Expenses:						
Personnel Services	8,785,717	9,577,616	9,721,463	10,117,150	9,480,742	10,762,197
Contractual Services	2,718,537	3,543,399	3,664,630	3,570,345	4,006,732	4,637,539
Supplies and Materials	2,279,304	2,220,601	2,224,529	2,453,096	2,696,557	2,948,271
Utilities (Gas, Electricity, Water, Phone)	502,011	533,653	592,351	578,112	615,906	780,596
Taxes and Licenses	165,425	181,852	206,164	197,889	225,452	223,127
Equipment and Building Rental	745,486	710,847	699,386	849,909	915,442	912,309
Other Operating Expenses	284,291	327,691	252,428	184,585	253,372	263,951
General Fund Administration [3]	--	--	--	--	2,616,030	2,863,834
Depreciation	<u>1,958,057</u>	<u>2,123,087</u>	<u>2,284,794</u>	<u>2,470,903</u>	<u>2,454,357</u>	<u>2,277,638</u>
Total Operating Expenses	17,438,828	19,218,746	19,645,745	20,421,989	23,264,590	25,669,462
Income from Operations	7,389,802	6,717,529	8,265,393	9,313,523	9,233,239	8,688,367
Non-Operating Revenues (Expenses):						
Investment Income	286,143	217,130	317,779	339,713	375,508	244,736
Sewer Connection Fees	1,217,814	3,316,662	4,166,495	1,751,177	4,572,922	3,362,244
Capital Grants and Contributions	266,900	410,000	247,800	1,416,000	223,600	5,011,782
Interest Expense	<u>(2,263,728)</u>	<u>(1,991,360)</u>	<u>(1,644,209)</u>	<u>(928,098)</u>	<u>(363,543)</u>	<u>260,094</u>
Total Non-Operating Revenues (Expenses)	(492,871)	1,952,432	3,087,865	2,578,792	4,808,487	8,878,856
Income Before Operating Transfers	6,896,931	8,669,961	11,353,258	11,892,315	14,041,726	17,567,223
Operating Transfers In	--	--	18,959	260,654	804,416	223,370
Operating Transfers Out [3]	<u>(4,708,379)</u>	<u>(4,322,882)</u>	<u>(5,150,764)</u>	<u>(5,242,759)</u>	<u>(2,293,203)</u>	<u>(3,309,756)</u>
Net income (Loss)	2,188,552	4,347,079	6,221,453	6,910,210	12,552,939	14,480,837
Retained Earnings at Beginning of Year	36,884,648	39,073,200	43,080,015	49,301,468	39,236,877	51,789,816
Prior Period Adjustment [1] [2]	--	(340,264)	-	(16,974,801)	-	-
Residual Equity Transfer	--	--	--	--	--	--
Retained Earnings at End of Year	<u>\$39,073,200</u>	<u>\$43,080,015</u>	<u>\$49,301,468</u>	<u>\$39,236,877</u>	<u>\$51,789,816</u>	<u>\$66,270,653</u>

[1] Fiscal Year 2012-13: Debt issuance costs (excluding pre-paid insurance) used to be reported as deferred charge. Under GASB 65 the costs have been reclassified as an expense in the period incurred.

[2] Fiscal Year 2104-15: Prior period adjustment due to GASB 68 implementation of new pension standards as defined in Note 20 of the CAFR.

[3] General Fund Administration costs are reflected in total operating expenses beginning 2015-16, they were previously reflected in Operating Transfers Out.

Source: City of Sunnyvale Comprehensive Annual Financial Reports.

Historical Debt Service Coverage. The following table sets forth the historical debt service coverage of the Wastewater System for the past five years based on the “Net Revenues” of the Wastewater System available under the 2010 Installment Purchase Agreement.

Table 10
WASTEWATER SYSTEM
Historical Revenues, Expenses and Debt Service Coverage,
and Reserve Balances

	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
Gross Revenues					
Charges for Services:	\$25,936,275	\$27,911,138	\$29,735,512	\$32,497,829	\$34,357,829
Investment Income/Interest	217,130	317,779	339,713	375,508	244,736
Sewer Connection Fees	3,316,662	4,166,495	1,751,177	4,572,922	3,362,244
Total Gross Revenues	29,470,067	32,395,412	31,826,402	37,446,259	37,964,809
Operation and Maintenance Costs [1]	17,596,350	18,341,302	19,425,241	19,474,965	22,216,329
Net Revenues [2]	11,873,717	14,054,110	12,401,161	17,971,294	15,748,480
Debt Service on Series 2010 Bonds	2,862,125	2,858,725	2,858,525	2,863,275	2,859,525
Debt Service Coverage Ratio	4.15x	4.92x	4.34x	6.28x	5.51x
Rate Stabilization Reserve [3]	\$21,641,582	\$11,635,727	\$7,008,181	\$5,295,457	\$3,022,040
Capital and Infrastructure Reserve [3]	4,248,124	19,809,803	20,000,000	14,410,700	6,282,200
Contingencies Reserve [3]	3,580,813	3,587,344	3,887,180	3,925,457	4,523,285

[1] Represents Operation and Maintenance Costs calculated in accordance with the 2010 Indenture.

[2] Represents Net Revenues available to pay debt service on the 2010 Bonds under the 2010 Indenture.

[3] See “THE CITY UTILITY ENTERPRISES – Contingency Reserve, Rate Stabilization Reserve and Capital and Infrastructure Reserve.”

Source: City of Sunnyvale Department of Finance.

Projected Wastewater System Revenues, Expenses and Debt Service Coverage

Projections. The following table sets forth the projected revenues, expenses and debt service coverage of the Wastewater System for the current Fiscal Year and the next four Fiscal Years based on the Net Revenues available under the Indenture and future debt service on the 2017 Bonds.

Table 11
WASTEWATER SYSTEM
Projected Revenues, Expenses and Debt Service Coverage,
and Reserve Balances

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2020-21</u>
Gross Revenues					
Charges for Services	\$41,408,350	\$45,982,746	\$48,198,488	\$53,247,101	\$56,921,427
Investment Income/Interest	244,836	416,031	521,672	817,478	822,925
Connection fees	834,000	850,680	867,694	885,047	902,748
Total Gross Revenues:	42,487,186	47,249,457	49,587,853	54,949,626	58,647,100
Operation and Maintenance Costs [1]	23,833,062	23,875,546	24,425,476	24,717,140	25,161,924
Net Revenues [2]	18,654,124	23,373,911	25,162,378	30,232,487	33,485,176
2010 Bonds/2017 Bonds	2,862,525	2,281,775	2,281,275	2,283,275	2,277,522
2016 State Loan	--	--	--	--	5,270,934
Total Debt Service	8,133,459	7,552,709	7,552,209	7,554,209	7,548,459
Debt Service Coverage Ratio:* [3][4]	2.29x	3.09x	3.33x	4.00x	4.44x
Rate Stabilization Reserve [5]	\$5,392,190	\$6,603,676	\$7,445,763	\$9,348,619	\$2,714,757
Capital and Infrastructure Reserve [5]	3,748,783	4,123,661	4,494,790	4,899,321	5,340,260
Contingencies Reserve [5]	4,760,952	4,986,510	5,094,444	5,241,542	5,382,312

*Preliminary; subject to change.

[1] Represents Operation and Maintenance Costs operating expenses calculated in accordance with the Indenture.

[2] Represents Net Revenues available to pay debt service on the 2017 Bonds under the Indenture.

[3] These projections do not incorporate the potential issuance of additional bonds or other indebtedness shown in Table 1 above due to the preliminary and uncertain nature of that component of the capital improvement plan for the Water Pollution Control Plant. See "–Capital Improvement Program" above.

[4] Projections assume full debt service on State Revolving Fund Loan in all five years. First actual debt service payment is not required until Fiscal Year 2012-22.

[5] See "THE CITY UTILITY ENTERPRISES – Contingency Reserve, Rate Stabilization Reserve and Capital and Infrastructure Reserve."
Source: City of Sunnyvale Finance Department.

Assumptions Regarding Projections.

Revenues. Charges for services are projected to increase at a rate of 1% to 10% per year based on the City's current Twenty Year Resource Allocation Plan. See "THE WASTEWATER SYSTEM – Wastewater Rates, Fees and Charges." Growth in revenues includes both growth resulting from utility rate increases and a moderate increase in the customer base of the wastewater enterprise as the City anticipates moderate growth. Connection fees are projected based on longer term averages in order to reflect average development activity over the long run.

Operation and Maintenance Costs. Operation and Maintenance Costs are projected to increase at a rate of 2% to 3% per year based primarily on increases to employee salaries and benefits.

Rate Stabilization Reserve. The Rate Stabilization Reserve is projected to fluctuate to cash fund capital improvements and stabilize rates in anticipation of debt service for the replacement or rehabilitation of the Water Pollution Control Plant.

Debt Service. * Debt Service for Fiscal Years 20__ - __ through 20__ - __ assumes an all-in interest cost with respect to the 2017 Bonds equal to __%, and a principal amount of the 2017 Bonds equal to _____. These projections do *not* incorporate the potential issuance of

* Preliminary; subject to change.

additional bonds or other indebtedness shown in Table 1 above due to the preliminary and uncertain nature of that component of the capital improvement plan for the Water Pollution Control Plant. See “–Capital Improvement Program” above.

ENVIRONMENTAL ISSUES AND REGULATORY MATTERS

Background

In 1969, the State adopted the Porter-Cologne Water Quality Act (the “**Porter-Cologne Act**”), creating the State’s current legal framework for the protection of water quality. This adoption was followed at the federal level by the Water Pollution Control Act Amendments of 1972 (the “**Clean Water Act**”). The Clean Water Act provided an aggressive timetable for eliminating pollution of the nation’s waters and established the basic secondary treatment requirement that 85% of conventional pollutants, as defined in administrative regulations, be removed from sanitary sewage. The Clean Water Act also required the issuance of discharge permits on a nationwide basis and established a federal grant program for construction of publicly-owned wastewater facilities, subsequently replaced by the state revolving fund loan program. Although the federal Environmental Protection Agency (the “**EPA**”) has ultimate responsibility for administering the Clean Water Act, many functions have been delegated to the State. The administration of the current loan program and enforcement of regulations are a joint undertaking of the State of California Water Resources Control Board, the San Francisco Bay Regional Water Quality Control Board (the “**Regional Water Board**”), and EPA Region IX.

Under the Porter-Cologne and Clean Water Acts, the Regional Water Board administers water pollution control programs. The Regional Water Board issues discharge permits under Section 402 of the Clean Water Act, which establishes the National Pollutant Discharge Elimination System (“**NPDES**”) permit system. These permits, issued for a five-year period, are also waste discharge requirements for the purposes of the Porter-Cologne Act and apply to discharges from the City’s Water Pollution Control Plant. Because South San Francisco Bay is shallow, and is subject to minimal freshwater inflows and tidal flushing, treatment requirements for the South Bay wastewater treatment plants, including the Water Pollution Control Plant, are far more stringent than the Clean Water Act’s basic secondary treatment requirements, requiring additional “tertiary” treatment process for ammonia removal and filtration. The regulatory basis for these more stringent requirements can be found in the regional “Basin Plans” required under the Porter-Cologne Act.

The City’s NPDES permit also contains discharge limits on “toxic” pollutants that are derived on the basis of the water quality standards specified in the California Toxics Rule (40 CFR Part 131), which are applied to the South Bay “shallow water” treatment plants without the benefit of a receiving water dilution allowance enjoyed by most other dischargers to San Francisco Bay or the Pacific Ocean.

Currently, the Wastewater System’s discharges are in full compliance with all permit requirements.

Regulatory Trends

General. Regulatory developments at the State and Federal level, as well as ongoing permit reissuance activities, may increase operations costs and capital needs of the Water Pollution Control Plant, and may have an effect on Water Pollution Control Plant operations and

the net revenues of the Wastewater System. City staff is actively engaged with regulatory officials and the public in the development of these regulatory matters.

Impaired Water Bodies and Total Maximum Daily Loads. The Clean Water Act requires states to identify all water bodies that do not achieve designated water quality standards or objectives. Such water bodies are designated as “impaired,” and states are required to identify all sources contributing to the impairment under the Total Maximum Daily Load (“**TMDL**”) program. States are required to designate wasteload allocations to each contributing source, including the Water Pollution Control Plant, in order to promote the recovery of the water body. South San Francisco Bay is currently listed as impaired for several legacy pesticides, dioxin and furan compounds, PCBs and dioxin-like PCBs, mercury, selenium and exotic species. The Regional Water Board has completed San Francisco Bay TMDLs for mercury and PCBs, as further described below, and is developing a selenium TMDL.

- The San Francisco Bay Mercury TMDL was adopted in August 2006. The Mercury TMDL is implemented through a separate NPDES “Watershed Permit” that was adopted by the Regional Water Board and contains individual and group effluent wasteload allocations for all Bay Area municipal and industrial dischargers, including the Water Pollution Control Plant. The Mercury Watershed Permit has a 20-year implementation plan that requires loading reductions every 10 years.

- The San Francisco Bay PCBs TMDL, also adopted in February 2008. The PCB TMDL is also implemented through the same Watershed Permit as Mercury. The permit establishes effluent limitations and requires ongoing monitoring and maintenance of optimal Water Pollution Control Plant treatment performance. The implementation plan also requires the implementation of PCBs risk reduction programs, similar to the risk reduction program for mercury.

The Water Pollution Control Plant currently complies with the applicable waste load allocations and permit requirements for mercury and PCBs.

Possible Future Regulatory Drivers. Future regulatory actions that could impact Water Pollution Control Plant NPDES permit requirements include more stringent limitations of the discharge of nutrients, expanded regulation of chemical by-products produced during wastewater disinfection, new limitations regulating pharmaceuticals and other emerging “pollutions of concern” in wastewater discharges, and changes in the designation or implementation of existing receiving water “beneficial uses.” Such actions could result in the need for new or enhanced wastewater treatment processes, and could significantly increase the operating costs of the Wastewater System or require the City to make unanticipated capital expenditures on the Wastewater System.

Other Regulatory Agencies and Laws Affecting the Wastewater System

Other regulatory agencies with approval or oversight responsibilities over the siting, construction or operational impacts of the water pollution control plant on air, water and natural resources include the Bay Area Air Quality Management District, the Bay Conservation and Development Commission, the California Coastal Commission, the California Department of Public Health, the National Marine Fisheries Service, the United States Fish and Wildlife Service, and the U.S. Army Corps of Engineers.

As a public agency, the City's actions must be consistent with CEQA and, where Federal approvals or funding is involved, the National Environmental Policy Act. The Federal Clean Air Act and the California Clean Air Act of 1988 also regulate emissions from the treatment facilities. All of the City's treatment facilities meet present Bay Area Air Quality Management District standards.

CITY FINANCES

The information in this Section is included solely as background regarding the City's finances and the Wastewater System, which is a utility enterprise of the City. The 2017 Bonds are payable from a pledge of Net Revenues of the Wastewater System, and are not a debt or obligation of the City's general fund. For additional information about the City's finances, see the audited financial statements of the City attached as APPENDIX B.

The City

The City of Sunnyvale was incorporated December 24, 1912, and the original City charter 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.

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.

For additional background and demographic information regarding the area in and around the City, see "APPENDIX D – General Demographic Information Regarding the City of Sunnyvale and Santa Clara County."

Budgeting and Planning Process

The City's approach to budget preparation is a central part of the City's planning and management system, which includes long-term financial planning over a 20-year time frame, short-term allocation of resources (the two-year action budget), and performance measurement of service delivery. For additional information on PAMS and the City budgeting and planning process, see "THE CITY UTILITY ENTERPRISES – Budgeting and Planning Process."

Accounting Policies

Accounting Policies. The accounting policies of the City conform to generally accepted accounting principles as applied to governmental agencies. The City's annual financial reports are prepared in accordance with the Governmental Accounting Standards Board ("GASB") Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis –

for State and Local Governments." Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on requirements for financial reporting for all governmental agencies in the United States.

Basis of Accounting and Measurement Focus. The accounts of the City 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 equity, revenues, and expenditures or expenses, as appropriate. City 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.

The government-wide financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. 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.

Financial Statements

Attached as APPENDIX B are the audited financial statements of the City (the "Financial Statements") for Fiscal Year 2016-17, which include financial statements for the Wastewater Fund and the other Enterprise Funds, prepared by the City Department of Finance and audited by Macias, Gini & O'Connell, LLP (the "Auditor").

The Auditor's letter concludes that the Financial Statements present fairly, in all material respects, the financial position of the City as of June 30, 2017, and the results of its operations and the cash flows of its proprietary fund types for the Fiscal Year then ended in conformity with generally accepted accounting principles.

The Financial Statements should be read in their entirety. *The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City. In addition, the Auditor has not reviewed or performed any procedures relating to this Official Statement.*

Investment Policy and Investment Portfolio

The City Council adopted an Investment and Cash Management Policy (the "**Investment Policy**") on July 30, 1985, which has been revised or reaffirmed by the City Council on at least an annual basis, most recently on October 4, 2017. Pursuant to the Investment Policy, the cash management system of the City is designed to accurately monitor and forecast expenditures and revenues, enabling the City to invest funds to the fullest extent possible. Funds of the City are to be invested in accordance with sound treasury management, the provisions of the California Government Code Section 53600 et. seq. and the Investment Policy. Under the Investment Policy, the City's Director of Finance (or his/her designee) are authorized to manage the investment portfolio.

At November 7, 2017, the City's investment portfolio consisted of the following:

U.S. Government Treasury and Agency securities	52.1%
Managed pool accounts	15.8%
Supranationals	6.4%

Medium Term Notes	21.4%
Municipal Bonds	4.3%

No funds were invested in commercial paper. The City's Finance Director manages the City's investment portfolio and provides a current market valuation of the investment portfolio on a monthly basis. Current market valuations are prepared by FT Interactive Data, the major operating division of Interactive Data Corporation, a leading provider of global securities data.

Employee Relations

The City employs 917 full-time and regular part-time employees, and approximately 458 casual or seasonal employees. The City directly provides municipal services including police and fire protection, libraries, solid waste, water and wastewater utility services, parks and recreation, traffic engineering, street maintenance and other public infrastructure, land use planning and general administrative services. There are six employee associations, as shown in the following table.

<u>Labor Organization</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u>
International Federation of Professional and Technical Engineers (formerly the Sunnyvale Employees' Association)	515	June 30, 2019
Public Safety Officers' Association	190	December 31, 2020
Communication Officers' Association	20	December 31, 2017
Service Employees' International Union - Local #715	51	June 30, 2021
Sunnyvale Managers Association	83	June 30, 2019
Public Safety Managers Association	10	December 21, 2021

Insurance

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 (for each occurrence), through California Joint Powers Risk Management Authority, a risk-sharing pool.

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 as follows:

- \$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; and
- Statutory excess of \$50,000,000: coverage provided by National Union Fire Insurance Co. of Pittsburgh, PA.

Unemployment claims paid by the State are reimbursed dollar-for-dollar by the City.

Employee Retirement System

Plan Description. All permanent City employees participate in the California Public Employees' Retirement System ("**PERS**") per the City charter.

PERS is an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within California. PERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries.

Employees vest after five years of service and are eligible to receive benefits at age 50 for safety and miscellaneous (non-safety) employees. State statutes and City ordinance establish benefit provisions, which are reflected in a contract between the City and PERS. For additional information, see the Note 17 of the City's Comprehensive Annual Financial Report, attached hereto as Appendix B.

Copies of PERS's annual financial report may be obtained from its executive office in Sacramento.

Funding Policy. Miscellaneous participants are required to contribute 8% of annual covered salary, and safety participants were required to contribute 11.25% of their annual covered salary. The City made the contributions required of City employees on their behalf and for their account for 4% of annual salary for miscellaneous participants and the 6% for safety participants. The total contribution on behalf of employees amounted to \$4,355,501 for Fiscal Year 2016-17.

The City is required to make actuarially determined employer contributions necessary to fund the benefits for its members. For Fiscal Year 2016-17, the City contribution was 26.3% for miscellaneous employees and 45.3% for safety employees. In FY 2016-17 the City elected to make an annual lump sum prepayment to PERS; the contribution was \$15,147,763 for miscellaneous employees and \$13,837,982 for safety employees. The contribution requirements of the plan members are established by State statute.

Annual Pension Cost. For Fiscal Year 2016-17, the City's annual pension cost of \$28,985,745 was equal to the City's required and actual contributions. Originally the required employer contribution was determined as part of the June 30, 2014, actuarial valuation using the entry age normal actuarial cost method. The required employer contribution using a lump sum payment method was later amended at the City's request to avoid negative amortization of the unfunded actuarial accrued liability.

Pension Cost History. Information on City pension funding for the most recent three Fiscal Years is shown in the following tables.

GASB 68 Reporting						
	Measurement <u>Date</u>	Fiscal Yr <u>Ended</u>	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Plan Net Pension <u>Liability</u>	Pension <u>Expense</u>
SAFETY PLAN	2014	2015	\$479,589,721	\$353,926,821	\$125,662,900	\$10,771,561
	2015	2016	489,708,809	352,415,022	137,293,787	8,206,674
	2016	2017	509,519,270	343,286,462	166,232,808	15,193,526
MISC PLAN	2014	2015	\$500,852,018	\$371,009,864	\$129,842,154	\$10,484,240
	2015	2016	509,929,954	372,974,401	136,955,553	6,653,938
	2016	2017	530,613,227	367,486,410	163,126,817	12,063,842
ALL PLANS	2014	2015	\$980,441,739	\$724,936,685	\$255,505,054	\$21,255,801
	2015	2016	999,638,763	725,389,423	274,249,340	14,860,612
	2016	2017	1,040,132,497	710,772,872	329,359,625	27,257,368

Funding Basis Contributions				
	Fiscal Yr <u>Ended</u>	Actuarially Determined <u>Contribution (ARC)</u>	Actual <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>
SAFETY PLAN	2015	\$10,812,835	\$11,312,835	\$(500,000)
	2016	11,934,254	12,634,254	(700,000)
	2017	13,837,982	13,837,982	--
MISC PLAN	2015	\$12,759,494	\$13,259,494	\$ (500,000)
	2016	13,917,203	14,617,203	\$ (700,000)
	2017	15,147,763	15,147,763	--
ALL PLANS	2015	\$23,572,329	\$24,572,329	\$(1,000,000)
	2016	25,851,457	27,251,457	(1,400,000)
	2017	28,985,745	28,985,745	--

Projected Future Increases in Pension Costs. The City contracts with a consulting actuary annually to address pension costs. The actuary provides a twenty-year projection on the costs for pension that is then included in the City's 20-year financial plans. Currently, the City has projected and is planning for continued substantial increases in retirement costs, especially within the next ten years.

Other Post-Employment Benefits

Plan Description. The City's retiree healthcare plan is a single-employer defined benefit healthcare plan. The plan provides healthcare benefits to eligible retirees and their dependents through the PERS healthcare program ("PEMHCA"). Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its non-represented employees, and the bargaining units representing City employees.

The City provides a retiree healthcare stipend equal to the lesser of the medical premium or a dollar limit that varies by employee group (\$297 to \$796 per month for Fiscal Year 2016-17). 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. There were 776 retired plan participants as of June 30, 2016.

Funding Policy. The contribution requirements of the other post-employment benefits (“OPEB”) plan participants and the City are established and may be amended by the City. The annual required contribution (“ARC”) is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Since 2007, the City has set aside funds in the Employee Benefits Internal Service Fund for future OPEB obligations. On July 20, 2010, the City Council approved the City entering into an Investment Advisory Agreement with PFM Asset Management, LLC (“PFM”) as investment manager for the City’s OPEB Trust (RTC No. 10-187). On December 7, 2010, the City Council approved a Trust Agreement with PFM as Trust Administrator and U.S. National Bank Association as Trustee for the OPEB Trust (RTC No. 10-326). The Investment Policy Statement for the OPEB Trust was also approved at that time.

Since inception the City has deposited a total of \$59.5 million into the trust. As of June 30, 2017, the market value of the trust was \$83 million, which includes earnings. As of its last actuarial valuation (June 30, 2016), the City’s retiree medical plan is 55% funded.

The Employee Benefits Internal Service Fund has accumulated such resources in past years through internal service charges and transfers from the General Fund. Additional resources will be added on an ongoing basis until the Trust is fully funded. This retiree medical trust is not considered a component unit of the City and is excluded from the City’s financial statements.

Annual OPEB Cost and Net OPEB Obligation. For Fiscal Year 2017-18, the City’s ARC was projected at \$10,035,000.

In the June 30, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.5% investment rate of return and 3% annual general inflation. Premiums were assumed to increase with a pre-Medicare medical cost increase rate of 6.5% for 2018, grading down to 5% for 2021 and thereafter. The post-Medicare cost increases were 6.7% for 2018, grading down to 5% for 2021 and thereafter. The projected June 30, 2017 unfunded actuarial accrued liability (“UAAL”) is being amortized as a level percentage of projected payroll over 20 years for Fiscal Year 2017-18. It is assumed that the City’s payroll will increase 3.25% per year.

The following table shows the components of the City’s annual OPEB costs for Fiscal Year 2016-17, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation.

	<u>June 30, 2017</u>
Annual required contribution (ARC)	\$ 8,135,000
Interest on net OPEB obligation	(370,000)
Amortization of Net OPEB Obligation	387,000
Annual OPEB cost (expense)	8,152,000
Contributions made	9,842,000
Increase (Decrease) in net OPEB obligation	(1,690,000)
Net OPEB obligation - beginning of year	(5,695,000)
Net OPEB obligation - end of year	(7,385,000)

The City contributed \$5,599,000 on a pay-as-you-go basis for current benefit payments and \$4,243,000 in trust prefunding. Starting 2007, the City has set aside funds in the Employee Benefits Internal Service Fund for future OPEB obligations and has since established an OPEB Trust in Fiscal Year 2010-11. The Trust has \$83 million in Plan Fiduciary Net Position as of June 30, 2017, and it is funded at 49.7% of total OPEB liability.

Wastewater System's Estimated Share of Retirement Obligations. The City estimates that the Wastewater System is responsible for approximately 7.3% of the city's pension and OPEB costs (based on the Wastewater System's share of annual budgeted City salaries), which is treated as an Operation and Maintenance Cost for purposes of the Indenture.

BOND OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the 2017 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Bonds and the order presented does not necessarily reflect the relative importance of the various risks. Potential investors in the 2017 Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the 2017 Bonds. There can be no assurance that other considerations will not materialize in the future.

Net Revenues; Rate Covenant

Net Revenues are dependent upon demand for wastewater service, which can be affected by population changes, drought, economic conditions, and other factors. There can be no assurance that wastewater service demand will be consistent with the levels contemplated in this Official Statement. A decrease in the demand for wastewater service could require an increase in rates or charges in order to comply with the rate covenants contained in the Indenture. The City's ability to meet its rate covenants is dependent upon its capacity to increase rates without driving down demand to a level insufficient to meet debt service on the 2017 Bonds and any existing and future Parity Debt.

No Debt Service Reserve Fund

The City will not fund a debt service reserve fund for the 2017 Bonds. In the event Net Revenues are insufficient for the City to pay debt service on the 2017 Bonds when due, no debt service reserve account funds will be available under the Indenture for the City to make such payments.

Operation and Maintenance Expenses

There can be no assurance that expenses of the City will be consistent with the levels contemplated in this Official Statement. Changes in technology, changes in quality standards, and increases in the cost of operation or other expenses could require substantial increases in rates or charges in order to comply with the rate covenants in the Indenture. Such rate increases could drive down demand for wastewater services or otherwise increase the possibility of nonpayment of the 2017 Bonds.

Limitations on Remedies Available to Bond Owners

The ability of the City to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay principal of and interest on the 2017 Bonds and Parity Bonds may be adversely affected by actions and events outside of the control of the City, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. Furthermore, any remedies available to the owners of the 2017 Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondholder remedies contained in the Indenture, the rights and obligations under the 2017 Bonds and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization,

moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 2017 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Seismic and Environmental Considerations

The City is located in a seismically active area of California. If there were to be an occurrence of severe seismic activity in the area of the City, there could be an interruption in the service provided by the Wastewater System, resulting in a temporary reduction in the amount of Net Revenues available to pay debt service when due on the 2017 Bonds.

Other environmental conditions, such as flooding, landslides or wildfires, could also affect or interrupt the service provided by the Wastewater System, resulting in a temporary reduction in the amount of Net Revenues available to pay debt service when due on the 2017 Bonds.

California Drought Conditions

California is subject to droughts from time-to-time. On April 1, 2015, for the first time in California's history, Governor Edmund G. Brown directed the State Wastewater Resources Control Board to implement mandatory water reductions in cities and towns across California to reduce water usage by 25%, which in many cases led to declines in wastewater flows as well. Following a wet winter in 2016-17, most of the mandatory water reductions have been lifted.

However, there can be no assurance that drought conditions would not re-appear in the future, leading to decreased usage of the Wastewater System, and a potential decline in Net Revenues available to pay debt service on the 2017 Bonds.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the Series 2017A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series 2017A Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Indenture. Should such an event of taxability occur, the Series 2017A Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Proposition 218

General. On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, limited local governments' authority to impose or increase property-related "fee" or "charge," which is defined as "any levy other than an ad

valorem tax, a special tax or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service” (and referred to in this section as a “property-related fee or charge”).

Specifically, under Article XIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

In addition, Article XIIC states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

Judicial Interpretation of Proposition 218. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General’s opinion initially indicated that fees and charges for water and wastewater services, which are based on the amount of services consumed, would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID. However, numerous subsequent court cases have held that certain types of water and wastewater charges could be subject to the requirements of Proposition 218. These cases include, for example, *Capistrano Taxpayers Assoc., Inc. v. City of San Juan Capistrano* (186 Cal. Rptr. 3d 362 (Cal. App. 4th Distr. 2015)), *Bighorn-Desert View Water Agency v. Verjil* (46 Cal. Rptr. 3d 73 (Cal. 2006)), and *Howard Jarvis Taxpayers Assoc. v. City of Fresno* (26 Cal. Rptr. 3d 153 (Cal. App. 5th Distr. 2005)).

Under the *Bighorn* case, for example, the court held that under Article XIIC, local voters could adopt an initiative measure that reduces or repeals the City’s rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the 2017 Bonds.

Under the *City of San Juan Capistrano* case, the court held that tiered or inclined rates that go up progressively in relation to usage must correspond to the actual cost of providing water service at each tier (level of usage), and accordingly the pricing for any tier cannot exceed the cost of service to that tier.

City’s Current Practice Regarding Rates and Charges. The City’s practice in implementing increases in wastewater rates and charges has been to comply with the requirements of Article XIID, including the practice of providing property owners with a 45-day mailed notice and public hearing before the City Council approves rate increases.

Conclusion. It is not possible to predict how courts will further interpret Article XIIC and Article XIID in future judicial decisions, and what, if any, further implementing legislation will be enacted. As noted above, under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the City's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the 2017 Bonds. Under the *City of San Juan Capistrano* case, tiered or inclined rates that go up progressively in relation to usage must correspond to the actual cost of providing water service at each tier (level of usage), and accordingly the pricing for any tier cannot exceed the cost of service to that tier. ***There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIC and Article XIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for wastewater, or to call into question previously adopted wastewater rate increases.***

Environmental Regulation

The kind and degree of wastewater treatment is regulated, to a large extent, by the federal government and the State of California. Treatment standards set forth in federal and State law control the operations of the Wastewater System and mandate its use of technology. If the federal government, acting through the Environmental Protection Agency, or the State of California, acting through the Department of Health Services, or additional federal or State legislation, should impose stricter water quality standards upon the Wastewater System, the City's expenses could increase accordingly and rates and charges would have to be increased to offset those expenses.

It is not possible to predict the direction which federal or State regulation will take with respect to wastewater quality standards, although it is likely that both will impose more stringent standards with attendant higher costs.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2017 Bonds or, if a secondary market exists, that any 2017 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

In particular, future changes in the law could impact the second market for the 2017 Bonds. For example, the Tax Cuts and Jobs Act ("H.R. 1"), which was passed by the United States House of Representatives on November 16, 2017, would, if enacted into law in its current form, include in gross income the interest on (i) any "qualified" private activity bond and (ii) any advance refunding bond. Such amendments would only apply to bonds issued after December 31, 2017. H.R. 1 would also impact (and generally lower) the current income tax rates for individuals and corporations. On December 2, 2017, the United States Senate passed its own version of H.R. 1, that would also prohibit the issuance of tax-exempt advance refunding bonds after December 31, 2017, but would not change the current tax treatment of qualified private activity bonds. The House Bill would eliminate the alternative minimum tax on individuals and corporations for tax years beginning after December 31, 2017. The Senate Bill would retain the alternative minimum

tax on individuals and corporations with increased income thresholds at which the alternative minimum tax will apply to individuals for taxable years beginning after December 31, 2017 and before January 1, 2026. The future of the tax reform legislative efforts is uncertain at this time, as is the impact (if any) on the 2017 Bonds. See "TAX MATTERS."

Existing and Future Parity Obligations; Cross-Defaults

The 2017 Bonds are payable from Net Revenues on a parity with the 2016 State Loan. See "THE WASTEWATER SYSTEM – Outstanding and Anticipated Wastewater System Obligations."

The Indenture permits the City to issue Parity Debt in the future that is payable on a parity with the payment of debt service of the 2017 Bonds, upon the conditions contained in the Indenture. See "SECURITY FOR THE 2017 Bonds – Parity Debt." In the event of a decline in Net Revenues, the existence of Parity Debt could adversely affect the City's ability to pay debt service on the 2017 Bonds.

Under the Indenture, an event of default under any Parity Debt constitutes an Event of Default. See APPENDIX A -Summary of Certain Provisions of the Indenture. The 2016 State Loan contains remedies that include acceleration upon default. See "THE WASTEWATER SYSTEM – Outstanding and Anticipated Wastewater System Obligations – 2016 SWRCB Installment Sale Agreement."

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. Interest on the Taxable Series 2017A-T Bonds is not intended to be excluded from gross income for federal income tax purposes.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Series 2017A Bonds. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2017A Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Series 2017A Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Series 2017A Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Series 2017A Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Series 2017A Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Series 2017A Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Series 2017A Bonds who purchase the Series 2017A Bonds after the initial offering of a substantial amount of such maturity. Owners of such Series 2017A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2017A Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Series 2017A Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Series 2017A Bond (said term being the shorter of the Series 2017A Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Series 2017A Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Series 2017A Bond is amortized each year over the term to maturity of the Series 2017A Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Series 2017A Bond premium is not deductible for federal income tax purposes. Owners of premium Series 2017A Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Series 2017A Bonds.

In the further opinion of Bond Counsel, interest on the 2017 Bonds is exempt from California personal income taxes.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2017 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2017 Bonds. Prospective purchasers of the 2017 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

General. Owners of the 2017 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2017 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the ownership, sale or disposition of the 2017 Bonds, or the amount, accrual or receipt of interest on the 2017 Bonds, other than as expressly described above.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, Bond Counsel, will render an opinion with respect to the validity of the 2017 Bonds, the form of which opinion is set forth in APPENDIX E. Certain legal matters will also be passed upon for the City by Jones Hall, as Disclosure Counsel and by the City Attorney. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling, Yocca Carlson & Rauth, a Professional Corporation. The fees of Bond Counsel, Disclosure Counsel and Underwriter's counsel are contingent on the sale and closing of the 2017 Bonds.

LITIGATION

No litigation is pending or threatened concerning the validity of the 2017 Bonds. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's power to fix wastewater rates and charges, or the power of the City Council or in any way questioning or affecting: (i) the proceedings under which the 2017 Bonds are to be issued; (ii) the validity of any provision of the 2017 Bonds or the Indenture; (iii) the pledge of Net Revenues by the City under the Indenture; or (iv) the titles to office of the present members of the City Council.

There are a number of suits and claims pending against the City, which may include personal injury, wrongful death and other suits and claims against which the City may self-insure. The aggregate amount of the self-insured liabilities of the City which may result from such suits and claims will not, in the opinion of the City, materially impair the ability of the City to pay principal of or interest on the 2017 Bonds as the same become due.

There is no litigation pending, with service of process having been accomplished, against the City which if determined adversely to the City would, in the opinion of the City, materially impair the ability of the City to pay principal of and interest on the 2017 Bonds as they become due.

RATINGS

Moody's Investors Service ("**Moody's**") has assigned its municipal bond rating of "___" to the 2017 Bonds. S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("**S&P**") has assigned its municipal bond rating of "___" to the 2017 Bonds.

These ratings reflect only the views of Moody's and S&P, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from Moody's and S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to Moody's and S&P (some of which does not appear in this Official Statement).

There is no assurance that these ratings will continue for any given period of time or that these ratings will not be revised downward or withdrawn entirely by Moody's and S&P, if in the judgment of Moody's or S&P, circumstances so warrant. Any such downward revision or withdrawal of any rating on the 2017 Bonds may have an adverse effect on the market price or marketability of the 2017 Bonds.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the 2017 Bonds to provide certain financial information and operating data relating to the City and the Wastewater System by not later than nine months after the end of the City's fiscal year, or March 31, of each year (based on the City's current fiscal year-end of June 30), commencing March 31, 2018, with the report for the 2016-17 fiscal year (the "**Annual Report**") and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the City is set forth in "APPENDIX C – Form of Continuing Disclosure Certificate."

The City and its related governmental entities have previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long-term obligations. The City is not aware of any failures to comply in all material respects with the previous undertakings entered into by the City or any of its related entities.

UNDERWRITING

JP Morgan Securities LLC (the "**Underwriter**") has agreed to purchase the 2017 Bonds from the City at a purchase price of \$_____, which represents the aggregate principal amount of the 2017 Bonds, plus net original issue premium of \$_____, less Underwriter's discount of \$_____.

The purchase contract under which the Underwriter is purchasing the 2017 Bonds provides that the Underwriter will purchase all of the 2017 Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the contract of purchase.

The public offering prices of the 2017 Bonds may be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2017 Bonds to certain dealers and others at a price lower than the offering price stated on the cover page of this Official Statement.

The Underwriter has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("**CS&Co.**") and LPL Financial LLC ("**LPL**") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase 2017 Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any 2017 Bonds that such firm sells.

MUNICIPAL ADVISOR

The City has retained Ross Financial, San Francisco, California, as its Municipal Advisor (the "**Municipal Advisor**") in connection with the authorization and delivery of the 2017 Bonds. The Municipal Advisor assumes no responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the 2017 Bonds, or the possible impact of any present, pending or future actions taken

by any legislative or judicial bodies. The Municipal Advisor's fee is contingent on the sale and closing of the 2017 Bonds.

EXECUTION

The execution of this Official Statement and its delivery have been authorized by the City Council of the City.

CITY OF SUNNYVALE

By: _____
Timothy J. Kirby,
Director of Finance

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR FISCAL YEAR ENDED JUNE 30, 2017**

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
City of Sunnyvale
Refunding Wastewater Revenue
Bonds, Series 2017A

\$ _____
City of Sunnyvale
Taxable Refunding Wastewater Revenue
Bonds, Series 2017A-T

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the City of Sunnyvale (the “**City**”) in connection with the issuance of the above-captioned bonds (collectively, the “**2017 Bonds**”). The 2017 Bonds are being issued pursuant to that certain Indenture of Trust, dated as of December 1, 2017 (the “**Indenture**”) by and between the City and U.S. Bank National Association, as trustee (the “**Trustee**”). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the 2017 Bonds and in order to assist the Participating Underwriter in complying with the Rule (defined herein).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4.

“*Annual Report Date*” means the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

“*Dissemination Agent*” means initially the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a).

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement dated _____, 2017, executed by the City in connection with the issuance of the 2017 Bonds.

“*Participating Underwriter*” means JP Morgan Securities LLC, as the original underwriter of the 2017 Bonds required to comply with the Rule in connection with offering of the 2017 Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2018, with the report for the 2016-17 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the City prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed under the preceding clause (a), the Annual Report shall contain information showing the following information for the most recently completed fiscal year:

(i) Table 5, WASTEWATER SYSTEM, Summary of Sewer Accounts and Usage by User Type,

(ii) Table 9, WASTEWATER SYSTEM, Historical Revenues, Expenses and Changes in Retained Earnings, and

(iii) Table 10, WASTEWATER SYSTEM, Historical Revenues, Expenses and Debt Service Coverage, and Reserve Balances.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2017 Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: For the purposes of the event identified in subparagraph (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the City determines that knowledge of the occurrence of that Listed Event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected 2017 Bonds under the Indenture.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2017 Bonds. If such termination occurs prior to the final maturity of the 2017 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2017 Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2017 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the 2017 Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2017 Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 2017 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific

performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent (if other than the City), the Participating Underwriter and the holders and beneficial owners from time to time of the 2017 Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: December __, 2017

CITY OF SUNNYVALE

By _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Sunnyvale

Name of Issue: \$_____ City of Sunnyvale Refunding Wastewater Revenue Bonds,
Series 2017

Date of Issuance: _____, 2017

NOTICE IS HEREBY GIVEN that the City of Sunnyvale has not provided an Annual Report with respect to the above-named bonds as required by the Continuing Disclosure Certificate dated as of _____, 2017, executed by the City of Sunnyvale. The City anticipates that the Annual Report will be filed by _____.

Dated:_____

CITY OF SUNNYVALE

By_____
Name:
Title:

APPENDIX D

GENERAL DEMOGRAPHIC INFORMATION OF THE CITY OF SUNNYVALE AND SANTA CLARA COUNTY

The following information concerning the City of Sunnyvale (the “City”), the County of Santa Clara (the “County”), and surrounding areas is included only for the purpose of supplying general information regarding the community. The 2017 Bonds are not a debt of the City, County, the State of California (the “State”) or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor, except the City to the limited extent set forth in the Indenture.

General

The City. Incorporated December 24, 1912, the City is one of the major cities that makes up Silicon Valley and is the seventh most populous city in the San Francisco Bay Area. The City is bordered by portions of San Jose to the north, Moffett Federal Airfield to the northwest, Mountain View to the west, Los Altos to the southwest, Cupertino to the south, and Santa Clara to the east. The City operates under a Council-Manager form of government. Policy-making and legislative authority are vested with the City Council, which is composed of seven Council Members elected by seat number for staggered four-year terms, with a two-term limit. The City provides 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 County. Situated northeast of San Francisco, the County of Contra Costa (the “County”) is bounded by San Francisco and San Pablo Bays, the Sacramento River Delta, and by Alameda County on the south. Ranges of hills effectively divide the County into three distinct regions. The western portion, with its access to water, contains much of the County's heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part is also undergoing substantial change, from a rural, agricultural area, to a suburban region. The County has extensive and varied transportation facilities-ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco.

Population

The following table lists population figures for the City, the County, and the State for the last five calendar years.

CITY OF SUNNYVALE, SANTA CLARA COUNTY AND STATE OF CALIFORNIA
Population Estimates
Calendar Years 2013 Through 2017

Year	City of Sunnyvale	Contra Costa County	State of California
2013	145,245	1,840,895	37,984,138
2014	146,000	1,868,038	38,357,121
2015	147,388	1,889,638	38,714,725
2016	148,948	1,922,619	39,189,035
2017	149,831	1,938,180	39,523,613

Source: California Department of Finance for January 1.

Employment and Industry

The City is part of the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (“MSA”), which is comprised of Santa Clara and San Benito Counties. The unemployment rate in the MSA was 3.0% in October 2017, down from a revised 3.3% in September 2017, and below the year-ago estimate of 3.9%. This compares with an unadjusted unemployment rate of 4.3% for the State and 3.9% for the nation during the same period. The unemployment rate was 4.8% in San Benito County, and 3.0% in the County.

SAN JOSE-SUNNYVALE-SANTA CLARA MSA Civilian Labor Force, Employment and Unemployment Calendar Years 2012 through 2016 March 2016 benchmark

	2012	2013	2014	2015	2016
Civilian Labor Force ⁽¹⁾	987,000	1,000,700	1,021,000	1,039,100	1,056,300
Employment	907,900	934,800	967,200	994,900	1,015,700
Unemployment	79,000	65,900	53,800	44,200	40,600
Unemployment Rate	8.0%	6.6%	5.3%	4.3%	3.8%
<u>Wage and Salary Employment:</u>					
Agriculture	4,900	5,000	5,300	5,500	6,000
Mining and Logging	200	300	300	200	300
Construction	34,800	37,500	39,700	43,900	48,900
Manufacturing	156,400	156,300	159,500	162,400	163,600
Wholesale Trade	35,000	36,400	37,200	37,200	37,800
Retail Trade	84,100	84,900	86,400	87,800	87,700
Transportation, Warehousing, Utilities	12,800	13,800	14,400	14,600	15,300
Information	54,200	58,700	65,700	70,500	74,600
Financial Activities	33,200	33,700	34,100	34,600	35,600
Real Estate and Rental and Leasing	12,900	13,000	13,300	13,500	14,000
Professional and Business Services	178,200	191,200	203,000	216,300	225,200
Educational and Health Services	136,800	143,800	150,000	156,300	162,100
Leisure and Hospitality	82,500	87,500	91,900	95,800	98,900
Other Services	24,800	25,400	26,400	26,900	27,400
Federal Government	9,800	9,900	9,900	9,900	10,000
State Government	6,400	6,300	6,400	6,700	6,700
Local Government	75,200	75,600	77,100	76,400	77,400
Total all Industries ⁽²⁾	942,200	979,300	1,020,600	1,058,500	1,091,500

(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Principal Employers

The following table shows the principal employers in the City, as shown in the City's Comprehensive Annual Financial Report for fiscal year ending June 30, 2016.

CITY OF SUNNYVALE Principal Employers

Employer	Number of Employees	Percent of Total Employment
Lockheed Martin Space Systems	5,045	5.81%
Apple	4,000	4.60
Yahoo!	3,993	4.59
Juniper Networks	3,180	3.66
Google	3,176	3.65
NetApp	3,081	3.55
LinkedIn	1,840	2.12
A2Z Development Center	1,834	2.11
Northrup Grumman Marine Systems	1,198	1.38
West Valley Engineering	1,056	1.22

Source: City of Sunnyvale, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016.

Major Employers

The table below lists the major employers in the County, listed alphabetically.

CONTRA COSTA COUNTY Major Employers November 2017

Employer Name	Location	Industry
Adobe Systems Inc	San Jose	Publishers-Computer Software (Mfrs)
Advanced Micro Devices Inc	Sunnyvale	Semiconductor Devices (Mfrs)
Apple Inc	Cupertino	Computer & Equipment Dealers
Applied Materials Inc	Santa Clara	Semiconductor Manufacturing Equip (Mfrs)
Avaya Inc	Santa Clara	Telecommunications Services
Christopher Ranch Llc	Gilroy	Garlic (Mfrs)
Cisco Systems Inc	San Jose	Computer Peripherals (Mfrs)
E Bay Inc	San Jose	E-Commerce
Fujitsu Laboratories	Sunnyvale	Venture Capital Companies
Great America Pavilion	Santa Clara	Amusement & Theme Parks
Hcl Technologies Ltd	Sunnyvale	Computer Software
Hp Inc	Palo Alto	Computers-Electronic-Manufactu
Intel Corp	Santa Clara	Semiconductor Devices (Mfrs)
Lockheed Martin Corp	San Jose	Aerospace Industries (Mfrs)
Lockheed Martin Space Systems	Sunnyvale	Satellite Equipment & Systems-Mfrs
Lumileds Lighting Co	San Jose	Lighting Fixtures-Supplies & Parts-Mfrs
Microsoft Corp	Mountain View	Computer Software-Manufacturers
Nasa	Mountain View	Government Offices-Us
Net App Inc	Sunnyvale	Computer Storage Devices (Mfrs)
Nsg Technology Inc	San Jose	Computer Peripherals (Mfrs)
Prime Materials	San Jose	Semiconductors & Related Devices (Mfrs)
Sap Center	San Jose	Stadiums Arenas & Athletic Fields
Stanford Children's Health	Palo Alto	Hospitals
Stanford School of Medicine	Stanford	Schools-Medical
US Veterans Medical Ctr	Palo Alto	Hospitals

Source: State of California Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2018 1st Edition.

Commercial Activity

Summaries of the historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Annual figures for calendar years 2016 and 2017 are not yet available.

Total taxable sales during the first three quarters of calendar year 2016 in the City were reported to be \$1.98 billion, a 0.80% increase over the total taxable sales of \$1.96 billion reported during the first three quarters of calendar year 2015.

CITY OF SUNNYVALE
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2011	1,789	\$1,441,306	3,092	\$2,577,659
2012	1,833	1,536,691	3,039	2,761,825
2013	1,841	1,515,938	3,008	2,647,742
2014	1,878	1,549,308	3,031	2,583,844
2015 ⁽¹⁾	1,842	1,533,135	3,248	2,606,920

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during the first three quarters of calendar year 2016 in the County were reported to be \$30.68 billion, a 1.59% increase over the total taxable sales of \$30.20 billion reported during the first three quarters of calendar year 2015.

COUNTY OF SANTA CLARA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2011 through 2015 (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2011	27,252	\$19,419,542	43,390	\$33,431,217
2012	28,109	21,116,708	43,980	36,220,445
2013	29,535	22,424,642	45,310	37,621,606
2014	30,058	23,271,753	45,852	39,628,655
2015 ⁽¹⁾	20,057	23,700,907	50,573	41,231,759

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County.

CITY OF SUNNYVALE Building Permit Valuation For Calendar Years 2012 through 2016 (Dollars in Thousands)⁽¹⁾

	2012	2013	2014	2015	2016
<u>Permit Valuation</u>					
New Single-family	\$47,049.2	\$47,784.6	\$7,713.1	\$39,308.4	\$54,469.0
New Multi-family	0.0	64,276.6	125,884.5	129,326.9	416.4
Res. Alterations/Additions	<u>49,650.8</u>	<u>62,108.9</u>	<u>40,202.9</u>	<u>75,182.7</u>	<u>64,799.4</u>
Total Residential	\$96,700.00.0	\$174,170.10	\$173,800.50	\$243,818.00	\$119,684.80
New Commercial	175,775.5	93,042.8	140,277.6	71,552.8	521,582.9
New Industrial	0.0	0.0	5,082.1	0.0	0.0
New Other	0.0	2,912.9	32,964.4	31,923.3	378.0
Com. Alterations/Additions	<u>325,110.1</u>	<u>141,434.2</u>	<u>325,723.9</u>	<u>341,798.5</u>	<u>417,194.3</u>
Total Nonresidential	500,885.6	237,389.9	504,048.0	445,274.6	939,155.2
<u>New Dwelling Units</u>					
Single Family	211	226	31	183	242
Multiple Family	<u>0</u>	<u>375</u>	<u>796</u>	<u>670</u>	<u>2</u>
TOTAL	211	601	827	853	244

(1) Totals may not foot due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

SANTA CLARA COUNTY Building Permit Valuation For Calendar Years 2012 through 2016 (Dollars in Thousands)⁽¹⁾

	2012	2013	2014	2015	2016
<u>Permit Valuation</u>					
New Single-family	\$678,168.8	\$694,884.6	\$594,472.7	\$653,970.2	\$660,301.6
New Multi-family	558,544.1	941,420.4	1,196,127.8	706,781.1	564,761.0
Res. Alterations/Additions	<u>288,105.1</u>	<u>423,739.6</u>	<u>439,747.1</u>	<u>505,844.7</u>	<u>484,820.1</u>
Total Residential	1,524,818.0	2,060,044.6	2,230,347.6	1,866,596.0	\$1,709,882.7 0
New Commercial	745,468.8	1,217,647.4	818,913.3	1,258,808.7	2,327,643.2
New Industrial	22,481.5	72,222.0	10,172.2	100,301.2	44,268.9
New Other	19,197.3	1,749,161.2	292,113.9	533,644.5	282,966.1
Com Alterations/Additions	<u>1,115,633.3</u>	<u>1,293,656.1</u>	<u>1,534,213.1</u>	<u>1,697,046.2</u>	<u>2,072,862.8</u>
Total Nonresidential	1,902,780.9	4,332,686.8	2,655,412.5	3,589,800.6	4,727,741.0
<u>New Dwelling Units</u>					
Single Family	1,432	1,859	1,602	1,710	1,608
Multiple Family	<u>4,245</u>	<u>6,009</u>	<u>8,310</u>	<u>3,906</u>	<u>3,297</u>
TOTAL	5,677	7,868	9,912	5,616	4,905

(1) Totals may not foot due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and non-tax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2012 through 2016.

CITY OF SUNNYVALE, CONTRA COSTA COUNTY, AND THE STATE OF CALIFORNIA Effective Buying Income As of January 1, 2012 through 2016

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2012	City of Sunnyvale	\$5,039,793	\$71,495
	Santa Clara County	61,464,868	68,852
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of Sunnyvale	\$5,429,928	\$75,312
	Santa Clara County	61,802,913	70,595
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Sunnyvale	\$5,813,108	\$80,323
	Santa Clara County	66,130,110	75,008
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	City of Sunnyvale	\$6,539,580	\$85,185
	Santa Clara County	73,637,380	79,345
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2016	City of Sunnyvale	\$7,104,322	\$88,797
	Santa Clara County	77,917,425	81,466
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043

Source: The Nielsen Company (US), Inc.

APPENDIX E
FORM OF OPINION OF BOND COUNSEL

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

\$ _____
CITY OF SUNNYVALE
Wastewater Revenue Bonds,
Series 2017

\$ _____
CITY OF SUNNYVALE
Taxable Wastewater Revenue Bonds,
Series 2017A-T

BOND PURCHASE CONTRACT

December __, 2017

City of Sunnyvale
 650 West Olive Avenue
 Sunnyvale, CA 94086

Ladies and Gentlemen:

J.P. Morgan Securities LLC, (the “Underwriter”) offers to enter into this Bond Purchase Contract (this “Purchase Contract”) with the City of Sunnyvale (the “City”). This offer is made subject to the City’s acceptance by execution of this Purchase Contract and delivery of the same to the Underwriter on or before 11:59 p.m. on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to such acceptance. Upon the City’s acceptance hereof, the Purchase Contract will be binding upon the City and the Underwriter.

Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the respective meanings set forth for such terms in the Indenture (defined below).

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations set forth in this Purchase Contract, the Underwriter agrees to purchase from the City, and the City agrees to sell and deliver to the Underwriter, all (but not less than all) of the City’s \$_____ Wastewater Revenue Bonds, Series 2017A (the “Series2017A Bonds”) and \$_____ Taxable Wastewater Revenue Bonds Series 2017A-T (the “Series 2017A-T” and, together with the Series 2017A Bonds, the “Bonds”) at a purchase price of \$_____ (being an amount equal to the principal amount of the Bonds (\$_____), plus original issue premium of \$_____, less an underwriter’s discount of \$_____). The obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be conditioned on the sale and delivery of all of the Bonds by the City to the Underwriter at Closing.

Section 2. Bond Terms; Authorizing Instruments. (a) The Bonds shall be dated their date of delivery and shall mature and bear interest and be subject to redemption as shown on Exhibit A attached hereto. The Bonds shall be as described in, and shall be issued and secured under, an Indenture of Trust (the “Indenture”), dated as of December 1, 2017, between the City and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds are payable and subject to prepayment as provided in the Indenture and as described in the Official Statement (defined below). The Bonds will be issued pursuant to the City of Sunnyvale Municipal Utilities Revenue Bond Law, which was enacted by the City Council on April 6, 2010.

(b) The Bonds will be payable from and secured by the City’s pledge of “Net Revenues” under and as defined in the Indenture, consisting primarily of gross revenues received from the City’s

municipal wastewater enterprise (the “Wastewater System”) minus the amount required to pay all operation and maintenance costs of the Wastewater System.

(c) A portion of the proceeds of the Bonds will be deposited in an escrow account established under an Escrow Deposit and Trust Agreement dated as of December 1, 2017 (the “Escrow Agreement”), by and among the City, the Sunnyvale Financing Authority (the “Authority”) and U.S. Bank National Association, as escrow bank. These amounts will be used to refund and defease a portion of the outstanding City of Sunnyvale Wastewater Revenue Bonds, Series 2010 (the “Prior Bonds”) relating to the Wastewater System. The proceeds of the portion of the Prior Bonds to be refunded were used to pay the costs of certain capital improvements to the Wastewater System, fund a debt service reserve fund for the Prior Bonds and to pay costs of issuance of the Prior Bonds.

Section 3. Public Offering; Establishment of Issue Price.

(a) The Underwriter agrees to assist the City in establishing the issue price of the Series 2017A Bonds and shall execute and deliver to the Commission at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit D, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of Series 2017A Bonds. All actions to be taken by the City under this section to establish the issue price of Bonds may be taken on behalf of the City by the City’s municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City’s municipal advisor.

(b) The Underwriter confirms that the Underwriters have offered the Series 2017A Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Except for the Hold-the-Price Maturities (defined below), the City will treat the first price at which 10% of each maturity of the Series 2017A Bonds (the “10% test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). Exhibit A sets forth the maturities of the Series 2017A Bonds with respect to which the 10% test has been satisfied as of the execution of the Purchase Contract (“10% Test Maturities”)

(c) Exhibit D also sets forth, as of the date of this Purchase Contract, the maturities, if any, of Bonds for which the 10% test has not been satisfied (the “Hold-the-Price Maturities”) and for which the City and the Underwriter, agree that the restrictions set forth in the next sentence shall apply, which will allow the City to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of Series 2017A Bonds, the Underwriter will neither offer nor sell unsold Series 2017A Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriters have sold at least 10% of that maturity of Bonds to the public at a price that is no higher than the initial offering price to the public.

The Representatives shall promptly advise the City when the Underwriters have sold 10% of that maturity of Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(d) The Underwriter confirms that any selling group agreement and any retail distribution agreement relating to the initial sale of the Series 2017A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The City acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Series 2017A Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a retail distribution agreement was employed in connection with the initial sale of the Securities to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Series 2017A Bonds.

(e) The Underwriter acknowledges that sales of any Series 2017A Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(1) “public” means any person other than an underwriter or a related party,

(2) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2017A Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2017A Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of Series 2017A Bonds to the public),

(3) a purchaser of any of Series 2017A Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) “sale date” means the date of execution of this Purchase Contract by all parties.

Section 4. Official Statement; Continuing Disclosure. (a) The City has delivered or caused to be delivered to the Underwriter prior to the execution of this Purchase Contract, copies of the Preliminary Official Statement dated December __, 2017 relating to the Bonds (the “Preliminary Official Statement”). The City ratifies, confirms and approves the use and distribution by the Underwriter of the Preliminary Official Statement, in connection with the sale of the Bonds. It is acknowledged by the City that the Underwriter may deliver the Preliminary Official Statement and a final Official Statement (as hereinafter defined) electronically over the internet and in printed paper form. The City deems such Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 (“Rule 15c2-12”) except for information allowed to be omitted by Rule 15c2-12. Within seven (7) business days from the date hereof and in any event not less than two days prior to the date of Closing (as defined below), the City shall deliver to the Underwriter a final Official Statement, executed on behalf of the City by an authorized representative of the City and dated the date hereof, which shall be in the form of the Preliminary Official Statement with only those changes necessary to reflect information permitted to be omitted by paragraph (b)(1) of Rule 15c2-12, and such other amendments or supplements as shall have been approved by the City and the Underwriter and such additional conformed copies thereof in “designated electronic format” (as defined in MSRB Rule G-32), as the Underwriter may reasonably request in sufficient quantities to comply with Rule 15c2-12 and to meet potential customer requests for copies of the Official Statement. The Official Statement, including the cover page, the appendices thereto and all information incorporated therein by reference is hereinafter referred collectively to as the “Official Statement.”

(b) The Underwriter hereby agrees that they will not send any confirmation requesting payment for the purchase of any Bonds unless the confirmation is accompanied by or preceded by the delivery of a copy of the Official Statement. The Underwriter agrees to: (1) provide the City with final pricing information on the Bonds on a timely basis prior to the Closing (2) take any and all other actions necessary to comply with applicable Securities and Exchange Commission rules and MSRB rules governing the offering, sale and delivery of the Bonds to ultimate purchasers; and (3) promptly file a copy of the final Official Statement, including any supplements prepared by the City, with the Municipal Securities Rulemaking Board.

(c) In connection with issuance of the Bonds, and in order to assist the Underwriter with complying with the provisions of Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”), the City will execute a continuing disclosure certificate countersigned by U.S. Bank National Association, as dissemination agent (the “Continuing Disclosure Certificate”), under which the City will undertake to provide certain financial and operating data as required by Rule 15c2-12. The form of the Continuing Disclosure Certificate will be attached as an appendix to the Preliminary and Final Official Statements.

Section 5. Representations, Warranties and Covenants of the City. The City hereby represents, warrants and agrees with the Underwriter that:

(a) **City Resolution.** The city council (the “City Council”) of the City has taken official action by Resolution (the “City Resolution”) adopted by a majority of the members of the City Council at meetings duly called, noticed and conducted, at which a quorum was present and acting throughout, authorizing the issuance of the Bonds and the execution, delivery and due performance of the Indenture, the Escrow Agreement, the Continuing Disclosure Certificate and this Purchase Contract (collectively, the “City Agreements”), and approving the Preliminary Official Statement and the Official Statement and the taking of any and all such action as may be required on the part of the

City to carry out, give effect to and consummate the transactions contemplated hereby. The Resolution is in full force and effect, and has not been amended or modified.

(b) ***Due Existence and Authority.*** The City is a municipal corporation duly organized and existing under the laws of the State of California (the “State”) and has all necessary power and authority to adopt the City Resolution, to enter into and perform its duties under the City Agreements and, when executed and delivered by the respective parties thereto, each of the City Agreements will constitute a legal, valid and binding obligation of the City enforceable in accordance with its terms.

(c) ***Due Authorization and Enforceability.*** (i) By all necessary official action, the City has duly adopted the City Resolution, has duly authorized the preparation and delivery of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, the City Agreements, and the consummation by it of all other transactions contemplated by the City Resolution, the City Agreements, the Preliminary Official Statement and the Official Statement. When executed and delivered by their respective parties, the City Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the City, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State and (ii) when delivered to and paid for by the Underwriter on the Closing Date in accordance with the provisions of this Purchase Contract, the Bonds will have been duly authorized, executed and delivered and will constitute valid and binding limited obligations of the City in conformity with and entitled to the benefit and security of the Indenture, except as enforcement of such obligations may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State of California.

(d) ***Preliminary Official Statement; Official Statement.*** The Preliminary Official Statement did not as of its date contain any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; (ii) the Preliminary Official Statement does not as of the date of this Purchase Agreement contain any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading and (iii) at the time of the City’s acceptance hereof and at all times subsequent thereto up to and including the time of the Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) ***No Breach or Default.*** The City is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States of America or any applicable judgment, decree, resolution, contract or other instrument or any agreement to which the City is a party or is otherwise subject the breach of which would materially affect its ability to perform its obligations under the City Agreements, and the execution and delivery of the Bonds and the City Agreements and compliance with the provisions thereof will not in any material respect

conflict with or constitute a material breach of or default under any applicable law, regulation, decree, writ, order or injunction or any agreement, resolution, contract or other instrument or any agreement to which the City is subject and which is material to the City's ability to perform its obligations under the City Agreements, nor will such execution, delivery and compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Commission under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Indenture.

(f) **No Litigation.** As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against the City or, to the best knowledge of the City, threatened, wherein an unfavorable decision, ruling or finding would:

(1) affect the creation, organization, existence or powers of the City, or the titles of its members or officers;

(2) in any way question or affect the validity or enforceability of City Agreements or the Bonds, or

(3) in any way question or affect the Purchase Contract or the transactions contemplated by the Purchase Contract, the Official Statement, or any other agreement or instrument to which the City is a party relating to the Bonds, or

(4) wherein an adverse decision would materially adversely affect the financial condition of the Wastewater System.

(g) **No Consent or Approval Required.** There is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any regulatory authority having jurisdiction over the City required for the execution and delivery of this Purchase Contract or the consummation by the City of the other transactions contemplated by the Official Statement or the City Agreements.

(h) **Certificates.** Any certificate signed by any official of the City authorized to do so shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

(i) **No Borrowing Defaults.** The City is not in default, and at no time has the City defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

(j) **No Changes in Financial Condition.** The financial statements of the City relating to the Wastewater system as of June 30, 2016 present fairly, in all material respects, the financial position of the Wastewater System as of the dates and for the periods therein set forth. Except as disclosed in the Official Statement, there has not been any materially adverse change in the financial condition of the City or the Wastewater System since June 30, 2016, and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(k) **Subsequent Events.**

(1) If any event occurs of which the City has knowledge between the date of this Purchase Contract and the date of the Closing that might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter and, if in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will cooperate with the Underwriter in causing the Official Statement to be amended or supplemented in a form and in a manner approved by the Underwriter. If the Official Statement is so amended or supplemented, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to this paragraph) at all times subsequent thereto up to and including the Closing Date, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. All expenses thereby incurred will be paid by the City, and the Underwriter will file, or cause to be filed, the amended or supplemented Official Statement with the Municipal Securities Rulemaking Board.

(2) After the Closing, until the earlier of (i) 25 days after the “end of the underwriting period” (as defined in Securities and Exchange Commission Rule 15c2-12(f)(2)) or (ii) the date when all of the Bonds have been sold by the Underwriter, any event known to the City occurs affecting the City which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will, at its expense, prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter. The City may assume that the “end of the underwriting period,” for purposes of Rule 15c2-12, and the sale of all of the Bonds by the Underwriter, will occur on the Closing Date unless otherwise notified, in writing, by the Underwriter on or prior to the Closing Date. After the earlier of (i) 25 days from the “end of the underwriting period” or (ii) the date when all of the Bonds have been sold by the Underwriter, the City will no longer be obligated to amend or supplement the Official Statement.

(l) ***Rule 15c2-12 Compliance.*** [[In the last five years, t4he City has not failed to comply in all material respects with any undertakings under Rule 15c2-12.]]

(m) ***Compliance with Blue Sky Laws.*** The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the “Blue Sky” or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, that the City shall not be required to consent to service of process outside of California.

Section 6. The Closing. (a) At 8:00 A.M., San Francisco time, on December __, 2017, or on such earlier or later time or date as may be agreed upon by the Underwriter and the City (the

“Closing”), the City shall deliver or cause to be delivered to the Underwriter, the duly executed Bonds in book-entry form through the Trustee via the F.A.S.T. delivery book-entry system of The Depository Trust Company (“DTC”). Prior to the Closing, the City shall deliver, at the offices of Bond Counsel in San Francisco, California, or such other place as are mutually agreed upon by the Underwriter and the City, the other documents described in this Purchase Contract. On the date of the Closing, the Underwriter shall pay the purchase price of the Bonds as set forth in Section 1 of this Purchase Contract in immediately available funds to the order of the Trustee.

(b) The Bonds shall be issued in fully registered form and shall be prepared and delivered as one Bond for each maturity registered in the name of a nominee of The Depository Trust Company, New York, New York (“DTC”). It is anticipated that CUSIP identification numbers will be inserted on the Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the Bonds in accordance with the terms of this Purchase Contract.

Section 7. Conditions to Underwriter’s Obligations. The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the City contained herein and to be contained in the documents and instruments to be delivered on the date of the Closing, and upon the performance by the City of its obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the date of the Closing. The Underwriter’s obligations under this Purchase Contract are and shall also be subject to the following conditions:

(a) ***Representations and Warranties.*** The representations and warranties of the City contained in this Purchase Contract shall be true and correct in all material respects on the date of this Purchase Contract and on and as of the date of the Closing as if made on the date of the Closing.

(b) ***No Modifications to Official Statement.*** As of the date of the Closing, the Official Statement may not have been amended, modified or supplemented, except in any case as may have been agreed to by the Underwriter.

(c) ***No Modifications to Resolutions or Agreements; Due Performance.***

(1) As of the date of the Closing, the City Resolution and the City Agreements shall be in full force and effect, and may not have been amended, modified or supplemented, except as may have been agreed to by the City and Underwriter,

(2) the City shall perform or have performed all of its obligations required under or specified in the City Resolution, the City Agreements and this Purchase Contract to be performed at or prior to the date of the Closing;

(d) ***Official Actions.*** As of the date of the Closing, all necessary official action of the City relating to the City Agreements, the City Resolution, the Official Statement, and the sale and delivery of the Bonds shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect.

(e) ***No Material Changes.*** Subsequent to the date of this Purchase Contract, up to and including the date of the Closing, there shall not have occurred any change in or particularly affecting the City or the Wastewater System, as these matters are described in the Official Statement, which in

the reasonable professional judgment of the Underwriter materially impairs the investment quality of the Bonds.

(f) ***Closing Documents.*** As of or prior to the date of the Closing, the Underwriter shall have received each of the following documents:

- (1) Certified copies of the City Resolution.
- (2) Duly executed copies of the Indenture, the Escrow Agreement, the Continuing Disclosure Certificate and this Purchase Contract.
- (3) The Preliminary Official Statement and the Official Statement, with the Official Statement duly executed on behalf of the City.
- (4) An approving opinion of Bond Counsel, dated as of the Closing, as to the validity of the Bonds and the exclusion of interest on the Bonds from federal gross income and State income taxation, addressed to the City in the form attached as an appendix to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriter.
- (5) A supplemental opinion of Bond Counsel, addressed to the Underwriter, to the effect that:
 - (i) The Purchase Contract has been duly executed and delivered by the City and is valid and binding upon the City, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles;
 - (ii) The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;
 - (iii) The statements contained in the Official Statement on the cover and under the headings "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS" and "TAX MATTERS," and in "APPENDIX A – Summary of Principal Legal Documents" and "APPENDIX E – Form of Opinion of Bond Counsel," insofar as such statements purport to describe certain provisions of the Bonds, or to state legal conclusions and the opinion of Bond Counsel regarding the tax-exempt nature of the Bonds, present a fair and accurate summary of the provisions thereof; and
 - (iv) The Prior Bonds have been defeased and are no longer outstanding under the indenture pursuant to which they were issued.
- (6) The opinion of Jones Hall, as Disclosure Counsel, addressed to the City and the Underwriter, to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Official Statement, and having made no independent investigation or verification thereof, no facts have come to their attention that lead them to believe that, as of its date and as of the Closing, the Official Statement (except for Appendix B, D and F thereto, any financial or statistical data or forecasts, numbers, charts, estimates, projections,

assumptions or expressions of opinion, or any information about DTC or its book-entry only system, as to which no opinion or view need be expressed) contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(7) An opinion of the City Attorney, dated as of the Closing addressed to the City and the Underwriter, in form and substance acceptable to the Underwriter, to the effect that:

(i) The City is a municipal corporation organized and validly existing under the laws of the State of California with full legal right, power and authority to perform all of its obligations under the City Agreements.

(ii) The City has duly authorized, executed and delivered the Purchase Contract and the Escrow Agreement, and assuming due authorization, execution and delivery by the other parties thereto, as necessary, the Purchase Contract and the Escrow Agreement constitute the legal, valid and binding agreement of the City enforceable against the City in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, moratorium, insolvency, equitable remedies and other laws affecting creditors' rights or remedies.

(iii) To the best of the City Attorney's knowledge, there is no action, suit or proceeding before or by any court, public board or body pending or threatened wherein an unfavorable decision, ruling or finding would

(a) affect the creation, organization, existence or powers of the City or the titles of its officers to their respective offices,

(b) in any way question or affect the validity or enforceability of the City Agreements or the Bonds,

(c) find illegal, invalid or unenforceable the Bonds or the City Agreements or the transactions contemplated thereby, or any other agreement or instrument related to the issuance of the Bonds to which the City is a party, or

(d) have a material adverse effect on the financial condition of the Wastewater System.

(iv) The execution and delivery of the Bonds and the City Agreements and the other instruments contemplated by any of such documents to which the City is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound in a manner which would materially adversely affect the City's performance under the City Agreements.

(8) An executed certificate of the City, dated as of the date of the Preliminary Official Statement, in the form attached as Exhibit B.

(9) An executed closing certificate of the City, dated as of the Closing, in the form attached as Exhibit C.

(10) The opinion of counsel of the Trustee, dated as of the Closing, addressed to the City and the Underwriter, to the effect that:

(i) The Trustee is a national banking association duly organized, validly existing and in good standing under the laws of the State, having full powers and authority and being qualified to enter into, accept and administer the trust created under the Indenture and to enter into the Indenture.

(ii) The Indenture has been duly authorized, executed and delivered by the Trustee, and, assuming due authorization, execution and delivery by the other parties thereto, the Indenture constitutes a legal, valid and binding agreement of the Trustee enforceable in accordance with its terms, subject to laws relating in bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought.

(iii) The Trustee is qualified to enter into, accept and administer the obligations of the Escrow Agent created under the Escrow Agreement, and to enter into the Escrow Agreement.

(iv) The Escrow Agreement has been duly authorized, executed and delivered by the Trustee, and, assuming due authorization, execution and delivery by the other parties thereto, the Indenture constitutes a legal, valid and binding agreement of the Trustee enforceable in accordance with its terms, subject to laws relating in bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought.

(11) A certificate or certificates, dated as of the Closing, in form and substance acceptable to the Underwriter, of an authorized officer of officers of the Trustee to the effect that the Trustee has accepted the duties imposed by the Indenture and is authorized to carry out such duties..

(12) A copy of the report of Causey Demgen & Moore P.C. with respect to the sufficiency of the amounts deposited pursuant to the Escrow Agreement and related matters.

(13) An Arbitrage Certificate duly signed on behalf of the City.

(14) Evidence of required filings with the California Debt and Investment Advisory Commission.

(15) Evidence that the Bonds have been rated “___” by Standard & Poor’s and “___” by Moody’s.

(16) A copy of the executed Blanket Issuer Letter of Representations by and between the City and DTC relating to the book-entry system.

(17) [[The concurrent issuance by the City of its bonds captioned “City of Sunnyvale Water Revenue Bonds, Series 2017.”]]

(18) An opinion of Bond Counsel as to the defeasance of the Prior Bonds, in accordance with the documents under which the Prior Bonds were issued, as of the Closing Date.

(19) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the City with legal requirements, the truth and accuracy, as of the date of the Closing, of the representations of the City herein contained and of the Official Statement and the due performance or satisfaction by the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the City.

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance satisfactory to the Underwriter. If the City is unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds are terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the City shall be under further obligations hereunder, except that the respective obligations of the City and the Underwriter to pay expenses set forth in Section 10 of this Purchase Contract shall continue in full force and effect.

Section 8. Conditions to City’s Obligations. The performance by the City of its obligations under this Purchase Contract is conditioned upon:

- (a) the performance by the Underwriter of its obligations hereunder and
- (b) receipt by the City of opinions addressed to the City, and receipt by the Underwriter of opinions addressed to the Underwriter, and the delivery of certificates being delivered on the date of the Closing by persons and entities other than the City.

Section 9. Termination Events. The Underwriter shall have the right to terminate the Underwriter’s obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds by notifying the City of its election to do so if, after the execution hereof and prior to the Closing, any of the following events occurs:

- (a) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially and adversely affected by any decision issued by a court of the United States (including the United States Tax Court) or of the State of California, by any ruling or regulation (final, temporary or proposed) issued by or on behalf of the Department of the Treasury of the United States, the Internal Revenue Service, or other governmental agency of the United States, or any governmental agency of the State of California, or by a tentative decision or announcement by any member of the House Ways and Means Committee, the Senate Finance Committee, or the

Conference Committee with respect to contemplated legislation or by legislation enacted by, pending in, or favorably reported to either the House of Representatives or either House of the Legislature of the State of California, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State of California by the Governor of the State of California in an executive communication, affecting the tax status of the City, its property or income, its bonds (including the Bonds) or the interest thereon, or any tax exemption granted or authorized by the Internal Revenue Code of 1986, as amended, or California law;

(b) the United States becomes engaged in hostilities that result in a declaration of war or a national emergency, or any other outbreak or escalation of hostilities occurs, or a local, national or international calamity or crisis occurs, financial or otherwise, the effect of such outbreak, calamity or crisis being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds;

(c) there occurs a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by the United States, New York State or California State authorities;

(d) a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter is issued or made to the effect that the issuance, offering or sale of the Bonds is or would be in violation of any provision of the Securities Act of 1933, as then in effect, or of the Securities Exchange Act of 1934, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(e) legislation is enacted by the House of Representatives or the Senate of the Congress of the United States of America, or a decision by a court of the United States of America is rendered, or a ruling or regulation by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter is made or proposed to the effect that the Bonds are not exempt from registration, qualification or other similar requirements of the Securities Act of 1933, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(f) in the reasonable judgment of the Underwriter, the market price of the Bonds, or the market price generally of obligations of the general character of the Bonds, might be materially and adversely affected because additional material restrictions not in force as of the date hereof is imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(g) the Comptroller of the Currency, The New York Stock Exchange, or other national securities exchange, or any governmental authority, imposes, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, or financial responsibility requirements of the Underwriter;

(h) a general banking moratorium is established by federal, New York or State authorities;

(i) any legislation, ordinance, rule or regulation is introduced in or be enacted by any governmental body, department or agency in the State or a decision of a court of competent

jurisdiction within the State is rendered, which, in the opinion of the Underwriter, after consultation with the City, materially adversely affects the market price of the Bonds;

(j) any federal or California court, authority or regulatory body takes action materially and adversely affecting the collection of Revenues under the Indenture; or

(k) any event occurring, or information becoming known that, in the reasonable judgment of the Underwriter, makes untrue any statement of a material fact contained in the Official Statement or results in an omission of a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

(l) a rating agency changes, withdraws or suspends its rating on the Bonds, or issues a negative qualification with respect to the Bonds (such as placing the Bonds on credit watch, negative outlook, or any similar outlook or qualification).

Section 10. Payment of Expenses.

(a) The Underwriter shall be under no obligation to pay, and the City shall pay the following expenses incident to the performance of the City's obligations hereunder:

(i) the fees and disbursements of Bond Counsel and Disclosure Counsel;

(ii) the cost of printing and delivering the Bonds, the Preliminary Official Statement and the Official Statement (and any amendment or supplement prepared pursuant to Section 4 of this Purchase Contract);

(iii) the fees and disbursements of accountants, advisers and of any other experts or consultants retained by the City; and

(iv) any other expenses and costs of the City incident to the performance of their respective obligations in connection with the authorization, issuance and sale of the Bonds, including out-of-pocket expenses and regulatory expenses, and any other expenses agreed to by the parties.

(b) The Underwriter shall pay all expenses incurred by it in connection with the public offering and distribution of the Bonds including, but not limited to:

(i) all advertising expenses in connection with the offering of the Bonds;

(ii) fees and expense of Underwriter's counsel; and

(iii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds, except as provided in (a) above or as otherwise agreed to by the Underwriter and the City.

Section 11. Notices. Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing to the City at the addresses set forth on the first page of this Purchase Contract, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to:

J.P. Morgan Securities LLC

Section 12. No Fiduciary Role. The City acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between the City and the Underwriter, (ii) in connection therewith and with the process leading to such transaction the Underwriter is acting solely as a principal and not the agent or fiduciary of the City, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the transactions contemplated hereby or the process leading thereto (irrespective of whether the Underwriter has advised or is currently advising the City on other matters) and (iv) the City has consulted their own legal and municipal advisors to the extent they have deemed appropriate. The City agrees that they will not claim that the Underwriter has rendered advisory services of any nature or respect, or owe a fiduciary or similar duty to the City in connection with this transaction or the process leading thereto.

Section 13. Survival of Representations, Warranties, Agreements. All of the City's representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect regardless of: (a) any investigations made by or on behalf of the Underwriter; or (b) delivery of and payment for the Bonds pursuant to this Purchase Contract. The agreements contained in this Section and in Section 10 shall survive any termination of this Purchase Contract.

Section 14. Benefit; No Assignment. This Purchase Contract is made solely for the benefit of the City and the Underwriter (including its successors and assigns), and no other person shall acquire or have any right hereunder or by virtue hereof. The rights and obligations created by this Purchase Contract are not subject to assignment by the Underwriter or the City without the prior written consent of the other party hereto.

Section 15. Severability. If any provision of this Purchase Contract is held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 16. Counterparts. This Purchase Contract may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

Section 17. Governing Law. This Purchase Contract shall be governed by the laws of the State of California.

Section 18. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance hereof by an authorized officer of the City, and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

J.P. MORGAN SECURITIES LLC

By: _____
Principal

Accepted:

CITY OF SUNNYVALE

By: _____
Name: _____
Title: _____

EXHIBIT A

\$ _____
CITY OF SUNNYVALE
Wastewater Revenue Bonds,
Series 2017A

MATURITY SCHEDULES

\$ _____ Serial Bonds

Principal Payment Date <u>(April 1)</u>	\$	<u>Principal</u>	%	<u>Coupon</u>	%	<u>Yield</u>	%	<u>Price</u>
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\$ ____ % Term Bond due April 1, 20__, Yield: __%, Price: __%

* 10% Test Maturities

** Hold-the-Price Maturities

C Priced to par call on April 1, 20__

\$ _____
CITY OF SUNNYVALE
Taxable Wastewater Revenue Bonds,
Series 2017A-T

MATURITY SCHEDULES

\$ _____ **Serial Bonds**

Sinking Fund Payment Date <u>(April 1)</u>		<u>Principal</u>		<u>Coupon</u>		<u>Yield</u>		<u>Price</u>
	\$		%		%		%	

\$ ____ % Term Bond due April 1, 20__, Yield: __%, Price: __%

* 10% Test Maturities

** Hold-the-Price Maturities

C Priced to par call on April 1, 20__

Redemption

Optional Redemption (Series 2017A Bonds). The Series 2017A Bonds maturing on or before April 1, 20__, are not subject to optional redemption prior to maturity. The Series 2017A Bonds maturing on or after April 1, 20__, are subject to redemption prior to their respective maturity dates, at the option of the City, as a whole or in part, as to maturities as determined by the City (and if partial maturities, then by lot), on any date on or after April 1, 20__, from any source of available funds, at the principal amount of the 2017 Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Optional Redemption (Taxable Series 2017A-T Bonds). The Taxable Series 2017A-T Bonds may be redeemed, in whole or in part, at the option of the City, at any time at a redemption price equal to the greater of

(i) 100% of the principal amount of the Taxable Series 2017A-T Bonds to be redeemed, and

(ii) the sum of the present values of the applicable remaining scheduled payments of principal and interest on the Taxable Series 2017A-T Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Taxable Series 2017A-T Bonds are to be redeemed, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus ____ basis points,

plus in each case, accrued and unpaid interest on the Taxable Series 2017A-T Bonds being redeemed to the date fixed for redemption.

For purposes of the foregoing, the following definitions shall apply:

“Treasury Rate” means, with respect to any redemption date, with respect to the Taxable Series 2017A-T Bonds of a particular maturity, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue with respect thereto, computed as of the second business day immediately preceding that redemption date, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price with respect thereto for that redemption date.

“Comparable Treasury Issue” means, with respect to the Taxable Series 2017A-T Bonds of a particular maturity, the United States Treasury security selected by the Independent Investment Banker which has an actual maturity comparable to the remaining average life of the Taxable Series 2017A-T Bonds of such maturity to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Taxable Series 2017A-T Bonds of such maturity to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date, with respect to the Taxable Series 2017A-T Bonds of a particular maturity, (A) the average of the applicable Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker for the Taxable Series 2017A-T Bonds obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Quotations.

“Independent Investment Banker” means one of the Reference Treasury Dealers as designated by the City.

“Reference Treasury Dealer” means each of four firms, as designated by the City, and their respective successors; provided, however, that if any of them ceases to be a primary U.S. Government securities dealer in the City of New York (a “Primary Treasury Dealer”), the City will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date for the Taxable Series 2017A-T Bonds of a particular maturity, the average, as determined by the Independent Investment Banker and communicated to the City, of the bid and asked prices for the applicable Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker and communicated to the Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding that redemption date.

“Business Day” means any day, other than a Saturday or Sunday, and other than a day on which the Trustee is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed.

Mandatory Sinking Redemption — Series 2017A Bonds. The Series 2017A Bonds maturing on April 1, 20__ and April 1, 20__ (the “Series 2017A Term Bonds”) are subject to mandatory redemption in whole, or in part by lot, from Sinking Fund Installments made under the

Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on April 1 in the years as set forth in the following tables:

Series 2017A Term Bonds Maturing April 1, 20__

Sinking Fund Redemption Date <u>(April 1)</u>	Principal <u>Amount</u>
---	----------------------------

(Maturity)

Series 2017A Term Bonds Maturing April 1, 20__

Sinking Fund Redemption Date <u>(April 1)</u>	Principal <u>Amount</u>
---	----------------------------

(Maturity)

EXHIBIT B

\$ _____ *

**CITY OF SUNNYVALE
Wastewater Revenue Bonds,
Series 2017**

15c2-12 CERTIFICATE

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the City of Sunnyvale (the "City"), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the City as follows:

(1) This Certificate is delivered in connection with the offering and sale of the bonds captioned above (the "Bonds") in order to enable the underwriter of the Bonds to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, setting forth information concerning the Bonds, the City and the City's wastewater system (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" means the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of Rule 15c2-12, and the information therein is accurate and complete except for the Permitted Omissions.

Dated: December __, 2017.

CITY OF SUNNYVALE

By: _____

_____,
Director of Finance

* Preliminary; subject to change.

EXHIBIT C

\$ _____
CITY OF SUNNYVALE
Wastewater Revenue Bonds,
Series 2017

CLOSING CERTIFICATE OF THE CITY

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the City of Sunnyvale (the "City"), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the City as follows:

(i) The representations, warranties and covenants of the City contained in the Bond Purchase Contract dated December __, 2017, by and between the City and J.P. Morgan Securities LLC, as underwriter (the "Purchase Contract"), are true and correct and in all material respects on and as of the date of the Closing with the same effect as if made on the date of the Closing.

(ii) The City Resolution is in full force and effect at the date of the Closing and has not been amended, modified or supplemented, except as agreed to by the City and the Underwriter.

(iii) The City has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied on or prior to the date of the Closing.

(iv) Subsequent to the date of the Official Statement and on or prior to the date of such certificate, there has been no material adverse change in the condition (financial or otherwise) of the City or the Wastewater System, whether or not arising in the ordinary course of operations, as described in the Official Statement.

(v) The Official Statement does not contain any untrue or misleading statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

Capitalized terms used but not defined herein have the meanings given in the Purchase Contract.

Dated: December __, 2017.

CITY OF SUNNYVALE

By: _____

_____,
Director of Finance

EXHIBIT D
FORM OF ISSUE PRICE CERTIFICATE

\$ _____
CITY OF SUNNYVALE
Wastewater Revenue Bonds,
Series 2017A

J.P. Morgan Securities LLC (“J.P. Morgan”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Series 2017A Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the 10% Test Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.
2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***
 - (a) J.P. Morgan offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Series 2017A Bonds is attached to this certificate as Schedule B.
 - (b) As set forth in the Purchase Contract, J.P. Morgan has agreed in writing that, (i) for each Maturity of the Hold-the-Price Maturities, it would neither offer nor sell any of the Series 2017A Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. J.P. Morgan has not offered or sold any Maturity of the Series 2017A Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Series 2017A Bonds during the Holding Period.
3. ***Defined Terms.***
 - (a) *10% Maturities* means those Maturities of the Series 2017A Bonds listed in Schedule A hereto as the “10% Maturities.”
 - (b) *Hold-the-Price Maturities* means those Maturities of the Series 2017A Bonds listed in Schedule A hereto as the “Hold-the-Price Maturities.”
 - (c) *Holding Period* means, with respect to a Hold-the-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (December __, 2017), or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Price Maturity.
 - (d) *Issuer* means City of Sunnyvale, California
 - (e) *Maturity* means Series 2017A Bonds with the same credit and payment terms. Series

2017A Bonds with different maturity dates, or Series 2017A Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

- (f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Series 2017A Bonds. The Sale Date of the Series 2017A Bonds is December __, 2017.
- (h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2017A Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Series 2017A Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2017A Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents J.P. Morgan’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Series 2017A Bonds, and by Jones Hall, A Professional Law Corporation in connection with rendering its opinion that the interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Series 2017A Bonds. The representations set forth herein are not necessarily based on personal knowledge and, in certain cases, the undersigned is relying on representations made by the other members of the Underwriting Group.

J.P. Morgan Securities LLC

By: _____
Authorized Representative

Dated: December __, 2017

AGREEMENT FOR LEGAL SERVICES

**BETWEEN THE CITY OF SUNNYVALE AND JONES HALL, A
PROFESSIONAL LAW CORPORATION, FOR BOND COUNSEL AND
DISCLOSURE COUNSEL SERVICES IN CONNECTION WITH WATER
AND WASTEWATER REFUNDING BONDS**

This AGREEMENT FOR LEGAL SERVICES is entered into this ____ day of _____, 2017, between the CITY OF SUNNYVALE (the "City", or the "Client") and JONES HALL, A PROFESSIONAL LAW CORPORATION ("Attorneys").

BACKGROUND:

A. The Client anticipates that it will issue multiple series of bonds (collectively, the "Refunding Bonds") in order to refund certain outstanding obligations of the City's water system and wastewater system.

B. In order to issue and sell the Refunding Bonds, the Client requires the services of nationally-recognized bond counsel and disclosure counsel. The Client has determined that Attorneys are specially trained and experienced to provide services for accomplishing such refinancings, and Attorneys are willing to provide such services.

C. The public interest, economy and general welfare will be served by this Agreement for Legal Services.

AGREEMENT:

In consideration of the foregoing and the mutual covenants contained in this Agreement, the Client and Attorneys agree as follows:

Section 1. Attorney-Client Relationship. Upon execution of this Agreement, the Client will be Attorney's client, and an attorney-client relationship will exist between Client and Attorneys. Attorneys assume that all other parties will retain such counsel as they deem necessary and appropriate to represent their interests in the proposed financing transaction. Attorneys further assume that all other parties understand that in the proposed financing transaction Attorneys represent only the Client, Attorneys are not counsel to any other party, and Attorneys are not acting as an intermediary among the parties. Attorneys' services as bond counsel are limited to those contracted for in this Agreement; the Client's execution of this Agreement will constitute an acknowledgment of those limitations. Attorneys' representation of the Client will not affect, however, our responsibility to render an objective Bond Opinion.

Section 2. Scope of Engagement.

a. Bond Counsel Services. Attorneys shall perform all of the following services as bond counsel in connection with the issuance and sale of the Refunding Bonds:

- (i) Consultation and cooperation with Client and Client's staff to assist in the formulation of a coordinated financial and legal issuance of the Refunding Bonds.
- (ii) Preparation of all legal proceedings for the authorization, issuance and delivery of each series of the Refunding Bonds by the Client; including (a) preparation of a resolution of the City Council of the City authorizing the issuance and sale of the Refunding Bonds, and approving related documents and actions, (b) preparation of all financing documents, including an indenture and escrow agreement, (c) preparation of all documents required for the closing of the issue, (d) supervising the closing, and (e) preparation of all other proceedings incidental to or in connection with the issuance and sale of the Refunding Bonds.
- (iii) Advising the Client, from the time Attorneys are hired as Bond Counsel until the Refunding Bonds are issued, as to compliance with federal tax law as required to ensure that interest on the Refunding Bonds is exempt from federal income taxation (if such Bonds are issued as tax-exempt obligations).
- (iv) Upon completion of proceedings to Attorneys' satisfaction, providing a legal opinion (the "Bond Opinion") approving the validity and enforceability of the proceedings for the authorization, issuance and delivery of the Refunding Bonds, and stating (if such Bonds are issued as tax-exempt obligations) that interest with respect to the Refunding Bonds is (a) excluded from gross income for purposes of federal income taxes and (b) exempt from California personal income taxation. The Bond Opinion will be addressed to the Client, and may also be addressed to the Lender and other participants in the financing.
- (v) Such other and further services as are normally performed by bond counsel in connection with similar financings.

Attorneys' Bond Opinion will be delivered by Attorneys on the date the Refunding Bonds are exchanged for their purchase price (the "Closing").

The Bond Opinion will be based on facts and law existing as of its date, will cover certain matters not directly addressed by such authorities, and will represent Attorneys' judgment as to the proper treatment of the Refunding Bonds for federal income tax purposes. Attorneys' opinion is not binding on the Internal Revenue Service ("IRS") or the courts. Attorneys cannot and will not give any opinion or assurance about the effect of future changes in the Internal Revenue Code of 1986 (the "Code"), the applicable regulations, the interpretation thereof or the

enforcement thereof by the IRS. Client acknowledges that future legislation, if enacted into law, or clarification of the Code, may cause interest with respect to the Refunding Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Refunding Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Refunding Bonds. Attorneys will express no opinion regarding any pending or proposed federal tax legislation.

In rendering the Bond Opinion, Attorneys will rely upon the certified proceedings and other certifications of public officials and other persons furnished to Attorneys without undertaking to verify the same by independent investigation, and Attorneys will assume continuing compliance by the Client with applicable laws relating to the Refunding Bonds.

b. Disclosure Counsel Services. Attorneys shall perform all of the following services as bond counsel in connection with the issuance and sale of the Refunding Bonds:

(i) Prepare the Official Statement (both preliminary and final) in connection with the offering of the Bonds.

(ii) Confer and consult with the officers and administrative staff of the City as to matters relating to the Official Statement.

(iii) Attend all meetings of the City and any administrative meetings at which the Official Statement is to be discussed, deemed necessary by Attorneys for the proper exercise of its due diligence with respect to the Official Statement, or when specifically requested by the City to attend.

(iv) On behalf of the City, review the bond purchase contract, to be prepared by counsel to the bond underwriter, pursuant to which the Bonds will be sold to the underwriter.

(v) On behalf of the City, prepare a continuing disclosure certificate of the City to assist the underwriter with complying with the provisions of SEC Rule 15c2-12.

(vi) Subject to the completion of proceedings to the satisfaction of Attorneys, and subject to the scope of services described herein, provide a letter from Attorneys addressed to the City and the underwriter that, although Attorneys is not passing upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement and makes no representation that Attorneys has independently verified the accuracy, completeness or fairness of any such statements, no facts have come to Attorneys' attention that cause Attorneys to believe that the Official Statement (except for any financial and statistical data and forecasts, numbers, estimates, assumptions and expressions of opinion, information regarding any bond insurer, and information concerning the Depository Trust Company and the book-entry system for the Bonds, contained or incorporated by reference in the Official Statement and the appendices to the Official Statement, which Attorneys will expressly exclude from the scope of this sentence) as of the date of the Official Statement or the

closing date contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Section 3. Excluded Services. Attorneys duties in this engagement are limited to those expressly set forth above in Section 2, except as expressly set forth in a written amendment to this Agreement. Among other things, our duties do not include:

- a. Preparing requests for tax rulings from the Internal Revenue Service, or “no-action” letters from the Securities and Exchange Commission.
- b. Drafting state constitutional or legislative amendments.
- c. Representing the City in any litigation or any legal challenges to the issuance of the Refunding Bonds.
- d. Making an investigation or expressing any view as to the creditworthiness of the Client or the Refunding Bonds.
- e. Representing the Client in Internal Revenue Service examinations, audits or inquiries, or Securities and Exchange Commission investigations.
- f. Reviewing or opining on the business terms of, validity, or federal tax consequences of any investment agreement that the Client may choose as an investment vehicle for the proceeds of the Refunding Bonds, unless the Client and Attorneys agree on the terms of such review and compensation for such review.
- g. Reviewing or opining on the business terms of, validity, or federal tax consequences of any derivate financial products, such as an interest rate swap agreement that the Client may choose to enter into in connection with the issuance of the Refunding Bonds, unless the Client and Attorneys agree on the terms of such review and compensation for such review.
- h. Addressing any other matter not specifically set forth above that is not required to render our Bond Opinion.

Section 4. Conflicts; Prospective Consent. Attorneys represent many political subdivisions, investment banking firms and financial advisory firms. It is possible that during the time that Attorneys are representing the Client, one or more of Attorneys’ present or future clients will have transactions with the Client. It is also possible that Attorneys may be asked to represent, in an unrelated matter, one or more of the entities involved in the issuance of the Refunding Bonds. Attorneys do not believe such representation, if it occurs, will adversely affect Attorneys’ ability to represent the Client as provided in this Agreement, either because such matters will be sufficiently different from the issuance of the Refunding Bonds so as to make such representations not adverse to our representation of you, or because the potential for such adversity is remote or minor and outweighed by the consideration that it is unlikely

that advice given to the other client will be relevant to any aspect of the issuance of the Refunding Bonds. Execution of this Agreement will signify the Client's consent to Attorneys' representation of others consistent with the circumstances described in this paragraph.

Section 5. Compensation. For the bond counsel services rendered to the Client specified in Section 2(a), Attorneys shall be paid a legal fee equal to \$58,000 with respect to the Refunding Bonds for the water system, and a legal fee equal to \$65,000 with respect to the Refunding Bonds for the wastewater system.

For the disclosure counsel services rendered to the Client specified in Section 2(b), Attorneys shall be paid a legal fee equal to \$35,000 with respect to the Refunding Bonds for the water system, and a legal fee equal to \$35,000 with respect to the Refunding Bonds for the wastewater system.

In addition, Attorneys shall be reimbursed for any costs advanced by Attorneys on behalf of the City, including delivery and messenger services, closing costs, duplication costs, transcript binding costs and expenses for travel outside the State of California, if any, but specifically excluding travel expenses within the State of California.

Section 6. Responsibilities of the Client.

(a) General.

The Client will cooperate with Attorneys and furnish Attorneys with certified copies of all proceedings taken by the Client, or otherwise deemed necessary by Attorneys to render an opinion upon the validity of the proceedings. During the course of this engagement, Attorneys will rely on Client to provide Attorneys with complete and timely information on all developments pertaining to any aspect of the Refunding Bonds and their security. Attorneys are not responsible for costs and expenses incurred incidental to the actual issuance and delivery of the Refunding Bonds, including the cost of preparing certified copies of proceedings required by Attorneys in connection with the issuance of the Refunding Bonds, and printing and publication costs.

(b) Federal Tax Law-Related Responsibilities. The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Refunding Bonds. As a condition of Attorneys issuing their opinion, you will be required to make certain representations and covenants to comply with certain restrictions designed to insure that interest on the Refunding Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Refunding Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Refunding Bonds. Attorneys' opinion will assume the accuracy of these representations and compliance with these covenants. Attorneys will not undertake to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Refunding Bonds may adversely affect the value of, or the tax status of interest on, the Refunding Bonds. In this regard, Client agrees to familiarize itself with the relevant

requirements and restrictions necessary for the Refunding Bonds to qualify for exemption from federal income taxation and to exercise due diligence both before and after issuance of the Refunding Bonds in complying with these requirements.

Section 7. Insurance. Attorneys shall maintain insurance for the duration of this Agreement against claims for injuries to persons or damage to property that may arise from or in connection with the performance of work under this Agreement. The insurance shall be in the form and amount set forth in Exhibit A, attached.

Section 8. Indemnification. Attorneys agree to indemnify and hold harmless the City and its officers, agents and employees, from and against any and all liability, losses, damages, costs and expenses resulting from any professional malpractice of Attorneys, its officers, employees, agents or subcontractors determined by a final binding judgment of a court of law to have occurred in the performance of services under this Agreement.

Section 9. Independent Contractor. Attorneys will act as an independent contractor in performing the services required under this Agreement, and under no circumstances shall Attorneys be considered an agent, partner, or employee of the Client.

Section 10. Assignment. Attorneys may not assign their rights or delegate their obligations under this Agreement, in whole or in part, except with the prior written consent of the Client.

Section 11. Termination of Agreement.

(a) Termination by Client. This Agreement may be terminated at any time by the Client with or without cause upon written notice to Attorneys.

(b) Termination by Attorneys. This Agreement may be terminated by Attorneys upon 15 days' written notice to Client if Client fails to follow written legal advice given by Attorneys.

(c) Termination Upon Issuance of Bonds. This Agreement shall terminate upon the issuance of each series of the Refunding Bonds.

(d) Consequences of Termination. In the event of termination, all finished and unfinished documents shall at the option of the Client become its property and shall be delivered to the Client by Attorneys.

IN WITNESS WHEREOF, the City and Attorneys have executed this Agreement as of the date first above written.

CITY OF SUNNYVALE,
a municipal corporation

By _____
JOHN A. NAGEL
City Attorney

JONES HALL, A PROFESSIONAL
LAW CORPORATION, a California
corporation

SCOTT R. FERGUSON
Shareholder

EXHIBIT A

Insurance

Minimum Scope of Insurance

Coverage shall be at least as broad as:

1. Insurance Services Office Commercial Liability coverage (occurrence Form CG 0001).
2. Insurance Services office Form Number CA 0001 covering Automobile Liability, Code 1 (any auto).
3. Workers' Compensation insurance as required by the State of California.

Minimum Limits of Insurance

Attorneys shall maintain limits no less than:

1. General Liability: \$1,000,000 per occurrence and \$2,000,000 (including operations, for bodily injury, personal and property damage, products and completed operations)
2. Automobile Liability: \$1,000,000 per accident for bodily injury and property damage.
3. Errors and Omissions Liability: \$1,000,000 per claim and in the aggregate limits

Other Insurance Provisions

The commercial general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. The City, its officers, officials, employees and volunteers are to be covered as additional insureds as respects: liability arising out of work or operations performed by or on behalf of the Attorneys or automobiles owned, leased, hired or borrowed by the Attorneys.
2. For any claims related to this project, the Attorneys' insurance coverage shall be primary insurance as respects the City, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees or volunteers shall be excess of the Attorneys' insurance and shall not contribute with it.

3. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.
4. Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Subdivision (b) of Section 2782 of the Civil Code.

Verification of Coverage

Attorneys shall furnish the City with original Certificates and amendatory endorsements affecting coverage by this clause. The endorsements should be on forms provided by the City or on other than the City's forms provided those endorsements conform to City requirements. All Certificates and endorsements are to be received and approved by the City before work commences. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by these specifications at any time.



City of Sunnyvale

Agenda Item

17-1060

Agenda Date: 12/12/2017

REPORT TO COUNCIL

SUBJECT

Receive and File the FY 2016/17 Comprehensive Annual Financial Report (CAFR), Sunnyvale Retiree Healthcare Plan Report, and Sunnyvale Financing Authority Financial Report

REPORT IN BRIEF

This report is intended to present the City's audited Comprehensive Annual Financial Report (CAFR), Sunnyvale Retiree Healthcare Plan Report, and Sunnyvale Financing Authority Financial Report for FY 2016/17 for Council's information.

All three reports were independently audited by the firm of Macias Gini & O'Connell (MGO) who rendered unmodified opinions and found no material weaknesses during the financial audit of the City and with issuance of those reports. Receiving an unmodified opinion is the optimal result from the independent audit.

BACKGROUND

Each year, staff coordinates and facilitates completion of the annual audit with the independent auditor. For the annual audit process, staff prepares a number of audit schedules and responds to audit queries while the auditor examines the City's financial transactions and reviews records. The independent auditor conducts the audit, according to the auditing standards generally accepted in the United States of America and the Governmental Auditing Standards, issued by the Comptroller General of the United States. Along with completion of the audit, each year, staff prepares the City's Comprehensive Annual Financial Report (CAFR) and Sunnyvale Financing Authority Financial Report, which includes the auditor's opinion and audited financial statements.

EXISTING POLICY

City Charter, Section 1318, *Independent Audit*, requires that an independent audit be conducted of the City's financial transactions at the end of each fiscal year. A final audit and report shall be submitted by a Certified Public Accountant to the City Council.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" with the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378 (b) (4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

DISCUSSION

The City's Comprehensive Annual Financial Report (CAFR) is prepared annually to meet City Charter Section 1318 requirement and was previously submitted to Council as an attachment to the Year-End Budgetary Report.

The CAFR, which is prepared in the format prescribed by the Governmental Accounting Standards Board (GASB), contains the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements with Notes and Required Supplementary Information, Supplementary Information, and the Statistical Section. This report is provided as Attachment 1.

The City's independent audit was performed by the firm of Macias Gini & O'Connell (MGO) who rendered an unmodified opinion on the City's CAFR. Receiving an unmodified opinion is the optimal result from the independent audit. In addition to the opinion on the CAFR, the independent auditors also issue a Report to the City Council. It contains audit findings including any material weaknesses or significant issues discovered during the audit. The audit found no material weaknesses or significant issues. The report is provided as Attachment 2.

Effective with the FY 2014/15, with the implementation of the GASB Statement No.68, the City's net pension liability, representing unfunded pension obligations, is now presented as a liability on the statement of net position, previously the information was provided as part of the *Notes to the Basic Financial Statements* section of the CAFR. The Net Pension Liability line totaled \$329.4 million as of June 30, 2017. It is important to note that the City, like most other local agencies, has had a significant unfunded pension liability for several years and the reporting of this liability does not require changes to the City's plans to fund its pension liability. Although, through the City's long-term financial planning process, Sunnyvale began to address the liability several years ago, with higher than required contributions to CalPERS and funding of a pension uncertainty reserve that will continue to address the liability into the future. Staff has also initiated the process to establish a Pension Trust Fund, which is planned to be put into place with the FY 2018/19 Budget.

A new reporting standard, the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* is effective for FY 2017/18. This Statement requires that governmental agencies that provide other post-employment benefits (OPEB) to their employees present the net OPEB liability on the Statement of Net Position. Currently, the OPEB liability, representing unfunded retirement obligations other than pensions, is reported in *the Notes to the Basic Financial Statements* section of the CAFR. Preparing for implementation of the new OPEB reporting standard, staff completed an audited stand-alone report of the Sunnyvale Retiree Healthcare Plan at the end of June 30, 2017. The Report establishes beginning OPEB fund balance to be used in the calculation of the net OPEB liability at June 30, 2018. The OPEB liability reporting standard is parallel to the pension liability reporting standard (GASB Statement No. 68) and does not require changes to the City's plan to fund its OPEB liability. With the requirement to disclose the OPEB liability, the City began funding the OPEB Trust Fund since 2011 and has budgeted to pay the full annual required contribution over the long-term plan until the OPEB liability is fully funded, which is anticipated to occur at the end of the 20-year planning period. As of June 30, 2017, the OPEB Trust Fund net position balance was \$83 million with an unfunded liability of \$84 million. The report is provided as Attachment 3.

Sunnyvale Financing Authority Report

The Joint Exercise of Powers Agreement creating the Sunnyvale Financing Authority by and between the City of Sunnyvale and the former Redevelopment Agency of the City of Sunnyvale requires that "the Controller of the Authority shall either make, or contract with a certified public accountant or public accountant to make, an annual audit of the accounts and records of the Authority...a report

thereof shall be filed as a public record with each of the Member Agencies.” The Sunnyvale Financing Authority Report is prepared annually to meet this requirement and is submitted to Council as Attachment 4 to this report.

The Sunnyvale Financing Authority Report, which is prepared in the format prescribed by the Governmental Accounting Standards Board (GASB), contains the Independent Auditor’s Report, Management’s Discussion and Analysis, Basic Financial Statements, and the Notes to Basic Financial Statements.

FISCAL IMPACT

There is no fiscal impact associated with this action.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City’s official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City’s website.

ALTERNATIVES

1. Receive and file the audited Comprehensive Annual Financial Report, the Sunnyvale Retiree Healthcare Plan Report, Sunnyvale Financing Authority Financial Report, and the Report to the City Council issued by the independent auditors.
2. Other action as determined by Council.

STAFF RECOMMENDATION

Alternative 1: Receive and file the audited Comprehensive Annual Financial Report, the Sunnyvale Retiree Healthcare Plan Report, Sunnyvale Financing Authority Financial Report, and the Report to the City Council issued by the independent auditors.

Prepared by: Inderdeep Dhillon, Finance Manager
Reviewed by: Timothy J. Kirby, Director of Finance
Reviewed by: Teri Silva, Interim Assistant City Manager
Approved by: Kent Steffens, Interim City Manager

ATTACHMENTS

1. Comprehensive Annual Financial Report
2. Report to the City Council
3. Sunnyvale Retiree Healthcare Plan Report
4. Sunnyvale Financing Authority Financial Report

Attachments 1 and 4 are also posted on the City website at
[<https://sunnyvale.ca.gov/government/budget.htm>](https://sunnyvale.ca.gov/government/budget.htm)



Sunnyvale

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017



CITY OF SUNNYVALE

CALIFORNIA

A COMMITMENT TO EXCELLENCE

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2017



Sunnyvale

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, 2017

To the Honorable Mayor and Members of the City Council and Citizens of the City of Sunnyvale, California

We are pleased to submit the City of Sunnyvale's (City) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. 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 generally accepted accounting principles (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, 2017, are free of material misstatements. 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, 2017, 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, 2017

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 the 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, 2017

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-public 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.

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, 2017

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. 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

As upward economic trends continue in the Bay Area region, Sunnyvale remains at the forefront of a strong state-wide economic recovery and has experienced employment rates reaching unprecedented levels. Multi-year economic recovery continues to create high demand for business development activities which remains at record setting levels in fiscal year 2017. Development-related revenues, Property Tax, and Transient Occupancy Tax continue to exceed revenue projections. Based on the development activity currently underway, revenues will continue to grow going forward due to the residual effect that commercial development has on the General Fund's other sources of revenue. Due to cyclical nature of Sales Tax, Transient Occupancy Tax, and Development-related revenues, over time, these revenue sources have experienced significant year-to-year variances, which creates challenges for long-term revenue forecasts. The 2018 Adopted Budget includes investing in major transportation infrastructure projects, addressing the significant needs of aging City infrastructure and equipment, and taking a phase-planning approach to maintain staff capacity with a goal of preparing for a slowed economy. Successful passage of Measure B in November 2016, a county-wide, one quarter cent sales tax increase to be used for transit-related projects will help provide additional funding for street and road maintenance projects. Beyond the

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2017

LOCAL ECONOMY, Continued

next several years, growth projections have been moderated to reflect the inevitable volatility of several of the City's revenues. However, the City continues to monitor how its revenue base is being affected by the robust economy and will adjust long-term revenue projections annually as part of the budget development process.

Although strong performance for several major revenue sources continues, the City's fiscal situation still faces challenges which are expected to require a strategy to address. Factored with global economic volatility, housing and transportation constraints, and potential actions by the federal government, a cautious approach is warranted. Further, the City is under several pressures, including continuing increases in personnel costs, especially with regard to pensions which are expected to double over ten years and continue to be reasons for driving up the cost of total employee compensation. With the rebounded economy, the City continues to face significant increases in the demand for services. Operational and capital costs are facing upward pressure as increased development, environmental regulation, and aging infrastructure all strain current resources. Additionally, the bidding climate has tightened, as greater competition due to more demand for work has increased construction costs.

With the challenges noted above, continuing to maintain sustainable personnel costs will continue to be a challenge. An added factor is that the City is constrained by a workforce that has not reached to the same count as it was more than 15 years ago. This presents significant challenges because staffing resources have not been able to keep pace with operational demands, while there is also interest and need to implement key initiatives that require additional resources. The 2018 Adopted Budget addresses some of these needs with additional funding for staffing resources. As demands continue to pressure our existing assets, we will continue to look to strategically add resources where appropriate while keeping the goal of maintaining a sustainable fiscal position for the long-term.

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 20-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.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2017

LONG-TERM FINANCIAL PLANNING, Continued

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- 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 necessary steps to alter the long-term forecasted position of a particular fund should that appear necessary.

Sunnyvale's long-term financial planning process is connected to City departments' long-term plans. At appropriate intervals, departments conduct long-range assessments of City infrastructure replacement needs for major components of the City's physical assets, such as traffic capacity, transportation facilities, streets and roadways, public lands and facilities. These studies are coordinated with long-range budgeting.

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. There has been a substantial increase in the City's contribution rates for employee pensions through the California Public Employees' Retirement System (PERS) due to a number of factors, including rapid growth in PERS's reforms, reduced investment rate of returns, changes to actuarial assumptions, and de-risking efforts. As a result, the City's employer contribution rates have increased significantly every year, starting in fiscal year 2012, and are expected to continue to increase into the foreseeable future. Because of the City's long-term financial planning process that carefully considers the long-term implications of PERS' actions, the City has 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 20-year financial plan to ensure these expenditures are funded over the long term. The City will continue to address pension funding with a long-term perspective. Beginning in fiscal year 2015, 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 will provide transparency of our pension liabilities and our efforts to proactively manage them.

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. With the requirement to disclose our liability for other post-employment benefits (OPEB), the City saw the need to address this liability. As a result, the City began funding a retiree medical trust fund in fiscal year 2011 and has budgeted to pay the full annual required contribution over the long-term plan until the OPEB liability is fully funded.

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 fiscal year 2017. Therefore, the City has prepared an audited stand-alone comprehensive annual financial report for

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2017

LONG-TERM FINANCIAL PLANNING, Continued

the City's retiree medical trust, for the period ending June 30, 2017. The audited financial report establishes the OPEB Trust net position ending balance, which would be used in calculating and reporting the City's OPEB liabilities, in conjunction with implementing the Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective in fiscal year 2018.

To address long term uncertainty, unfunded needs, and rising personnel and other costs, the 2018 Adopted Budget takes a three-pronged approach: partial use of reserves, full use of revenue growth, and focused fiscal strategies. Holding true to one of Sunnyvale's core values, challenges are being taken in the context of the 20-year planning period. The first step to balancing the budget was to use all new revenues to fund planned service levels before replenishing reserve levels, in the event revenue exceeds budget projections. Secondly, the reserved funds were strategically established for unanticipated increases in total compensation as much more uncertainty looms around personnel costs other than escalating pension and healthcare costs. Lastly, the General Fund adopted budget plans for fiscal strategies needed to keep the fund in overall health. These needs may be met through new revenue sources, alternative methods of service delivery, or moderation/cost control of current expenditures. Overall, this three-pronged approach serves to balance our budget over the long term,

RELEVANT FINANCIAL POLICIES

According to 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 three 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 Fund. 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. In essence, 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.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2017

RELEVANT FINANCIAL POLICIES, Continued

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 fiscal year 1995 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. The reserve increases throughout the long-term financial plan as several of the City's land assets are sold.

In addition to the reserves discussed above, the City also uses the Employee 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 budgeted and 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

Development Activity

For the sixth year in a row, the strong economy was reflected in Sunnyvale in terms of development activity, which continued at high levels during fiscal year 2017. Development activity was diverse and covered almost all sectors including office, research and development, industrial, and residential. With improvements in the financing market, as well as escalating home prices, fiscal year 2017 development activity continued at a high pace. The economic recovery and resulting increases in development permitting activity bring favorable economic conditions to Sunnyvale and the region as a whole; however, it continues to have high demand for services provided by the Community Development Department's building, planning and housing staffs that are involved in the development review process and staffing at the One Stop Permit Center continue to outpace the existing level. Therefore, in the 2018 Adopted Budget, one term-limited position was planned to support the increased workload and supplement staffing for Planning program. These challenges also extended to other key divisions that were integrally involved in

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2017

MAJOR INITIATIVES, Continued

development review such as the engineering division (Public Works) and the fire prevention division (Public Safety). Therefore, a full-time position is budgeted to support the increased workload and supplement staffing for administrative and analytical support to the Public Works program. A few of the significant projects that were in some phase of the development approval process in fiscal year 2017 and are currently under construction include new high rise buildings and parking garages at the Moffett Place campus and Peery Park areas; renovation of an existing hotel, increasing guest rooms to a total of 357, at 1100 N. Mathilda Avenue; 153 homes, including 39 townhomes and 114 apartments in a five-story building at the corner of E. El Camino Real and Wolfe Road, extending along Fremont Avenue; three residential buildings, containing 198 residential units and reserving ground-floor for retail space at southwest and northwest corners of Taffe Street.

Community Choice Aggregation (CCA) Efforts

CCA is a tool allowed under California law that enables a city or group of cities to directly procure and generate electricity for its community, bringing decision-making about electricity generation sources to the local level. Implementing a Community Choice Energy (CCE) program is included as one of the strategies in Sunnyvale's Climate Action Plan. In December 2015, the City Council approved the actions required to form and participate in the Silicon Valley Clean Energy Authority (SVCEA). In March 2016, twelve communities in Santa Clara County, including the City of Sunnyvale, formed a Joint Powers Agency, SVCEA, a local non-profit public agency that will run a CCE program. The City has contributed its shared cost to the collaborative study phase and to the formation of the SVCEA JPA. Per the agreement with the JPA, the repayment of the shared costs contributions to the City is to occur by March 31, 2020 if the operation is successful.

Public Safety Recruitment and Hiring

The Department of Public Safety (DPS) continued to focus on recruitment and hiring efforts to fill a high number of vacancies due to retirements and other separations in order to staff 201 authorized sworn positions. In collaboration with the Human Resources Department, DPS worked on recruitments to fill 18 open positions. The City continues to face difficulty recruiting public safety officers in recent years. Projecting an ongoing need in near future, DPS recruitment activities will continue at an elevated level for several years. In December 2016, the City Council accelerated funding for recruitment and training to address continued low staffing levels in the department and approved an additional \$9.2 million over the next twenty years to fund increased recruitment efforts.

Climate Action Plan Acceleration

The City Council adopted the Sunnyvale's first Climate Action Plan (CAP) in 2014. According to the first biennial report and updated work plan for CAP implementation through 2020 approved by the City Council in May 2016, Sunnyvale is on track to meet or exceed the reduction targets of achieving 1990 emissions levels by 2020, which are equivalent to 15% greenhouse gas (GHG) reduction. However, the CAP was not designed to meet the State targets of 40% GHG reduction by 2030 and 80% reduction by 2050. Therefore, the City Council has considered development of a new work plan to accelerate the City's

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2017

MAJOR INITIATIVES, Continued

efforts on implementing the climate action plan. The new workplan will include research, analysis, and community engagement necessary to support the council policy setting and resource allocation for advancing and accelerating climate action to be taken beyond 2020.

Zero Waste Strategic Plan

The City Council approved a Zero Waste Strategic Plan in April of 2013 that set goals to increase the City's solid waste diversion rate to 70% by 2015 and 75% by 2020, with an ultimate goal of a 90% diversion rate by 2030. In adopting this plan, the City acknowledged the significant cost of reaching these goals and has begun to include those into its long-term planning and Solid Waste Management Enterprise Fund. Costs include new services like city-wide food waste collection, which began implementation in 2017, multi-family and commercial yard waste pickup, and additional public education.

Lakewood Branch Library and Learning Center

The City has included a budgeted project of \$20.9 million to construct a new Branch Library and Learning Center in the vicinity of Lakewood Park, with \$13.5 million from the proceeds of the sale of the Raynor Activity Center as the largest source of funding. Currently, Sunnyvale residents in the Lakewood area must travel more than two miles to access library services. The Lakewood Branch Library and Learning Center is intended to fill this gap in service and is envisioned as a center for library, recreation and community services. In an effort to leverage resources, in fiscal year 2016/17, the City partnered with the Sunnyvale School District to identify terms and conditions for a possible joint use facility. The City and District have identified terms for a mutually beneficial project and are recommending that the project design process be initiated in fiscal year 2018.

Washington Community Swim Center

The City has budgeted a project for \$7.8 million over the next few years for fully rebuilding and completely replacing the swimming pool complex. A new rebuilt swimming pool will include a new family observation area, water play equipment, water slides and wading areas. Furthermore, several improvements are underway to rehabilitate, renovate, and upgrade the entire facility of Washington Community Center and its surrounding areas. These improvements will help increase attendance of the facility. The project design is in progress with construction scheduled to start in fiscal year 2018.

Measure B Related Transportation Improvements

Measure B, a county-wide half-cent sales tax increase, was approved by voters in November 2016 and became effective in April 2017. For the next thirty years, the City will receive funding to support county-wide transit highways and expressways. With projection of additional funds available on a long-term basis for various roadways and street maintenance projects, the City's Annual Street project includes adequate funds to cover construction costs of street and road maintenance for each year. The City will provide additional funding for more extensive street pavement rehabilitation as needed in future years to adequately address growing needs resulting from increased traffic. With this funding, the City will continue to actively maintain the City's Pavement Condition Index(PCI) at the current level and aim to achieve higher PCI in upcoming years.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2017

MAJOR INITIATIVES, Continued

Technology Replacement

The City's Adopted Budget includes investments to upgrade information technology systems that are at a critical state. Funding has been programmed to replace the City's aging financial and budget systems as well as the current human resources information system. The expanded scope of the project includes procurement and implementation of an Enterprise Resource Planning (ERP) system, integrating core financials with payroll and human resources functionality within one system, rather than stand-alone systems for these essential administrative functions. In addition, funding is provided in the Development Enterprise Fund to replace the City's permitting system. These investments will modernize the City's technological infrastructure with enhanced functionality and reporting capabilities.

Water and Wastewater Infrastructure

The City continued its efforts in fiscal year 2017 to address its aging water and wastewater utility infrastructure. The 2018 Adopted Budget has \$141.8 million for 22 projects, mainly for water line replacements and rehabilitation, renovation, maintenance of potable water tanks and wells, and ensuring reliability of recycled water production and delivery. The wastewater utility recently began a major project to renovate the City's Water Pollution Control Plant (WPCP). The 2018 Adopted Budget includes planned infrastructure expenditures of approximately \$723 million over twenty years, with 91% (or \$658 million) allocated to the WPCP Master Plan. Consequently, the City has started drawing monies on Clean Water State Revolving Fund Loans, with the approved amount of \$127 million, to fund the first phase of this project (primary treatment and headworks), which is currently underway. The second phase of the Master Plan includes new building constructions for maintenance, administration staff, a laboratory, and a secondary treatment. Pre-construction and design activities for the second phase are expected to start in fiscal year 2018.

Fair Oaks Overhead Bridge Improvements

The State of California Department of Transportation (CalTrans) inspects bridges throughout the state for structural adequacy and functional operation. The most recent CalTrans inspection of the Fair Oaks Overhead Bridge revealed that it was "structurally deficient". The rating is primarily due to severe deck cracking and spalling, inadequate sidewalk width, barrier railings, approach railing and lateral clearance to the columns. To make the necessary improvements on this bridge will require an estimated \$22.8 million. The City is seeking funds from CalTrans to cover approximately 88% of the cost of this project. Design is nearing completion in 2017 and construction is scheduled to start in 2018. Upon completion of construction, the bridge is expected to increase life of the asset by 40 years.

Civic Center and Library Modernization

Efforts to create a Civic Center Master Plan to modernize the Civic Center campus, including the main library and public safety building were initiated in spring 2017. Completion of the Master Plan is expected to address future building locations, site circulation, open space, and sustainability features. Financing strategies to fund the construction of a new or renovated Civic Center and Library are yet to be identified and will be determined after the further development of project approach and scope in the upcoming year.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2017

MAJOR INITIATIVES, Continued

City Infrastructure

The City continues to face fiscal challenges for the replacement and maintenance of aging City buildings and most of the City infrastructure improvement projects remain either unfunded or underfunded. During the major winter storm in spring 2017, lack of modernized equipment at buildings of the City Hall and Library caused a shut-down of City services for almost a day due to equipment failures. The City Corporation Yard is also currently under a planning process to address the needs of rebuilding and modernizing old outdated facilities. In the meantime, the City will continue to fund critical infrastructure needs to keep the existing facilities operational. On-going needs of City infrastructure rebuilding improvements may sound alarming, but the infrastructure replacements needs are statewide and national issues as well.

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, 2016. This was the thirty-first 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 generally accepted accounting principles 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, 2017. This was the twenty-eighth 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.

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.

Chief Finance Officer's Letter of Transmittal, Concluded
Fiscal Year Ended June 30, 2017

AWARDS AND ACKNOWLEDGEMENTS, Continued

The City has received the Annual Achievement of Excellence in Procurement Awards from the National Purchasing Institute (NPI) for the past eighteen 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: Jamie Oei, Principal Accountant; Lisa Sandigo, Senior Accountant; Rachel Copes, Luis Cuellar, and Juan Castro, Accountants; Liza Valdez, Senior Accounting Technician; Tim Kashitani, Administrative Aide; Inderdeep Dhillon, Finance Manager; and Kenn Lee, Assistant Director of Finance.

I also wish to thank our auditors, Macias Gini & O'Connell LLP, Certified Public Accountants, 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 progressive manner.

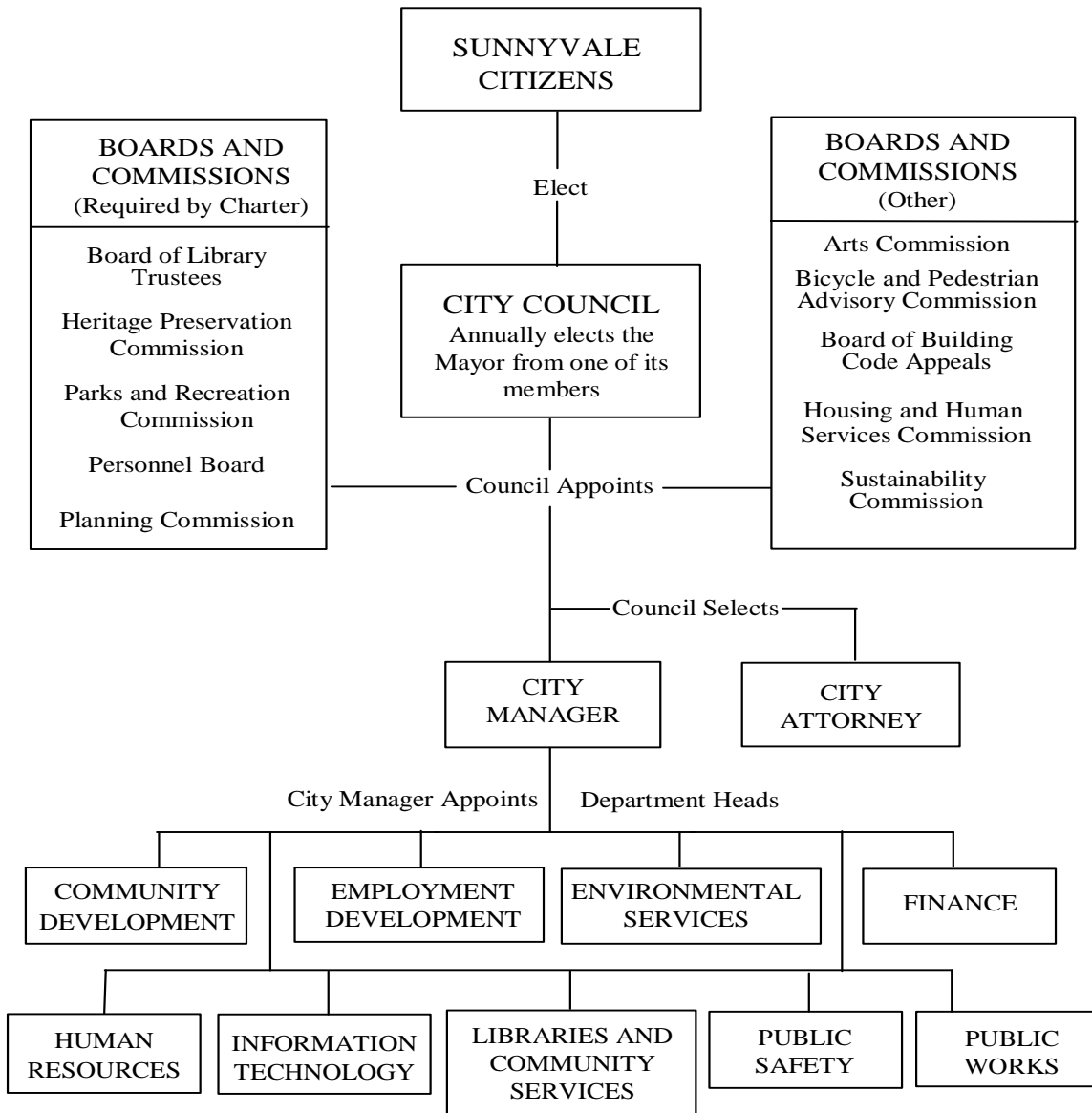
Respectfully submitted,



Timothy J. Kirby
Director of Finance

Organization Chart

Fiscal Year Ended June 30, 2017



Glenn Hendricks

Mayor

Gustav Larsson

Vice-Mayor

Jim Griffith

Councilmember

Larry Klein

Councilmember

Nancy Smith

Councilmember

Russ Melton

Councilmember

Michael S. Goldman

Councilmember

Deanna J. Santana

City Manager

Walter Rossmann

Assistant City Manager

Kent Steffens

Assistant City Manager

Acting Director of Environmental Services

Kathleen Boutté Foster

Chief Information Officer

Manuel Pineda

Director of Public Works

Timothy J. Kirby

Director of Finance

Trudi Ryan

Director of Community Development

John Nagel

City Attorney

Teri Silva

Director of Human Resources

Phan S. Ngo

Director of Public Safety

Kris Stadelman

Director of Employment Development

Directory of Boards and Commissions
Fiscal Year Ended June 30, 2017

Arts Commission

Kiphuth, Roberta
Koppel, David
Lawson, Robert
Park, Misuk

Bicycle and Pedestrian Advisory Commission

Cordes, John
Jackson, Kevin
Jones, David
Kolber, Richard
Okuzumi, Margaret
Rausch, Angela
Welch, Kyle

Board of Building Code Appeals

Kim, Paul
Kisyova, Petya
Michitaka, Sachihiko (Mike)
Shen, Yonghong

Board of Library Trustees

Bremond, Daniel
Isaak, Mark
Lai, Carey
Shanmugasundaram, Jill
Torres, Erika

Heritage Preservation Commission

Dietrich, Hannalore
Hopkins, Dawn
Larsen, Dixie
Michitaka, Sachihiko (Mike)
Mouritsen, Dale
Squellati, David
Valenzuela, Kenneth

Housing and Human Services Commission

Chiu, Dennis
Evans, Patti
Gilbert, Diana
Jeong, Younil
Kwok, Minjung
Pathak, Narendra
Schmidt, Barbara

Parks and Recreation Commission

Alexander III, Henry
Din, Omar
Kenton, Ralph
Pasqua, Craig
Pochowski, Robert

Personnel Board

Cohen, Jonathan
Ketzel, Marc
Oberman, Traci
Sellers, Garry

Planning Commission

Harrison, Sue
Klein, Larry
Melton, Russell W.
Olevson, Ken
Rheaume, Ken
Simons, David
Weiss, Carol

Sustainability Commission

Glaser, Gerald
Glazebrook, Brian
Hafeman, Dan
Kisyova, Petya
Paton, Bruce
Srivastava, Amit
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, 2016

Executive Director/CEO

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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, 2017, 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, 2017, 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.

Emphasis of Matters

As discussed in Note 1 to the financial statements, effective as of July 1, 2016, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. Our opinion is not modified with respect to this matter.

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, 2017 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.



Walnut Creek, California
December 4, 2017

Management's Discussion and Analysis (Unaudited)

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2017

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, 2017. 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, 2017, the City's total net position was \$816.2 million, an increase of \$88.2 million or 12.1% over the prior fiscal year. This increase was corresponding to the changes in the following financial statement elements: (1) total assets increased by \$92.3 million, mostly in restricted assets and capital assets due to large-scale development and infrastructure projects; (2) deferred outflows of resources increased by \$41.8 million; (3) total liabilities increased by \$60.3 million, of which net pension liability accounted for \$55.1 million, and current liabilities accrued were higher than last year; and (4) deferred inflows of resources decreased by \$14.4 million. Pension-related items represented a predominant portion of both deferred outflows and deferred inflows of resources.
- Total revenues were \$417.8 million, which was \$10.1 million or 2.5% higher than last year, mostly due to higher revenues from services and capital grants generated by business-type activities. Total expenses were \$329.6 million, an increase of \$33.2 million or 11.2% from last year.
- In April 2017, the City executed a loan agreement with the California State Water Resource Control Board to secure \$127 million in funding, with interest rate at 1.7%, from the Clean Water State Revolving Loan Fund (SRF) for the Water Pollution Control Plant Rehabilitation—Headworks and Primary Treatment Facilities Phase 1(A) Project. Allowable costs of \$3.8 million for this Project have been incurred and covered by the SRF capitalization grant principal forgiveness funds until reaching the maximum grant amount of \$4 million. The City's Wastewater Enterprise Fund has not started to draw down loan funds from the SRF. The City has kept up with its commitments to meet specific financial conditions.
- At June 30, 2017, the City's governmental funds reported a combined fund balance of \$367.1 million, an increase of \$49.3 million or 15.5% from the prior year's fund balance of \$317.8 million. Two major funds—Park Dedication Special Revenue Fund and City Projects Fund—accounted for 71% of the increase in the combined fund balance of governmental funds. Park dedication fee revenues remained at a high level, after becoming a major fund last year. During this year, the City Projects Fund Community Benefits Subfund received \$18.5 million in private contributions for traffic improvements and public safety arrangements, pursuant to a large multiphase development agreement.
- In September 2016, the Redevelopment Successor Agency (RSA) executed the 2016 Modified and Restated Amended Disposition and Development and Owner Participation Agreement (2016 MRADDOPA) and related documents pertaining to the Sunnyvale Town Center Project. The immediate effect of the 2016 MRADDOPA was recognized in the Private-Purpose Trust Fund as a Special Item—Reduction of Liability to Developer in the amount of \$13.5 million. Other effects for future years include reducing the environmental remediation obligation on the Successor Agency and taxing entities, and the increase in potential property tax revenues to the taxing entities.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017

A. FINANCIAL HIGHLIGHTS, Continued

- The General Fund's fund balance was \$129.0 million, an increase of \$7.5 million or 6.2% from last year. The increase primarily resulted from revenue growth in property tax and construction tax.

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.

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.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

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 included in the basic financial statements as an integral part of the primary government. Other component units are separately accounted for as fiduciary funds.

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 18 individual governmental 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, and City Projects 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, 2017

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 fund. 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 Communities Facilities District (CFD) No. 1, the Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP), and the Silicon Valley Clean Energy Authority (SVCEA).

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 and more 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, 2017

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 2017, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$816.2 million. This is an increase of \$88.2 million or 12.1% from last year.

The following is the condensed statement of net position for the fiscal years ended June 30, 2017 and 2016.

Condensed Statement of Net Position
June 30, 2017 and 2016
(Amounts in Millions)

	Governmental Activities		Business-type Activities		Total		%
	2017	2016	2017	2016	2017	2016	Change
Assets:							
Current and Other Assets	\$ 522.9	\$ 465.0	\$ 78.6	\$ 60.0	\$ 601.5	\$ 525.0	14.6%
Capital Assets, Net	469.6	464.5	163.3	152.6	632.9	617.1	2.6%
Total Assets	992.5	929.5	241.9	212.6	1,234.4	1,142.1	8.1%
Deferred Outflows of Resources	59.5	23.4	10.2	4.5	69.7	27.9	149.8 %
Liabilities:							
Noncurrent Liabilities	51.6	48.5	58.5	62.9	110.1	111.4	-1.2%
Other Liabilities	21.6	19.5	18.0	13.7	39.6	33.2	19.3%
Net Pension Liability	284.1	236.2	45.3	38.0	329.4	274.2	20.1%
Total Liabilities	357.3	304.2	121.8	114.6	479.1	418.8	14.4%
Deferred Inflows of Resources	6.9	19.3	1.9	3.9	8.8	23.2	(62.1)%
Net Position:							
Net Investments in Capital Assets	459.0	453.4	116.9	101.5	575.9	554.9	3.8%
Restricted	232.9	189.4	5.3	-	238.2	189.4	25.8%
Unrestricted	(4.1)	(13.4)	6.2	(2.9)	2.1	(16.3)	(112.9)%
Total Net Position	\$ 687.8	\$ 629.4	\$ 128.4	\$ 98.6	\$ 816.2	\$ 728.0	12.1 %

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

At June 30, 2017, the largest portion of the City's net position (70.6% or \$575.9 million) 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 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 (29.2% or \$238.2 million) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position is \$2.1 million, to be used to meet the City's ongoing obligations to its citizens and creditors.

The implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, is the primary reason for the City to report drastic swings in the unrestricted net position, due to the deferral in recognizing the current difference between projected and actual earnings on pension plan investments in each fiscal year. Net pension liability (NPL) is the total pension liability less the pension plan's fiduciary net position. As a long-term obligation, the NPL, along with pension-related deferred inflows and outflows, is only recorded in the accrual basis financial statements with the "economic resources" focus. As a result, the GASB 68 impact is limited to the government-wide and proprietary fund financial statements.

Under GASB 68, the annual pension expense is no longer the cash-basis required contribution to CalPERS. Instead, pension expense reported in fiscal year 2017 is the change in net pension liability from the previous year (measured as of June 30, 2015) to the current year (measured as of June 30, 2016), along with changes in pension-related deferred outflows and inflows of resources.

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

Detailed disclosure as required by GASB 68 can be found in Note 16 to the basic financial statements and 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, 2017

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Analysis of Changes in Net Position

Condensed Statement of Changes in Net Position
Years Ended June 30, 2017 and 2016
(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total		%
	2017	2016	2017	2016	2017	2016	Change
Revenues:							
Program Revenues:							
Charges for Services	\$ 43.1	\$ 48.3	\$ 179.9	\$ 164.8	\$ 223.0	\$ 213.1	4.6 %
Operating Grants and Contributions	19.9	18.8	-	-	19.9	18.8	5.9 %
Capital Grants and Contributions	26.9	21.3	5.7	0.4	32.6	21.7	50.2 %
Total Program Revenues	89.9	88.4	185.6	165.2	275.5	253.6	8.6 %
General Revenues:							
Property Taxes	67.9	64.2	-	-	67.9	64.2	5.8 %
Sales and Use Taxes	29.4	31.4	-	-	29.4	31.4	(6.4)%
Other Taxes	39.3	37.4	-	-	39.3	37.4	5.1 %
Investment Income	1.1	2.7	0.4	0.8	1.5	3.5	(57.1)%
Interest on Advances to Business-Type	3.0	2.6	-	-	3.0	2.6	15.4 %
Gain from Sale of Capital Assets	-	12.8	-	-	-	12.8	-
Miscellaneous	1.2	2.2	-	-	1.2	2.2	(45.5)%
Total General Revenues	141.9	153.3	0.4	0.8	142.3	154.1	(7.7)%
Total Revenues	231.8	241.7	186.0	166.0	417.8	407.7	2.5 %
Expenses:							
Planning and Management	13.3	9.5	-	-	13.3	9.5	40.0 %
Public Safety	94.6	83.1	-	-	94.6	83.1	13.8 %
Community Development	17.7	18.0	-	-	17.7	18.0	(1.7)%
Transportation	18.2	15.9	-	-	18.2	15.9	14.5 %
Socioeconomic	11.8	11.5	-	-	11.8	11.5	2.6 %
Cultural	17.6	16.2	-	-	17.6	16.2	8.6 %
Environmental Management	1.2	1.9	-	-	1.2	1.9	(36.8)%
Water Supply and Distribution	-	-	44.1	36.3	44.1	36.3	21.5 %
Wastewater Management	-	-	26.6	24.3	26.6	24.3	9.5 %
Solid Waste Management	-	-	40.7	39.4	40.7	39.4	3.3 %
SMaRT Station	-	-	28.1	27.2	28.1	27.2	3.3 %
Development	-	-	11.0	8.9	11.0	8.9	23.6 %
Golf and Tennis Operations	-	-	4.2	3.7	4.2	3.7	13.5 %
Interest on Long-term Debt	0.5	0.5	-	-	0.5	0.5	-
Total Expenses	174.9	156.6	154.7	139.8	329.6	296.4	11.2 %
Increase in Net Position before Transfers	56.9	85.1	31.3	26.2	88.2	111.3	(20.8)%
Transfers	1.5	1.9	(1.5)	(1.9)	-	-	-
Increase (Decrease) in Net Position	58.4	87.0	29.8	24.3	88.2	111.3	(20.8)%
Net Position - Beginning	629.4	542.4	98.6	74.3	728.0	616.7	18.0 %
Net Position - Ending	\$ 687.8	\$ 629.4	\$ 128.4	\$ 98.6	\$ 816.2	\$ 728.0	12.1 %

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017**C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued****Governmental Activities**

The City's governmental activities had an increase of \$58.4 million in net position from the prior year. The key elements of this change were as follows:

Revenue Highlights:

- Total revenues before transfers were \$231.8 million, which was \$9.9 million lower than the prior year. The decrease was due primarily to \$12.8 million in revenue from sale of properties in prior year. Excluding this one-time revenue source, revenues increased by \$2.9 million.
- Total property tax revenues increased by a net amount of \$3.7 million or 5.8% from the prior year. The growth in this revenue source was as a result of increases in assessed value for all types of property across the City, change of ownership, and new construction.
- Sales and use tax revenue decreased by \$2.0 million or 6.4%, primarily from reduced business and industry sales.
- Other tax revenues increased by \$1.9 million or 5.1% from the prior year. Details are shown in the table below (amounts in millions):

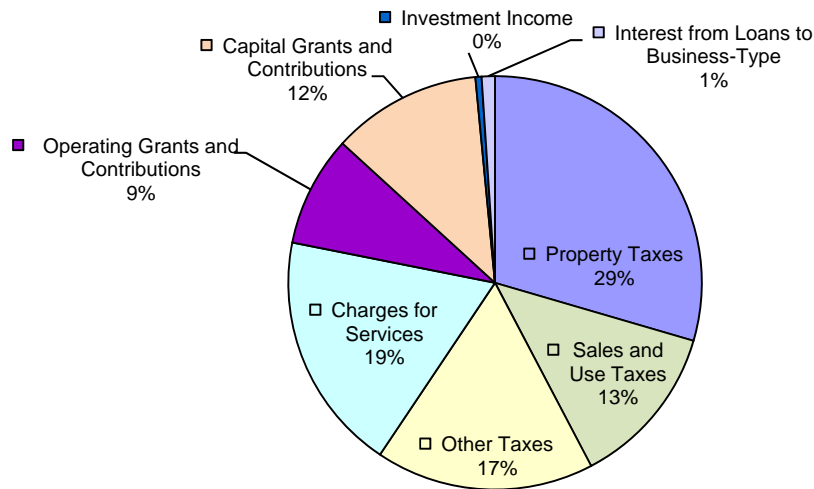
	Total Other Tax Revenues		Total % Change
	2017	2016	2017-2016
Transient Occupancy Tax (TOT)	\$ 16.6	\$ 16.3	1.8 %
Utility Users Tax	7.3	6.9	5.8 %
Construction & Real Property Transfer	6.5	5.3	22.6 %
Franchise Fees (based on gross receipts)	7.1	7.0	1.4 %
Business License Tax	1.8	1.9	(5.3)%
Total	<u>\$ 39.3</u>	<u>\$ 37.4</u>	5.1 %

- Transient occupancy tax rate has remained at 10.5% since January 1, 2014; higher room rates and occupancy have resulted in higher revenue year over year.
- Charges for services decreased by \$5.2 million or 10.8% from the previous year, primarily due to housing impact and park dedication fee revenues which decreased by \$2.3 million and \$2.6 million respectively from last year. Park dedication fee revenues still exceeded \$20 million in this fiscal year.
- Operating grants and contributions increased by \$1.1 million or 6.2% from the prior year, primarily due to timing of funding draws from the Department of Housing and Urban Development.
- Capital grants and contributions increased by \$5.6 million or 26.1% from the prior year. Developer contributions increased by \$15.5 million more than prior year, offset by lower donated infrastructure assets which were \$10.0 million less than the prior year.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

**Governmental Activities
Revenues by Source
June 30, 2017**



Expense Highlights-Governmental Activities:

Expenses for the years ended June 30, 2017 and 2016 were as follows (amounts in millions):

	Total Cost of Services			Net Cost of Services		
	2017	2016	Percentage Change 2017-2016	2017	2016	Percentage Change 2017-2016
Planning and Management	\$ 13.3	\$ 9.5	40.0 %	\$ 12.7	\$ 9.0	41.1 %
Public Safety	94.6	83.1	13.8 %	88.5	64.1	38.1 %
Community Development	17.7	18.0	(1.7)%	(16.3)	(18.5)	(11.9)%
Transportation	18.2	15.9	14.5 %	(13.8)	0.9	(1,633.3)%
Socioeconomic	11.8	11.5	2.6 %	0.9	0.7	28.6 %
Cultural	17.6	16.2	8.6 %	11.4	10.2	11.8 %
Environmental Management	1.2	1.9	(36.8)%	1.1	1.3	(15.4)%
Total	\$ 174.4	\$ 156.1	11.7 %	\$ 84.5	\$ 67.7	24.8 %

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Expense for governmental activities (excluding interest on long-term debt) was \$174.4 million, which was \$18.3 million or 11.7% higher than last year.

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

The increase in Planning and Management cost of services was primarily due to election costs which included a special election to fill a vacant City Council position.

The decrease in Environmental Management expenses is primarily due to lower spending on the implementation of a community choice energy program, as the transfer of certain administrative functions from the City over to the Silicon Valley Clean Energy Authority was completed.

Program revenues that offset related expenses are explained as follows:

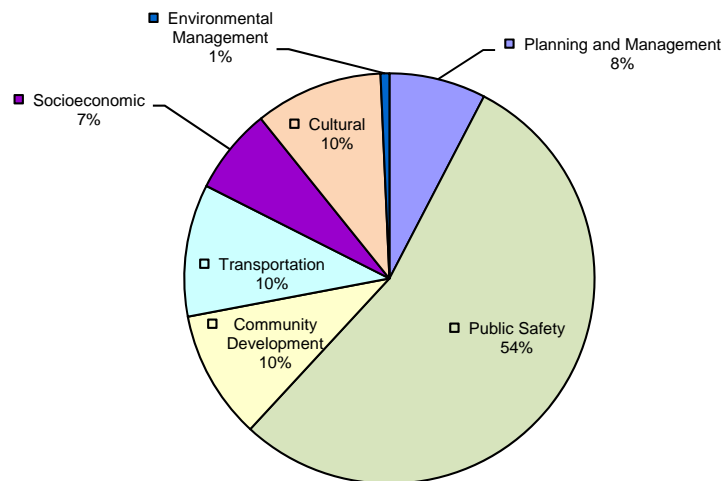
- Those who directly benefited from the governmental programs contributed \$43.1 million in charges for services.
- The City was able to fund some of its programs through operating grants and contributions from outside sources or other governments for a total amount of \$19.9 million.
- The capital grants and contributions included one-time developer contributions of \$18.5 million mainly for transportation projects, which caused the significant reduction in net cost of services in this fiscal year. However, expenses will occur in future years until the related transportation projects are completed.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

- A total of \$23.6 million in capital projects was funded by outside agencies through capital grants and through developer contributions. In addition, the City accepted donated capital assets of \$3.3 million in estimated acquisition value that would require resources to meet the future needs in the maintenance and operations of those assets.

**Governmental Activities
Expenses by Function/Program
June 30, 2017**



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, 2017

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business Type Activities

	Program Revenues		Percentage	Program Expenses		Percentage
	(amounts in millions)		Change	(amounts in millions)		Change
	2017	2016	2017-2016	2017	2016	2017-2016
Business-Type Activities:						
Water Supply & Distribution	\$ 46.0	\$ 36.4	26.4 %	\$ 44.1	\$ 36.3	21.5 %
Wastewater Management	42.7	37.3	14.5 %	26.6	24.2	9.9 %
Solid Waste Management	48.0	46.6	3.0 %	40.7	39.4	3.3 %
SMaRT Station	26.4	25.8	2.3 %	28.1	27.2	3.3 %
Development	19.4	15.9	22.0 %	11.0	8.9	23.6 %
Golf and Tennis Operations	3.1	3.2	(3.1)%	4.2	3.7	13.5 %
Total	<u>\$ 185.6</u>	<u>\$ 165.2</u>	12.3 %	<u>\$ 154.7</u>	<u>\$ 139.7</u>	10.7 %

Revenue Highlights:

- Total program revenues in business-type activities increased \$20.4 million or 12.3% from last year, primarily due to utility rate increases, development-related fee revenues, and intergovernmental grants.
- The utility rate increases were 25% for water, 8% for wastewater services, and 3.5% for solid waste and recycling services. These rate increases were needed to cover higher costs of operations and for maintenance and rehabilitation of infrastructure into future years.

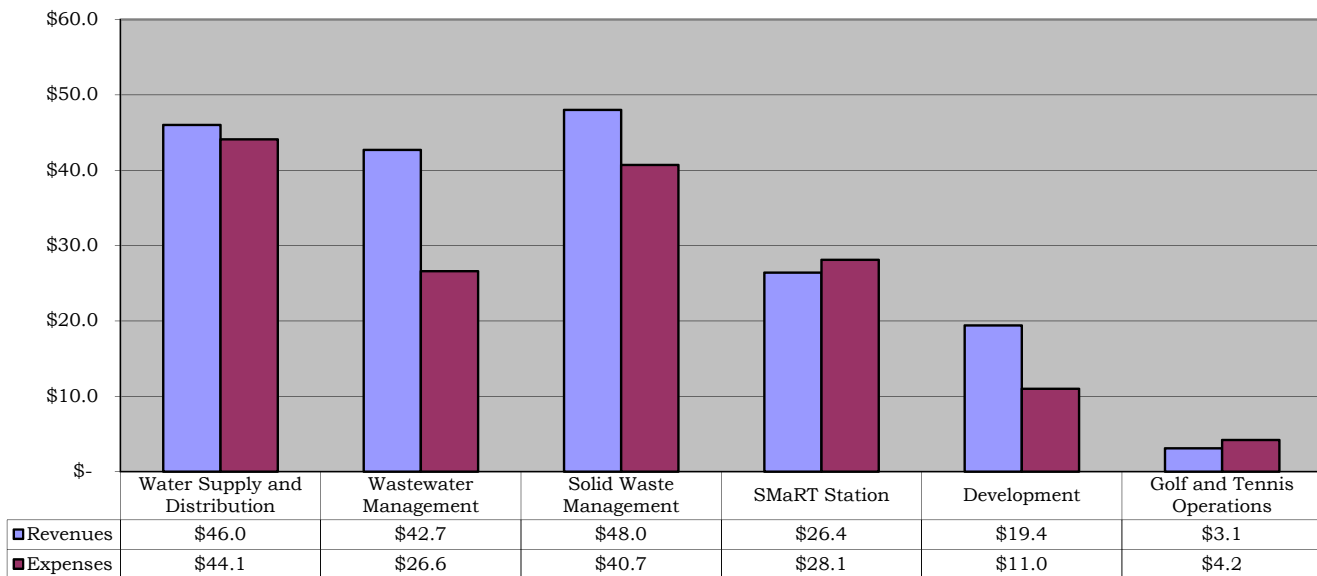
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Expense Highlights:

- Total expenses in business-type activities increased by \$15.0 million or 10.7% from last year.
- Although the water conservation effort mitigated customer demand for water, the City had to incur 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, 2017



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

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.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

At June 30, 2017, the City's governmental funds reported a combined fund balance of \$367.1 million, an increase of \$49.3 million or 15.5% from the prior year. Approximately \$61.0 million or 16.6% 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 (\$7.3 million), 2) legally required to be maintained intact (\$2.1 million), 3) restricted for particular purposes (\$224.1 million), 4) committed for particular purposes (\$57.7 million) or 5) assigned for particular purposes (\$14.9 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, and the City Projects 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 \$129.0 million, of which \$61.0 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 \$146.8 million. Unassigned fund balance represented 41.5% and total fund balance represented 87.9% 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 increased by \$7.5 million during the year. Excess of revenues over expenditures was \$9.2 million. Transfers to other funds amounted to \$4.4 million, compared to transfers of \$2.7 million from other funds.

Total General Fund revenues were \$156.0 million, which was \$3.4 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 \$146.8 million, which was \$3.7 million higher than last year. The most significant increase was in the Public Safety program, which spent \$3.7 million more than the prior year. That reflected the City's increase in staffing in fire prevention and at the new fire station.

Capital outlay was \$4.6 million lower than the prior year. In prior fiscal year, the City spent \$4.4 million on property acquisition.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017

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 below-market-rate housing 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 \$6.5 million. Total revenue was \$7.3 million and total expenditures were \$0.8 million. During fiscal year 2017, new housing loans in the amount of \$3.4 million were disbursed and loan repayments of \$0.1 million were received as accounted for in the balance sheet.

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 \$20.6 million. Transfers to other City funds for park-related projects amounted to \$3.6 million.

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

Employment Development Special Revenue Fund

The City of Sunnyvale, 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 Job Training Consortium (NOVA). The City has established the Employment Development Fund to fulfill this obligation.

The Employment Development Special Revenue Fund had an excess of revenues over expenditures of \$0.3 million due to timing of several corporate donations. Since this Fund is almost entirely dependent on federal and state job training grants to fund its programs, the expenditures were kept within the amount of expected revenues.

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 \$18.2 million, primarily due to developer contributions of \$18.5 million (reported as "other revenues" because of the one-time revenue from a large development project). Total revenues exceeded expenditures by \$17.0 million. This Fund received net transfers-in of \$1.2 million from other City funds (primarily from General Fund and the Transportation Development Act Non-Major Special Revenue Fund) to reimburse a significant portion of project costs.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

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 \$2.5 million. The Fund's net income before contributions and transfers was \$1.9 million. Non-cash capital contributions were \$0.6 million.

Wastewater Management Enterprise Fund

The Wastewater Management Enterprise Fund's net position increased by \$14.2 million. The Fund's net income before contributions and transfers was \$12.3 million. Cash and non-cash capital contributions were \$5 million. Approximately a net amount of \$3.1 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 rate revenue, bonded debt, and capital grant funds under the Clean Water State Revolving Loan Fund program.

Solid Waste Management Enterprise Fund

The Solid Waste Management Enterprise Fund's net position increased \$5.0 million from last year. The Fund's net income before transfers was \$7.3 million. Approximately \$0.8 million was transferred out for facility and project support and \$1.5 million was transferred for the SMaRT Station Enterprise Fund's debt service. This Fund had a deficit net position of \$18.3 million, mainly due to liabilities incurred for landfill postclosure care and for advances from the General Fund and Wastewater Management Fund. At year end the balance of the advances was approximately \$23.9 million and \$6.1 million for the landfill liability. The deficit 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 \$0.2 million from the prior year. The Fund had an operating loss of \$1.6 million. The Fund's net loss before transfers was \$1.6 million. The amount of \$1.5 million was transferred from the Solid Waste Management activity for the City's share of debt service.

Development Enterprise Fund

Development-related activities and revenues had been accounted for in the General Fund until fiscal year 2014. At the end of the third year since the inception of this Fund, the Fund's net position was \$18.2 million; an increase of \$7.9 million from last year. This marked another year of high-level development activity, with revenue reaching \$19.4 million and expenses amounted to \$11.2 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.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Golf and Tennis Operations Enterprise Fund

The Golf and Tennis Enterprise Fund's net position decreased by \$0.2 million from last year. The Fund's operating loss before transfers was \$1.1 million. Net transfers from the General Fund were \$0.9 million.

At year end, the Fund's net position was \$8.6 million, approximating the difference between capital assets and net pension liability.

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 a net position of \$83 million at the end of this fiscal year. The Plan restated its beginning net position to be \$71.3 million, which had not been reported in prior years, to account for the cumulative effect of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.
- The Private-Purpose Trust Funds primarily account for the Redevelopment Successor Agency (RSA), which had a deficit net position of \$21.6 million at June 30, 2017. This is a significant reduction compared with last year's deficit of \$37.3 million. The new 2016 MRADDOPA has eliminated the RSA's liability of \$13.5 million to the Developer about a public improvement obligation under the prior development agreement. The RSA also received \$3.1 million from the County Redevelopment Property Tax Trust Fund to pay for its enforceable obligations.
- The City closed the Silicon Valley Clean Energy Authority (SVCEA) Agency Fund by turning over all unspent funds to the SVCEA for the launch of the Community Choice Energy program.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017

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 a number of 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 2017 were \$191.6 million, an increase of \$23.8 million from the original appropriations of \$167.8 million. The increase reflected net carryover appropriations of \$17.2 million and new appropriations of \$6.6 million.

Actual charges to appropriations (outflows) for the fiscal year were \$6.3 million under the original budget and \$30.1 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 and non-departmental expenditures approximated \$18.9 million, primarily due to project transfer appropriations which will not lapse for fiscal year 2017, and staff vacancies. Project and equipment appropriations account for the remaining \$11.2 million, most of which will not lapse for fiscal year 2017.

Resources (inflows) available for appropriations were \$1.5 million under the original budget and \$36.5 million under the final budgeted amounts. During the fiscal year 2017 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 fell under the final budget primarily due to City property sales totaling \$37.6 million that did not materialize this fiscal year. With budgeted property sales aside, actual revenues were \$1.1 million over the final budget.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017

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, 2017, the City reported capital assets with carrying value of \$469.6 million under governmental activities and \$163.5 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.
- 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 2017, 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 arrest 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, 2017 was \$7.8 million. Actual expenditures were \$4.0 million. These expenditures delayed deterioration and helped maintain the overall condition of the streets at a PCI level meeting the City's goal.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

The following is a summary of the City's capital assets as of June 30, 2017 (amounts in millions).

Description	Cost	Accumulated Depreciation	Carrying Value
Capital Assets - Governmental Activities:			
Land	\$ 121.1	\$ -	\$ 121.1
Buildings and Structures	110.9	59.9	51.0
Improvements Other than Buildings	123.7	50.1	73.6
Machinery and Equipment	42.8	26.0	16.8
Construction in Progress	18.4	-	18.4
Infrastructure:			
Nondepreciable	163.9	-	163.9
Depreciable	88.3	63.5	24.8
Total	\$ 669.1	\$ 199.5	\$ 469.6
Capital Assets - Business-Type Activities:			
Land	\$ 16.5	\$ -	\$ 16.5
Buildings and Structures	23.4	22.1	1.3
Improvements Other than Buildings	43.8	32.9	10.9
Machinery and Equipment	7.0	5.5	1.5
Construction in Progress	49.8	-	49.8
Infrastructure - Depreciable	168.8	85.5	83.3
Total	\$ 309.3	\$ 146.0	\$ 163.3

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 \$3.3 million to governmental activities. Developers also contributed infrastructure assets of a combined \$1.1 million to the water supply and distribution system and wastewater management system.

There were a number of 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 an additional \$1.7 million for Water Pollution Control Plant Chlorine Conversion and \$9.1 million for initial costs of a major project to design and construct new primary treatment facilities at the Water Pollution Control Plant. Other projects in progress included the Mathilda/ SR 237 Interchange Project and Mary Avenue Bicycle Lanes which added \$2.3 and \$1.2 million, respectively, to construction in progress. Note 15 presents schedules of outstanding construction commitments for the construction in progress, which also include construction contracts signed as of June 30, 2017 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.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017**F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued****Long-Term Obligations**

As of June 30, 2017, 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. Refer to Note 12 to the Basic Financial Statements for more details.

The City's outstanding bonded debt obligations at the end of fiscal years 2017 and 2016 were as follows (amounts in millions):

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Certificates of Participation	\$ 18.0	\$ 19.4	\$ -	\$ -	\$ 18.0	\$ 19.4
Revenue Bonds	-	-	48.4	50.9	48.4	50.9
Note Payable	-	-	2.6	5.0	2.6	5.0
Total Bonded Debt	\$ 18.0	\$ 19.4	\$ 51.0	\$ 55.9	\$ 69.0	\$ 75.3

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget for Fiscal Year 2017/18, adopted on June 20, 2017, is balanced in both the short- and long-term. The City balanced the 2017/18 budget using a three-pronged approach: partial use of reserves, full use of revenue growth, and focused fiscal strategies. The 2017/18 Adopted Budget funds major transportation infrastructure projects (including funds allocated from county-wide one-half cent sales tax increase and the State's Gas Tax funding through Senate Bill 1), addresses significant improvement needs of the City's infrastructure and equipment, and invests in multiple City Council strategic priorities. Along with that, the City continues to experience additional revenue during a period of growing demand for resources, construction and personnel cost increases, and uncertainty from the Federal proposed budget and fiscal policy changes.

A continued strong local economy and the City's efforts over the past several years to contain and control expenditures has helped maintain the City's financially solid position. The year-end results for Fiscal Year 2016/17 warrants caution while developing the Fiscal Year 2018/19 Recommended Budget. The City is faced with balancing strong revenue growth in some stable categories (e.g. Property Tax) against revenues like development-related revenues, Sales Tax, Transient Occupancy Tax, and Real Property Transfer Tax, that can be highly volatile with significant fluctuations through economic cycles. Particularly for sales tax revenue, the City continues to experience multi-year decreases, predominantly due to a paradigm shift in the retail economic sector. Thus, a thoughtful and disciplined approach to budgeting and spending will be necessary in the upcoming years.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017

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

Contributing to the City's solid financial position, Property Tax revenues continue to accelerate through economic cycles and have consistently shown significant increases in the taxable base for the past five years. This is the fifth consecutive year in which the property tax roll growth has exceeded 6%. Year-after-year increases in significant new construction activity in the commercial/industrial sector and the continuation of a robust residential market project strong growth in property tax base. Consequently, based on approved commercial development projects and their estimated construction schedules, three years of strong revenue growth is projected as these projects are added to the tax roll. Therefore, increased growth assumptions in the short-term and stronger than average long-term growth will continue to be a stable revenue resource for funding the city services.

Just as important as the City's revenue base, several expenditure pressures provide challenges to the General Fund. As the largest expense category, addressing personnel expenditure growth remains a priority. With the cooperation and leadership of the bargaining units, the City has continued to be able to maintain a sustainable long-term cost for total employee compensation. For the Public Safety units, where salary adjustments are based on a regional survey, the May 2017 survey resulted in a salary increase of 3.61 percent. Based on the 20-year review of the history of the Public Safety salary survey, annual average increase was approximately 4 percent per year.

In addition to salary, a significant area of rising personnel costs continues to be the cost of benefits. The largest expenditure in this area is for pension and healthcare benefits. The City, working together with bargaining units, has taken several actions to control the growth of pension costs. However, even with the implementation of reduced benefit second and third tier pension plans for new employees, pension costs continue to rise sharply. For fiscal year 2017/18, the City is projected to pay \$36.5 million for pensions to CalPERS. That is anticipated to increase to \$65.5 million within 10 years, almost 80 percent increase in cost. The City's two plans (Safety and Miscellaneous) are respectively 67.4 percent and 69.3 percent funded. CalPERS' changes in its amortization and rate smoothing policies have increased short-term volatility in the City's employer payment for pensions. As such, the City continues to carefully evaluate how best to address year over year volatility in payments. Furthermore, CalPERS has implemented a reduction in its assumed rate of return from 7.5% to 7.0%. As a result, the one half percent reduction in rate of return assumption is projected to increase payments by \$108 million over twenty years. Further significant reforms are predicted to stabilize the pension system that are anticipated to result into additional increases to the City's payments to CalPERS. With these many pressures, it is critical that the City continue to make progress in planning its costs for total compensation.

The City continues to experience pressures from increasing demand for services including:

- Development Related Demands – significant increases in commercial/industrial and residential development also brings with it a demand for services including safety, parks and open space, traffic management, utilities and more. To address the immediate need for personnel resources, the City has modestly increased funding for additional staff. However, the additional resources only begin to 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 where appropriate.

Management's Discussion and Analysis, Concluded
Fiscal Year Ended June 30, 2017

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

- Environmental and Regulatory Demands – increasing regulations in storm water 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.
- 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, costs for repairs of infrastructure are rising due to competition for work. For Fiscal Year 2017/18, the City's has budgeted for planned capital and infrastructure projects for current market conditions.

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

In summary, the City enters Fiscal Year 2017/18 in a strong financial position based on past efforts made to restructure itself to operate more efficiently and better contain costs. It has also benefitted from an ongoing economic recovery that continues generating revenues higher than expected. While vulnerabilities exist, some within the City's control and some not, the City believes it has taken, and will continue to take, the actions necessary to maintain its solid financial foundation.

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, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Deposits and Investments Held by City (Note 3)	\$ 198,261,524	\$ 75,799,128	\$ 274,060,652
Receivables, Current (Note 4)	10,120,336	16,788,892	26,909,228
Inventories and Prepaid Items (Note 1)	1,769,824	185,658	1,955,482
Assets Held for Resale (Note 1)	1,381,077	-	1,381,077
Long-term Receivables from Employees (Note 6)	5,490,937	-	5,490,937
Service Concession Arrangement Receivable (Note 1)	-	2,032,757	2,032,757
Internal Balances (Note 10)	31,324,424	(31,324,424)	-
Advances to Redevelopment Successor Agency Trust Fund (Note 20)	27,216,679	-	27,216,679
Net OPEB Asset (Note 17)	7,385,000	-	7,385,000
Restricted Assets:			
Deposits and Investments Held by City (Note 3)	154,866,994	5,270,934	160,137,928
Deposits and Investments Held by Fiscal Agent (Note 3)	2,419,166	4,404,723	6,823,889
Receivables, Current (Note 4)	645,594	20,443	666,037
Intergovernmental Receivables (Note 5)	5,226,501	5,453,594	10,680,095
Housing Deficits Receivable (Note 20)	13,085,121	-	13,085,121
Housing Loans Receivable, Net (Note 7)	63,760,524	-	63,760,524
Capital Assets (Note 11):			
Land and Nondepreciable Assets	303,363,968	66,232,390	369,596,358
Depreciable Assets, Net	166,186,841	97,038,770	263,225,611
Total Assets	992,504,510	241,902,865	1,234,407,375
Deferred Outflows of Resources (Note 9)	59,566,214	10,203,368	69,769,582
Liabilities:			
Wages Payable	3,749,935	-	3,749,935
Accounts Payable and Accrued Liabilities	8,277,254	16,107,120	24,384,374
Refundable Deposits	1,465,551	1,140,655	2,606,206
Interest Payable	79,813	582,798	662,611
Unearned Revenues (Note 8)	8,029,225	209,478	8,238,703
Noncurrent Liabilities (Note 12):			
Due within One Year	16,412,956	3,861,532	20,274,488
Due in More than One Year	35,234,924	54,645,932	89,880,856
Net Pension Liability (Note 16):	284,110,174	45,249,451	329,359,625
Total Liabilities	357,359,832	121,796,966	479,156,798
Deferred Inflows of Resources (Note 9)	6,910,968	1,918,891	8,829,859
Net Position (Note 19):			
Net Investment in Capital Assets	459,015,090	116,934,477	575,949,567
Restricted for:			
Capital Projects	51,861,563	-	51,861,563
Housing	106,343,457	-	106,343,457
Park Dedication	64,107,487	-	64,107,487
Public Streets and Highways	5,415,526	-	5,415,526
Law Enforcement	1,092,051	-	1,092,051
Other City Programs	1,944,918	5,270,934	7,215,852
Nonexpendable Permanent Funds Principal and Endowment	2,110,668	-	2,110,668
Total Restricted Net Position	232,875,670	5,270,934	238,146,604
Unrestricted Net Position	(4,090,836)	6,184,965	2,094,129
Total Net Position	\$ 687,799,924	\$ 128,390,376	\$ 816,190,300

See Accompanying Notes to the Basic Financial Statements

Statement of Activities
Year Ended June 30, 2017

Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government:					
Governmental Activities:					
Planning and Management	\$ 13,341,627	\$ 478,578	\$ 118,273	\$ -	\$ 596,851
Public Safety	94,622,566	3,827,089	2,230,829	58,897	6,116,815
Community Development	17,676,232	30,860,647	2,896,815	188,868	33,946,330
Transportation	18,157,387	3,003,795	3,627,203	25,281,567	31,912,565
Socioeconomic	11,776,439	112,049	10,779,749	-	10,891,798
Cultural	17,627,791	4,769,654	113,011	1,365,628	6,248,293
Environmental Management	1,247,538	-	166,274	-	166,274
Interest on Long-term Debt	494,336	-	-	-	-
Total Governmental Activities	174,943,916	43,051,812	19,932,154	26,894,960	89,878,926
Business-Type Activities:					
Water Supply and Distribution	44,103,772	45,311,300	-	646,700	45,958,000
Wastewater Management	26,645,747	37,720,073	-	5,011,782	42,731,855
Solid Waste Management	40,734,361	47,951,380	-	-	47,951,380
SMaRT Station	28,055,714	26,442,803	-	-	26,442,803
Development	10,979,780	19,370,752	-	-	19,370,752
Golf and Tennis Operations	4,183,672	3,107,292	-	-	3,107,292
Total Business-Type Activities	154,703,046	179,903,600	-	5,658,482	185,562,082
Total Primary Government	\$ 329,646,962	\$ 222,955,412	\$ 19,932,154	\$ 32,553,442	\$ 275,441,008
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					
Interest Accrued from Advances to Former RDA - Unrestricted					
Miscellaneous					
Transfers (Note 18)					
Total General Revenues and Transfers					
Change in Net Position					
Net Position - Beginning of Year					
Net Position - End of Year					

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (12,744,776)	\$ -	\$ (12,744,776)
(88,505,751)	-	(88,505,751)
16,270,098	-	16,270,098
13,755,178	-	13,755,178
(884,641)	-	(884,641)
(11,379,498)	-	(11,379,498)
(1,081,264)	-	(1,081,264)
(494,336)	-	(494,336)
(85,064,990)	-	(85,064,990)
-	1,854,228	1,854,228
-	16,086,108	16,086,108
-	7,217,019	7,217,019
-	(1,612,911)	(1,612,911)
-	8,390,972	8,390,972
-	(1,076,380)	(1,076,380)
-	30,859,036	30,859,036
(85,064,990)	30,859,036	(54,205,954)
67,899,132	-	67,899,132
29,408,259	-	29,408,259
7,117,732	-	7,117,732
7,334,491	-	7,334,491
16,589,743	-	16,589,743
1,770,333	-	1,770,333
4,718,733	-	4,718,733
1,818,751	-	1,818,751
136,657,174	-	136,657,174
1,094,456	439,869	1,534,325
2,420,567	-	2,420,567
565,183	-	565,183
1,221,027	-	1,221,027
1,528,928	(1,528,928)	-
143,487,335	(1,089,059)	142,398,276
58,422,345	29,769,977	88,192,322
629,377,579	98,620,399	727,997,978
\$ 687,799,924	\$ 128,390,376	\$ 816,190,300

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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.

CITY OF SUNNYVALE
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds		
	General Fund	Housing Special Revenue	Park Dedication Special Revenue
Assets:			
Deposits and Investments Held by City (Note 3)	\$ 122,676,762	\$ 26,726,854	\$ 63,869,470
Deposits and Investments Held by Fiscal Agent (Note 3)	1,298,742	-	-
Receivables, Current (Note 4)	9,716,277	120,235	238,017
Intergovernmental Receivables (Note 5)	1,588,936	-	-
Due From Other Funds (Note 10)	48,694	309,117	-
Advances to Other Funds (Note 10)	31,636,150	-	-
Advances to Redevelopment Successor Agency Trust Fund (Note 20)	27,216,679	-	-
Inventories and Prepaid Items (Note 1)	609,871	-	-
Long-term Receivables from Employees (Note 6)	5,490,937	-	-
Housing Deficits Receivable (Note 20)	-	-	-
Housing Loans Receivable (Note 7)	-	37,443,833	-
Assets Held for Resale (Note 1)	1,101,077	280,000	-
Total Assets	\$ 201,384,125	\$ 64,880,039	\$ 64,107,487
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 2,158,367	\$ 48,311	\$ -
Refundable Deposits	1,449,875	-	-
Due to Other Funds (Note 10)	-	-	-
Unearned Revenue (Note 8)	8,001,925	-	-
Total Liabilities	11,610,167	48,311	-
Deferred Inflows of Resources (Note 9)	60,771,873	2,021,120	-
Fund Balances (Note 19):			
Nonspendable	7,553,852	280,000	-
Restricted	2,723,856	62,530,608	64,107,487
Committed	57,745,582	-	-
Assigned	-	-	-
Unassigned	60,978,795	-	-
Total Fund Balances	129,002,085	62,810,608	64,107,487
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 201,384,125	\$ 64,880,039	\$ 64,107,487

See Accompanying Notes to the Basic Financial Statements

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Major Funds		Nonmajor	Total Governmental Funds
Employment Development Special Revenue	City Projects	Other Governmental Funds	
\$ 136,300	\$ 52,444,108	\$ 26,439,497	\$ 292,292,991
-	-	1,120,424	2,419,166
13,310	161,065	121,686	10,370,590
1,173,907	1,336,113	1,127,545	5,226,501
-	-	-	357,811
-	-	-	31,636,150
-	-	-	27,216,679
50	-	-	609,921
-	-	-	5,490,937
-	-	13,085,121	13,085,121
-	-	26,316,691	63,760,524
-	-	-	1,381,077
<u>\$ 1,323,567</u>	<u>\$ 53,941,286</u>	<u>\$ 68,210,964</u>	<u>\$ 453,847,468</u>
\$ 885,959	\$ 2,052,423	\$ 2,282,437	\$ 7,427,497
-	-	-	1,449,875
-	-	340,660	340,660
-	27,300	-	8,029,225
<u>885,959</u>	<u>2,079,723</u>	<u>2,623,097</u>	<u>17,247,257</u>
<u>12,670</u>	<u>422,817</u>	<u>6,280,528</u>	<u>69,509,008</u>
50	-	1,600,451	9,434,353
424,888	51,438,746	42,825,912	224,051,497
-	-	-	57,745,582
-	-	14,886,369	14,886,369
-	-	(5,393)	60,973,402
<u>424,938</u>	<u>51,438,746</u>	<u>59,307,339</u>	<u>367,091,203</u>
<u>\$ 1,323,567</u>	<u>\$ 53,941,286</u>	<u>\$ 68,210,964</u>	<u>\$ 453,847,468</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, 2017**

Total Fund Balances - Total Governmental Funds	\$ 367,091,203
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, 2017, capital assets used by governmental activities excluding \$14,904,241 of capital assets used by Internal Service Funds.	
	454,646,568
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 sum of net position of the internal service funds of \$31,326,565 and cumulative look-back adjustments to the business-type activities of \$328,877 as of year end).	
	30,997,688
Other long-term assets are not available to pay for current expenditures and are deferred inflows of resources in the funds:	
City advances to Successor Agency/the former Redevelopment Agency	27,216,679
Advances to business-type activities	31,636,150
Interest accrued on receivables from employees	158,251
Long-term receivables from special capital assessments	28,418
Unpaid administrative citations placed on tax roll	40,500
Proposition 172 revenue recognized but not available	136,392
Eligible expenditures to be reimbursed by grants	665,372
Long-term housing loans interest portion	8,080,609
State, County, and other agency cost reimbursements	1,546,637
Bonds payable is not reported as fund liabilities.	(18,000,000)
Interest payable on bonds, not due and payable in the current period, is not reported in the funds.	(79,812)
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	(265,016,716)
Deferred inflows of resources related to pensions	(6,360,676)
Deferred outflows of resources related to pensions	55,012,661
Net Position of Governmental Activities	\$ 687,799,924

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, 2017**

	Major Funds		
	General Fund	Housing Special Revenue	Park Dedication Special Revenue
Revenues:			
Property Taxes	\$ 66,608,795	\$ -	\$ -
Sales and Use Taxes	31,016,980	-	-
Other Taxes	32,232,050	-	-
Franchise Fees	7,117,732	-	-
Intergovernmental Revenues	1,479,933	1,000	-
Permits and Licenses	1,286,572	-	-
Fines and Forfeitures	1,205,543	-	-
Special Assessments	6,056	-	-
Service Fees	6,699,211	7,066,133	20,493,702
Rents and Concessions	1,476,854	-	-
Interest Received from Interfund Advances	5,363,936	-	-
Investment Earnings	612,734	117,811	146,525
Other Revenues	880,892	128,320	-
Total Revenues	155,987,288	7,313,264	20,640,227
Expenditures:			
Current:			
Planning and Management	11,612,375	77,810	-
Public Safety	91,798,276	-	-
Community Development	13,111,738	736,945	-
Transportation	8,127,166	-	-
Socioeconomic	1,414,079	-	-
Cultural	16,995,562	-	-
Environmental Management	1,154,362	-	-
Capital Outlay	1,344,519	-	-
Debt Service:			
Principal Retirement	860,000	-	-
Interest	340,750	-	-
Fiscal Charges	3,160	-	-
Total Expenditures	146,761,987	814,755	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,225,301	6,498,509	20,640,227
Other Financing Sources (Uses):			
Transfers In (Note 18)	2,677,938	-	-
Transfers Out (Note 18)	(4,378,804)	-	(3,557,941)
Total Other Financing Sources (Uses)	(1,700,866)	-	(3,557,941)
Net Change in Fund Balances	7,524,435	6,498,509	17,082,286
Fund Balances, Beginning of Year	121,477,650	56,312,099	47,025,201
Fund Balances, End of Year	\$ 129,002,085	\$ 62,810,608	\$ 64,107,487

See Accompanying Notes to the Basic Financial Statements

Major Funds		Nonmajor	
Employment Development Special Revenue	City Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,067,479	\$ 67,676,274
-	-	-	31,016,980
-	-	-	32,232,050
-	-	-	7,117,732
10,370,128	2,199,364	8,411,002	22,461,427
-	-	-	1,286,572
-	-	11,103	1,216,646
-	-	-	6,056
17,240	2,986,367	192,320	37,454,973
-	6,600	-	1,483,454
-	-	-	5,363,936
-	16,667	117,875	1,011,612
268,997	18,750,000	95,165	20,123,374
10,656,365	23,958,998	9,894,944	228,451,086
371,384	13,506	31,581	12,106,656
-	-	314,943	92,113,219
-	-	1,413,957	15,262,640
-	19,343	1,993,183	10,139,692
10,022,520	-	404,225	11,840,824
-	-	-	16,995,562
-	-	8,407	1,162,769
-	6,960,437	9,459,063	17,764,019
-	-	605,000	1,465,000
-	-	78,366	419,116
-	-	82,810	85,970
10,393,904	6,993,286	14,391,535	179,355,467
262,461	16,965,712	(4,496,591)	49,095,619
-	1,305,284	7,114,886	11,098,108
-	(89,983)	(2,857,058)	(10,883,786)
-	1,215,301	4,257,828	214,322
262,461	18,181,013	(238,763)	49,309,941
162,477	33,257,733	59,546,102	317,781,262
\$ 424,938	\$ 51,438,746	\$ 59,307,339	\$ 367,091,203

CITY OF SUNNYVALE

***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, 2017***

Net Change in Fund Balances - Total Governmental Funds	\$ 49,309,941
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 regular additions and deletions recorded in the current period - governmental activities	11,691,340
Depreciation recorded in the current period - governmental activities	(8,497,260)
Net gain in retirement recorded in the current period - governmental activities	(21,423)
Contributions of capital assets are not recorded in the governmental funds	3,325,633
City advance for Parking COP debt service to be collected according to Reimbursement Agreement with Redevelopment Successor Agency	1,200,750
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 Successor Agency/the former Redevelopment Agency	565,183
Interest accrued on advances to business-type activities	2,420,566
Interfund interest previously deferred in the fund was received in current year.	(5,363,936)
Interest accrued on long-term housing loan receivables and allowance for uncollectible accounts	967,171
Interest accrued on loans to employees	7,345
Conway assessment installments	(3,650)
PCJPB, SVCEA JPA, Sunnyvale School District and Rural Metro cost reimbursements	191,507
Administrative citation placed on tax roll	1,600
Reimbursable costs incurred for abandoned vehicles and State mandates	47,606
Current grant revenues earned	(61,376)
Proposition 172 revenue	12,353
Repayment of principal on the bonds is reported in the fund as expenditures.	1,465,000
This amount represents the change in accrued interest on bonds payable from prior year.	10,750
Internal Service Funds are primarily to serve governmental activities. The change in net position of the Internal Service Funds is reported with governmental activities.	1,436,904
This amount represents the portion of change in Internal Service Fund net position attributable to business-type activities. Business-type activities paid \$1,934,949 for internal service during the year. At year end the internal service lookback adjustment was determined to be \$1,357,183.	(577,766)
Changes to net pension liability and pension-related deferred outflows and inflows of resources do not require current financial resources and are only reported for in the government-wide financial statements.	294,107
Change in Net Position of Governmental Activities	\$ 58,422,345

See Accompanying Notes to the Basic Financial Statements

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.

Statement of Net Position
Proprietary Funds
June 30, 2017

	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)	\$ 21,563,011	\$ 9,609,499	\$ 8,758,650
Receivables, Net (Note 4)	6,357,769	4,616,360	5,685,759
Intergovernmental Receivables (Note 5)	8,589	5,332,224	112,781
Advances to Other Funds (Note 10)	-	404,744	-
Inventories and Prepaid Items (Note 1)	5,127	30,512	1,500
Restricted Assets:			
Deposits and Investments Held by City (Note 3)	-	5,270,934	-
Deposits and Investments Held by Fiscal Agent (Note 3)	2,965,303	1,439,420	-
Total Current Assets	30,899,799	26,703,693	14,558,690
Noncurrent Assets			
Net OPEB Asset (Note 17)	-	-	-
Advances to Other Funds (Note 10)	-	1,372,075	-
Service Concession Arrangement Receivable (Note 1)	-	-	-
Capital Assets (Note 11):			
Land & Nondepreciable Assets	5,254,069	51,134,476	55,896
Depreciable Assets, Net	41,700,032	43,990,337	1,289,702
Total Noncurrent Assets	46,954,101	96,496,888	1,345,598
Total Assets	77,853,900	123,200,581	15,904,288
Deferred Outflows of Resources (Note 9)	1,650,015	4,207,468	526,367
Liabilities:			
Current Liabilities			
Wages Payable	-	-	-
Accounts Payable and Accrued Liabilities	5,400,521	3,324,247	1,580,616
Due to Other Funds (Note 10)	-	-	-
Advances from Other Funds (Note 10)	-	1,316,438	3,874,946
Refundable Deposits	289,369	202,927	647,859
Interest Payable	237,888	336,881	-
Unearned Revenues (Note 8)	100,000	30,000	17,431
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)	-	-	796,441
Bonds and Notes Payable - Due Within One Year (Note 12)	925,000	1,515,000	-
Total Current Liabilities	6,952,778	6,725,493	6,917,293
Noncurrent Liabilities			
Advances from Other Funds (Note 10)	-	8,226,019	19,995,566
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)	-	-	5,309,529
Bonds and Notes Payable - Due in More than One Year (Note 12)	19,077,317	26,888,385	-
Net Pension Liability - (Note 16)	6,896,529	19,026,245	2,451,062
Total Noncurrent Liabilities	25,973,846	54,140,649	27,756,157
Total Liabilities	32,926,624	60,866,142	34,673,450
Deferred Inflows of Resources (Note 9)	196,451	531,348	69,020
Net Position (Note 19)			
Net Investment in Capital Assets	30,096,656	68,256,475	1,345,598
Restricted	-	5,270,934	-
Unrestricted	16,284,184	(7,516,850)	(19,657,413)
Net Position	\$ 46,380,840	\$ 66,010,559	\$ (18,311,815)

See Accompanying Notes to the Basic Financial Statements

Business-Type Activities				Governmental Activities
Major Enterprise Funds				
SMaRT Station®	Development	Golf and Tennis Operations	Total Enterprise Funds	Internal Service Funds
\$ 6,016,223	\$ 29,851,745	\$ -	\$ 75,799,128	\$ 60,835,527
12,796	134,798	1,853	16,809,335	395,340
-	-	-	5,453,594	-
-	-	-	404,744	-
-	190	148,329	185,658	1,159,903
-	-	-	5,270,934	-
-	-	-	4,404,723	-
6,029,019	29,986,733	150,182	108,328,116	62,390,770
-	-	-	-	7,385,000
-	-	-	1,372,075	-
-	-	2,032,757	2,032,757	-
104,345	-	9,683,604	66,232,390	171,740
7,937,135	20,229	2,101,335	97,038,770	14,732,501
8,041,480	20,229	13,817,696	166,675,992	22,289,241
14,070,499	30,006,962	13,967,878	275,004,108	84,680,011
148,778	2,916,916	753,824	10,203,368	4,553,553
-	-	-	-	3,749,935
3,570,822	2,161,549	69,365	16,107,120	849,757
-	-	17,151	17,151	-
-	-	-	5,191,384	-
-	-	500	1,140,655	15,676
8,029	-	-	582,798	-
-	34,000	28,047	209,478	-
-	-	93,891	93,891	-
-	-	-	-	4,531,990
-	-	-	-	10,345,966
-	-	-	796,441	-
531,200	-	-	2,971,200	-
4,110,051	2,195,549	208,954	27,110,118	19,493,324
-	-	-	28,221,585	-
-	-	1,291,001	1,291,001	-
-	-	-	-	16,526,010
-	-	-	-	2,243,914
-	-	-	5,309,529	-
2,079,700	-	-	48,045,402	-
854,882	12,160,608	3,860,125	45,249,451	19,093,458
2,934,582	12,160,608	5,151,126	128,116,968	37,863,382
7,044,633	14,356,157	5,360,080	155,227,086	57,356,706
20,498	350,071	751,503	1,918,891	550,293
5,430,580	20,229	11,784,939	116,934,477	14,904,241
-	-	-	5,270,934	-
1,723,566	18,197,421	(3,174,820)	5,856,088	16,422,324
\$ 7,154,146	\$ 18,217,650	\$ 8,610,119	\$ 128,061,499	\$ 31,326,565

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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, 2017***

Total Net Position - Total Enterprise Funds	\$ 128,061,499
Prior-year cumulative Internal Service look-back adjustments, payable to governmental activities	(248,889)
Current-year Internal Service look-back adjustment, payable to governmental activities	(1,357,183)
Current-year payment transferred to governmental activities	<u>1,934,949</u>
Net Position of Business-Type Activities	<u><u>\$ 128,390,376</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, 2017

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Operating Revenues:			
Charges for Services	\$ 45,311,300	\$ 37,720,073	\$ 47,951,380
Operating Expenses:			
Personnel Services	4,084,432	10,762,197	1,318,055
Contractual Services	3,151,206	4,637,539	33,988,205
Materials and Supplies	969,509	2,948,271	42,424
Utilities	227,971	780,596	64,107
Taxes and Licenses	243,336	223,127	496,855
Equipment and Building Rental	693,136	912,309	162,625
Water Purchased for Resale	27,528,188	-	-
Insurance Premiums and Claims	-	-	-
Retirement Premiums	-	-	-
Other Operating Expenses	212,901	263,951	17,477
General Fund Administration	3,045,970	2,863,834	2,766,331
Depreciation (Note 11)	2,355,538	2,277,638	116,564
Total Operating Expenses	42,512,187	25,669,462	38,972,643
Operating Income (Loss)	2,799,113	12,050,611	8,978,737
Nonoperating Revenues (Expenses):			
Investment Earnings	95,254	244,736	100,768
Interest Expense	(1,043,250)	-	(1,807,520)
Total Nonoperating Revenues (Expenses)	(947,996)	244,736	(1,706,752)
Income (Loss) before Capital Contributions and Transfers	1,851,117	12,295,347	7,271,985
Capital Contributions	646,700	5,011,782	-
Transfers In (Note 18)	859,439	223,370	727
Transfers Out (Note 18)	(861,725)	(3,309,756)	(2,281,093)
Change in Net Position	2,495,531	14,220,743	4,991,619
Net Position (Deficit) - Beginning of Year	43,885,309	51,789,816	(23,303,434)
Net Position (Deficit), End of Year	\$ 46,380,840	\$ 66,010,559	\$ (18,311,815)

See Accompanying Notes to the Basic Financial Statements

Major Enterprise Funds			Total Enterprise Funds	Governmental Activities Internal Service Funds
SMaRT Station®	Development	Golf and Tennis Operations		
\$ 26,442,803	\$ 19,370,752	\$ 3,107,292	\$ 179,903,600	\$ 103,658,141
394,438	8,055,368	2,053,843	26,668,333	29,469,180
14,394,066	945,947	110,907	57,227,870	4,712,706
437,017	90,415	285,250	4,772,886	2,059,218
-	3,484	567,720	1,643,878	1,968,857
10,522,731	-	-	11,486,049	10,102
3,482	733,143	481,922	2,986,617	1,577,878
-	-	-	27,528,188	-
-	-	-	-	29,710,438
-	-	-	-	33,774,123
15	5,054	47,283	546,681	131,891
-	1,331,160	398,914	10,406,209	-
2,269,691	953	258,476	7,278,860	2,131,897
28,021,440	11,165,524	4,204,315	150,545,571	105,546,290
(1,578,637)	8,205,228	(1,097,023)	29,358,029	(1,888,149)
(17,551)	110,410	195	533,812	75,498
(43,465)	-	-	(2,894,235)	-
(61,016)	110,410	195	(2,360,423)	75,498
(1,639,653)	8,315,638	(1,096,828)	26,997,606	(1,812,651)
-	-	-	5,658,482	-
1,467,893	-	850,000	3,401,429	4,563,912
-	(412,732)	-	(6,865,306)	(1,314,357)
(171,760)	7,902,906	(246,828)	29,192,211	1,436,904
7,325,906	10,314,744	8,856,947	98,869,288	29,889,661
\$ 7,154,146	\$ 18,217,650	\$ 8,610,119	\$ 128,061,499	\$ 31,326,565

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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, 2017***

Change in Net Position - Total Enterprise Funds	\$ 29,192,211
Internal Service Funds' look-back adjustments for the year	(1,357,183)
Payment transferred to governmental activities	<u>1,934,949</u>
Change in Net Position of Business-Type Activities	<u><u>\$ 29,769,977</u></u>

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Cash Flow from Operating Activities:			
Cash Received from Customers	\$ 44,584,602	\$ 37,351,707	\$ 48,125,029
Cash Received for Interfund Service Provided	-	-	-
Cash Paid for General Fund Administration	(3,045,970)	(2,863,834)	(2,766,331)
Cash Payments to Suppliers of Goods and Services	(30,463,973)	(9,276,129)	(34,697,877)
Cash Payments for Employee Services	(4,165,854)	(11,191,864)	(1,360,041)
Insurance and Claims Paid	-	-	-
Net Cash Provided by (Used For) Operating Activities	6,908,805	14,019,880	9,300,780
Cash Flows from Noncapital Financing Activities:			
Transfers from Other Funds	859,439	223,370	727
Transfers to Other Funds	(861,725)	(3,309,756)	(2,281,093)
Short-term Loan Received from Other Funds	-	-	-
Repayment of Advance from (to) Other Funds, Net	-	(859,635)	(4,504,300)
Net Cash Provided by (Used for) Noncapital Financing Activities	(2,286)	(3,946,021)	(6,784,666)
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Long-term Debt	(890,000)	(1,440,000)	-
Interest Paid on Long-term Debt	(991,050)	(1,419,525)	-
Acquisition and Construction of Capital Assets	(431,265)	(14,126,675)	(44,042)
Net Cash Used for Capital and Related Financing Activities	(2,312,315)	(16,986,200)	(44,042)
Cash Flows from Investing Activities:			
Interest on Investments	60,828	131,005	65,713
Net Cash Provided by (Used For) Investing Activities	60,828	131,005	65,713
Net Increase (Decrease) in Cash and Cash Equivalents	4,655,032	(6,781,336)	2,537,785
Cash and Cash Equivalents - Beginning of Year	19,873,282	23,101,189	6,220,865
Cash and Cash Equivalents - End of Year	\$ 24,528,314	\$ 16,319,853	\$ 8,758,650
Reconciliation to Statement of Net Position:			
Cash and Investments Held by City	\$ 21,563,011	\$ 9,609,499	\$ 8,758,650
Cash and Investments Held by City - Restricted	-	5,270,934	-
Cash and Investments Held by Fiscal Agent	2,965,303	1,439,420	-
Total Cash and Investments	\$ 24,528,314	\$ 16,319,853	\$ 8,758,650

See Accompanying Notes to the Basic Financial Statements

Major Enterprise Funds					Governmental Activities Internal Service Funds
SMaRT Station	Development	Golf and Tennis Operations	Total Enterprise Funds		
\$ 28,014,394	\$ 20,466,461	\$ 3,093,415	\$ 181,635,608	\$ 1,311,092	
-	-	-	-	102,409,605	
-	(1,331,160)	(398,914)	(10,406,209)	-	
(26,702,418)	(2,023,350)	(1,475,199)	(104,638,946)	(11,839,206)	
(412,450)	(8,247,034)	(2,126,406)	(27,503,649)	(60,734,911)	
-	-	-	-	(28,093,404)	
899,526	8,864,917	(907,104)	39,086,804	3,053,176	
1,467,893	-	850,000	3,401,429	4,563,912	
-	(412,732)	-	(6,865,306)	(1,314,357)	
-	-	17,151	17,151	-	
-	-	-	(5,363,935)	-	
1,467,893	(412,732)	867,151	(8,810,661)	3,249,555	
(2,392,200)	-	-	(4,722,200)	-	
(46,826)	-	-	(2,457,401)	-	
(3,646)	(21,182)	-	(14,626,810)	(1,375,363)	
(2,442,672)	(21,182)	-	(21,806,411)	(1,375,363)	
(8,293)	62,425	233	311,911	67,469	
(8,293)	62,425	233	311,911	67,469	
(83,546)	8,493,428	(39,720)	8,781,643	4,994,837	
6,099,769	21,358,317	39,720	76,693,142	55,840,690	
\$ 6,016,223	\$ 29,851,745	\$ -	\$ 85,474,785	\$ 60,835,527	
\$ 6,016,223	\$ 29,851,745	\$ -	\$ 75,799,128	\$ 60,835,527	
-	-	-	5,270,934	-	
-	-	-	4,404,723	-	
\$ 6,016,223	\$ 29,851,745	\$ -	\$ 85,474,785	\$ 60,835,527	

Continued

CITY OF SUNNYVALE
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2017

	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)	\$ 2,799,113	\$ 12,050,611	\$ 8,978,737
Adjustments to Reconcile Operating Income (Loss) to Net Cash			
Provided by (Used For) Operating Activities:			
Depreciation	2,355,538	2,277,638	116,564
Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows:			
Receivables, Net	(823,481)	(457,761)	(17,444)
Intergovernmental Receivables	(3,047)	68,319	155,496
Inventories and Prepayments	(12)	35,119	9,345
Refundable Deposits	99,830	21,076	(8,606)
Accounts Payable and Accrued Liabilities	2,588,430	329,331	29,719
Unearned Revenue	-	-	595
Landfill Postclosure Care	-	-	78,360
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	-	-	-
Deferred Outflows Related to Pensions	(733,730)	(2,112,938)	(267,942)
Deferred Inflows Related to Pensions	(451,570)	(1,219,214)	(158,908)
Net Pension Liability	1,077,734	3,027,699	384,864
Net OPEB Asset	-	-	-
Net Cash Provided by (Used For) Operating Activities	\$ 6,908,805	\$ 14,019,880	\$ 9,300,780
Noncash Investing, Capital and Financing Activities:			
Change in the Fair Value of Investments	\$ (112,522)	\$ (47,023)	\$ (17,859)
Purchase of Capital Assets on Account	317,762	2,298,548	11,854
Non Cash Capital Contributions	646,700	485,100	-
Capitalized Interest Expense	54,350	2,013,799	-

See Accompanying Notes to the Basic Financial Statements

Major Enterprise Funds					Governmental Activities Internal Service Funds	
SMaRT Station	Development	Golf and Tennis Operations	Total Enterprise Funds			
\$ (1,578,637)	\$ 8,205,228	\$ (1,097,023)	\$ 29,358,029		\$ (1,888,149)	
2,269,691	953	258,476	7,278,860		2,131,897	
-	26,414	(1,680)	(1,273,952)		59,312	
15,769	-	-	236,537		-	
-	5,552	92,031	142,035		(73,282)	
-	-	(1,280)	111,020		(805)	
210,715	845,981	(74,149)	3,930,027		(8,365,659)	
-	34,000	(10,919)	23,676		-	
-	-	-	78,360		-	
-	-	-	-		3,152,000	
-	-	-	-		10,200,819	
(83,291)	(1,537,962)	(388,515)	(5,124,378)		(2,408,712)	
(52,858)	(772,812)	(249,873)	(2,905,235)		(1,227,924)	
118,137	2,057,563	565,828	7,231,825		3,163,679	
-	-	-	-		(1,690,000)	
<u>\$ 899,526</u>	<u>\$ 8,864,917</u>	<u>\$ (907,104)</u>	<u>\$ 39,086,804</u>		<u>\$ 3,053,176</u>	
\$ (44,131)	\$ (148,516)	\$ -	\$ (370,052)		\$ (354,511)	
100,699	-	-	2,728,863		20,800	
-	-	-	1,131,800		-	
-	-	-	2,068,148		-	
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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, 2017

	Other Postemployment Benefit Trust Fund	Private-Purpose Trust Funds	Agency Funds
Assets:			
Deposits and Investments in City Treasury Pool	\$ -	\$ 86,286	\$ 2,032,580
Deposits and Investments not in City Treasury Pool	-	3,128,428	1,691,688
Deposits and Investments with Fiscal Agent:			
Cash and Cash Equivalents	233,375	616,398	53,200
Mutual Funds-Fixed Income	30,313,083	-	-
Mutual Funds-Equity	52,497,460	-	-
Guaranteed Investment Contract	-	-	1,748,140
Receivables	141	5,056,027	60,727
Capital Assets (Note 20):			
Land and Nondepreciable Assets	-	13,959,752	-
Total Assets	<u>83,044,059</u>	<u>22,846,891</u>	<u>5,586,335</u>
Liabilities:			
Accounts Payable and Accrued Liabilities	36,124	120,204	1,691,688
Accrued Interest Payable	-	57,434	-
Due to CFD Bondholders	-	-	3,894,647
Long-term Obligations (Note 20):			
Due Within One Year	-	2,554,611	-
Due in More Than One Year	-	41,682,350	-
Total Liabilities	<u>36,124</u>	<u>44,414,599</u>	<u>5,586,335</u>
Net Position:			
Restricted for Employee Benefits Other Than Pensions	83,007,935	-	-
Held in Trust for CFD No. 3	-	53,472	-
Held in Trust for Redevelopment Successor Agency	-	(21,621,180)	-
Total Net Position	<u>\$ 83,007,935</u>	<u>\$ (21,567,708)</u>	<u>\$ -</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE

**Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
Year Ended June 30, 2017**

	Other Postemployment Benefit Trust Fund	Private-Purpose Trust Funds
Additions:		
<i>Contributions:</i>		
Employer Contributions - Direct	\$ 4,243,000	\$ -
Employer Contributions - Outside of OPEB Trust	5,599,297	-
Employer Contributions - Implied Subsidy	1,328,000	-
Property Owners	-	24,131
County Redevelopment Property Tax Trust Fund	-	3,124,188
<i>Investment Income:</i>		
Net Appreciation in Fair Value of Investments	5,973,954	9,327
Interest	1,203	-
Dividends	1,727,153	-
Investment Expenses	(214,535)	-
Total Additions	18,658,072	3,157,646
Deductions:		
Benefit Payments with Implied Subsidy	6,927,297	-
Projects Management	-	40,600
City Loan Interest Added to Loan Principal	-	565,183
Interest on Central Core Bonds	-	139,375
Fiscal Agent Trustee Fees	-	2,195
Administrative Expenses	-	186,419
Total Deductions	6,927,297	933,772
Change in Net Position before Special Item	11,730,775	2,223,874
Special Item - Reduction of Liability to Developer	-	13,538,006
Change in Net Position	11,730,775	15,761,880
Net Position, Beginning of Year, as Previously Reported	-	(37,329,588)
Cumulative Effect of Accounting Change (Note 21)	71,277,160	-
Net Position, Beginning of Year, as Restated	71,277,160	(37,329,588)
Net Position, End of Year	\$ 83,007,935	\$ (21,567,708)

See Accompanying Notes to the Basic Financial Statements

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Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

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CITY OF SUNNYVALE

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Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Sunnyvale, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (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 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 of California 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, 2017

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 (including two members from the City of Sunnyvale and five from the County of Santa Clara, local education and special districts), 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, 2017

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, 2017

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

- 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 *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, 2017

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 risk management services (property and liability insurance).
- *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, the Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP), and the Silicon Valley Clean Energy Authority (SVCEA).

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

The SVCEA is a joint powers agency formed in March 2016 by twelve communities in Santa Clara County to create a locally run Community Choice Energy (CCE) program. The SVCEA Agency Fund accounted for the initial funding from participating municipalities and the Santa Clara County to establish the SVCEA. In January 2017, all unspent financial resources maintained in this Fund were turned over to the SVCEA for the launch of its CCE program.

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 services 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, 2017

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 the April-to-June cleanup in each September. 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, 2017

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 remeasurement 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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. 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 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

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."

Inventory and Prepaid Items

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

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 (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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

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. GASB Statement No. 34 required that donated capital assets be reported at their estimated fair value at the time of acquisition plus ancillary charges. Since there often is no ready market for capital assets from developer contributions, the City would always use the developer's own costs as estimated fair value. GASB Statement No. 72 has amended Statement No. 34 by requiring that donated capital assets be measured at 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.

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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2017

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 reports 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:

Loss on Refunding:

A 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:

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 liability that are not included in pension 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 plan investments.

Employer contributions subsequent to the measurement date of the net pension 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Another item recognized as deferred inflows of resources is reported in an enterprise fund as described in the service concession arrangement below.

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 \$2,032,757, 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, 2017, the present value of the City's maintenance obligation is estimated to be \$1,384,892, reported as a service concession arrangement maintenance liability.

The difference between the present value of the installments receivable and maintenance obligations was \$647,865, 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 is reported separately from noncurrent liabilities because of its 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, 2017

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 of resources and deferred inflows of resources related to pensions, and pension expense, 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.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification 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.

Amounts in the assigned fund balance classification are 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. Amounts in excess of nonspendable, restricted, and committed fund balance in funds other than the General Fund are reported as assigned fund balance.

Unassigned fund balance is the residual classification 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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 a 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

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 no more than 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.

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 tax becomes delinquent if unpaid on 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.

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 vacation pay, 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 Benefits Internal Service Fund and is also reported under governmental activities in the government-wide financial statements.

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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Effects of New Pronouncements

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which completes the suite of pension standards. Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statement Nos. 67 and 68). The requirements in Statement No. 73 for reporting pensions generally are the same as in Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for financial statements for fiscal years beginning after June 15, 2016. On July 1, 2016, the City adopted this Statement, which did not have a significant impact on its financial statements.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria in Paragraph 3 of this Statement.

The City of Sunnyvale Retiree Healthcare Plan (the “Plan”) is a single-employer defined benefit retiree healthcare plan administered by the City through a Trust that meets the criteria in Paragraph 3 of GASB Statement No. 74. On July 1, 2016, the Plan adopted GASB Statement No. 74 and restated its fiduciary net position to record beginning assets of \$71,309,091 and beginning liabilities of \$31,931 as discussed in Note 21. The Trust is included as an Other Postemployment Benefit Trust Fund in the financial reporting entity of the City of Sunnyvale.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments and parallels the pension standards issued in 2012—GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Together, these pension and OPEB standards provide consistent and comprehensive guidance for all postemployment benefits. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This statement specifies information that the government must disclose about the agreements. On July 1, 2016, the City adopted this Statement, which did not have a significant impact on its financial statements.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Pension Plans*. This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. On July 1, 2016, the City adopted this Statement, which did not have a significant impact on its financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Unit — An Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. On July 1, 2016, the City adopted this Statement, which did not have a significant impact on its financial statements.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreement*. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. This Statement requires that a government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation (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. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for AROs. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred (including probability weighting of all potential outcomes when such information can be obtained at reasonable cost), otherwise the most likely amount should be used. It requires the current value of the AROs to be adjusted for the effects of general inflation or deflation at least annually, in addition to evaluating all relevant factors to determine if there is a significant change in the estimated outlays that requires an ARO be remeasured. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This 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. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The requirements of this statements are effective for reporting periods beginning after December 15, 2018.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). For OPEB plan reporting, this Statement addresses issues in presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans. The requirements of this statements are effective for reporting periods beginning after June 15, 2017.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

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 reporting periods beginning after December 15, 2019.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

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, \$18,311,815, 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 \$31,326,565, one of the internal service funds, the Risk Management Fund, had a deficit net position of \$1,428,902 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 fund balance, \$5,393, in the Transportation Development Account nonmajor special revenue fund is due to timing of grant reimbursement.

The deficit net position of \$21,567,708 in the Private Purpose Trust Fund was the combined total of the Community Facility District (CFD) No. 3 positive net position of \$53,472 and the Redevelopment Successor Agency (RSA) negative net position of \$21,621,180. 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, 2017

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 Activities	Business-Type Activities	Total	Fiduciary Statement of Net Position
Deposits and Investments Held by the City	\$ 198,261,524	\$ 75,799,128	\$ 274,060,652	
Restricted Deposits and Investments:				
Held by the City	154,866,994	5,270,934	160,137,928	
Held by the Fiscal Agent	2,419,166	4,404,723	6,823,889	
Total Government-Wide Deposits and Investments	\$ 355,547,684	\$ 85,474,785	\$ 441,022,469	
Deposits and Investments in City Treasury Pool				\$ 2,118,866
Deposits and Investments not in City Treasury Pool				4,820,116
Deposits and Investments Held by the Fiscal Agent				85,461,656
Total Fiduciary Deposits and Investments				\$ 92,400,638

The Fiduciary Funds had \$2,118,866 included in the City Treasury pool of deposits and investments at year end. The remaining amounts were held in separate public funds accounts.

Deposits and Cash on Hand in the City Treasury Pool

The carrying amount of the cash and deposits in the City pool totaled \$16,834,043 at June 30, 2017, including \$8,595 kept by designated employees as change funds at various City facilities. Bank balances before reconciling items (i.e., deposits in transit and outstanding checks) were \$18,607,722, 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, 2017

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 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	Maximum Percentage of Portfolio	Maximum 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% *
Non-negotiable Certificates of Deposit	1 year *	20% *	5% *
Negotiable Certificates of Deposit	5 year *	30%	5% *
Repurchase Agreements	15 days *	10% *	N/A
Local Agency Investment Fund	N/A	20% *	N/A
Corporate Medium-term Notes	5 years	30%	5% *
Mortgage Pass-through Securities	5 years	20%	5% *
Asset-backed Securities	5 years	20%	5% *
Money Market Mutual Funds	N/A	10% *	N/A
Commercial Paper	270 days *	15% *	5% *
Municipal Bonds	5 years	100%	5% *
Supernational Securities (International Bank for Reconstruction and Development)	5 years	30%	N/A

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

Of the authorized investment types, except for securities issued by the U.S. Treasury, the City's Investment Policy is more restrictive than the California Government Code requirements. 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, 2017

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. 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 City had the following recurring fair value measurements as of June 30, 2017:

Investments	Balance at June 30, 2017	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	\$ 67,073,206	\$67,073,206	\$ -
Medium Term Corporate Notes	94,637,117	-	94,637,117
Federal Agency Issues	159,891,185	-	159,891,185
Municipal Bonds	15,068,923	-	15,068,923
Supranational	21,920,585	-	21,920,585
Investments Subject to Fair Value Hierarchy	358,591,016	67,073,206	291,517,810
Investments Not Subject to Fair Value Hierarchy:			
Local Agency Investment Funds	60,892,387		
Total City Treasury Pooled Investments*	\$ 419,483,403		
City Investments with Fiscal Agent			
Federal Agency Issues	\$ 4,770,555	\$ -	\$ 4,770,555
Investments Not Subject to Fair Value Hierarchy:			
Local Agency Investment Funds	2,016,613		
Cash Equivalent Mutual Funds/Accounts	36,721		
Total City Investments with Fiscal Agent	\$ 6,823,889		
Fiduciary Fund Investments			
Investments Not Subject to Fair Value Hierarchy:			
Cash Equivalent Mutual Funds/Accounts	\$ 1,980,512		
Local Agency Investment Funds	3,742,577		
Open-End Mutual Funds (Fixed Income/Equity)	82,810,543		
Guaranteed Investment Contract	1,748,140		
Fiduciary Fund Investments not in City TreasuryPool	\$ 90,281,772		

* The City Treasury included \$2,118,866 of Fiduciary Fund's deposits and investments.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

Risk Disclosures

Credit 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. 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			\$ 16,834,043
Investments:			
Corporate Notes:			
Apple	AA+/Aa1	\$ 10,304,570	
General Electric	AA+/A1	9,367,412	
IBM	AA-/Aa3	8,072,180	
Johnson & Johnson	AAA/ Aaa	6,896,939	
Microsoft	AAA/ Aaa	11,568,544	
Toyota	AA-/Aa3	12,879,775	
Wells Fargo	A/A2	7,013,740	
Bank of New York Mellon	A/A1	2,016,616	
Berkshire Hathaway	AA/Aa2	3,149,996	
Citibank	A+/A1	3,011,202	
Colgate Palmolive	AA-/Aa3	2,356,917	
Cisco Systems	AA-/A1	3,972,476	
HSBC USA Inc	A/A2	3,008,460	
US Bank	AA-/A1	3,022,314	
Visa Inc	A+/A1	7,995,976	
Total Corporate Notes			94,637,117
US Treasuries, Government Sponsor Enterprises, Municipal Bonds & Supranational Organizations			
Federal Home Loan Bank ⁽²⁾	AA+/Aaa	\$ 34,632,336	
Federal Home Loan Bank Mortgage Corporation ⁽²⁾	AA+/Aaa	20,030,488	
Federal National Mortgage Association ⁽²⁾	AA+/Aaa	34,477,941	
U.S. Treasury ⁽¹⁾	AA+/Aaa	67,073,206	
Tennessee Valley Authority ⁽²⁾	AA+/Aaa	24,422,806	
Federal Farm Credit Bank ⁽²⁾	AA+/Aaa	46,327,614	
Municipal Bonds (University of CA)	AA/Aa2	3,293,289	
Municipal Bonds (San Mateo Transit)	AAA/NA	3,398,470	
Municipal Bonds (Lincoln RDA, Monrovia RDA)	AA/NA	900,365	
Municipal Bonds (Coast Community College)	AA+/Aa1	499,670	
Municipal Bonds (Antelope VLY College)	AA/Aa2	749,310	
Municipal Bonds (State of CA)	AA-/Aa3	6,227,819	
Supranational Securities (IBRD, IFC, IADB)	NA/Aaa	21,920,585	
Total US Treasuries, Government Sponsor Enterprises, Municipal Bonds & Supranational Organizations			263,953,899
Local Agency Investment Funds	Not Rated		60,892,387
City Pooled Cash and Investments (including \$2,118,866 from Fiduciary Funds)			\$ 436,317,446

(continued)

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

	Credit Ratings S&P/Moody's	Fair Value	Total
City Cash and Investments with Fiscal Agents:			
Federal Home Loan Mortgage Corporation ⁽²⁾	AA+/Aaa	\$ 601,494	
Federal Home Loan Bank ⁽²⁾	AA+/Aaa	750,551	
Local Agency Investment Funds	Not Rated	2,016,613	
Federal National Mortgage Association ⁽²⁾	AA+/Aaa	3,418,510	
Treasury Obligation and Money Market Mutual Funds	AAA/ Aaa	36,721	
Total City Cash and Investments with Fiscal Agents			\$ 6,823,889
Total Cash and Investments Held by the City (including \$2,118,866 from Fiduciary Funds)			\$ 443,141,335
Fiduciary Funds Cash and Investments Not in the City Treasury Pool			
Cash Equivalent Mutual Funds/Accounts	Not Rated	\$ 1,980,512	
Local Agency Investment Funds	Not Rated	3,742,577	
Open-End Mutual Funds (Fixed Income/Equity)	Not Rated	82,810,543	
Guaranteed Investment Contracts	Not Rated	1,748,140	
Fiduciary Fund Deposits and Investments not in the City Treasury Pool			\$ 90,281,772

(1) Explicitly guaranteed by the U.S. government or issuing agency.

(2) Government sponsored enterprises.

(concluded)

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

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, 2017 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:					
Apple	\$ 1,183,694	\$ 6,036,372	\$ 3,084,504	\$ -	\$ 10,304,570
General Electric	6,133,850	-	3,233,562	-	9,367,412
IBM	2,998,860	1,629,893	3,443,427	-	8,072,180
Johnson & Johnson	2,748,091	4,148,848	-	-	6,896,939
Microsoft	1,661,697	3,993,644	5,913,203	-	11,568,544
Toyota	7,997,275	4,882,500	-	-	12,879,775
Wells Fargo	3,998,716	3,015,024	-	-	7,013,740
Bank of New York Mellon	-	2,016,616	-	-	2,016,616
Berkshire Hathaway	1,250,491	1,899,505	-	-	3,149,996
Citibank	-	3,011,202	-	-	3,011,202
Colgate Palmolive	-	2,356,917	-	-	2,356,917
Cisco Systems	-	-	3,972,476	-	3,972,476
HSBC USA Inc	-	3,008,460	-	-	3,008,460
US Bank	-	-	3,022,314	-	3,022,314
Visa Inc	7,995,976	-	-	-	7,995,976
Federal Farm Credit Bank	35,971,347	10,356,267	-	-	46,327,614
Federal Home Loan Bank	20,466,318	9,866,887	4,299,131	-	34,632,336
Federal Home Loan Mortgage Corporation	17,038,699	2,991,789	-	-	20,030,488
Federal National Mortgage Association	23,967,632	10,510,309	-	-	34,477,941
Tennessee Valley Authority	13,739,588	10,683,218	-	-	24,422,806
U. S. Treasuries	2,992,149	52,076,213	12,004,844	-	67,073,206
Municipal Bonds	3,597,684	2,264,380	9,206,859	-	15,068,923
Supranational Securities	-	2,992,980	18,927,605	-	21,920,585
Local Agency Investment Funds	60,892,387	-	-	-	60,892,387
Total	\$ 214,634,454	\$ 137,741,024	\$ 67,107,925	\$ -	\$ 419,483,403
City Investments Held by Fiscal Agents:					
Federal Home Loan Mortgage Corporation	\$ -	\$ -	\$ 601,494	\$ -	\$ 601,494
Federal National Mortgage Association	-	570,538	2,847,972	-	3,418,510
Federal Home Loan Bank	-	-	750,551	-	750,551
Local Agency Investment Funds	2,016,613	-	-	-	2,016,613
Treasury Obligation Mutual Funds	36,721	-	-	-	36,721
Total	\$ 2,053,334	\$ 570,538.00	\$ 4,200,017	\$ -	\$ 6,823,889
Fiduciary Fund Investments not in City Treasury Pool					
Cash Equivalent Mutual Funds/Accounts	\$ 1,980,512	\$ -	\$ -	\$ -	\$ 1,980,512
Local Agency Investment Funds	3,742,577	-	-	-	3,742,577
Open-End Mutual Funds (Fixed Income)	-	-	2,716,180	27,596,903	30,313,083
Open-End Mutual Funds (Equity)	52,497,460	-	-	-	52,497,460
Guaranteed Investment Contracts	-	-	-	1,748,140	1,748,140
Total	\$ 58,220,549	\$ -	\$ 2,716,180	\$ 29,345,043	\$ 90,281,772

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**NOTE 3 – DEPOSITS AND INVESTMENTS, Continued**

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.

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. 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 shall be the City's policy to sell that security as soon as practicable.

At June 30, 2017, investments in the following issuers represented 5 percent or more of total investments.

<u>Issuer</u>	<u>Amount</u>
Federal Farm Credit Bank	\$ 46,327,614
Federal Home Loan Bank	35,382,887
Federal National Mortgage Association	37,896,451
Tennessee Valley Authority	24,422,806
Total	<u>\$ 144,029,758</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

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.

According to the LAIF Performance Report for the quarter ending June 30, 2017, the weighted average life of the securities in the pooled investment program administered by the State Treasurer's Office was 194 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, 2017, 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 0.998940671.

The City's investments with the Local Agency Investment Fund (LAIF), at June 30, 2017, included a portion of the pool funds invested in structured notes and asset-backed securities. These investments included the following:

Structured notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indexes and/or that have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises such as the Federal National Mortgage Association and the Federal Home Loan Bank System or an international agency such as the World Bank.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

Asset-backed securities entitle the purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as collateralized mortgage obligations), small business loans, or credit card receivables (such as short-term asset-backed commercial paper).

As of June 30, 2017, the City portfolio had \$60,892,387 at fair value invested in LAIF, which had invested 2.89% of the pool investment funds in medium-term and short-term structured notes and asset-backed securities. Total amount invested in LAIF from various fiscal agent trust accounts was \$5,759,190.

NOTE 4 – RECEIVABLES, CURRENT

Government Wide Financial Statements

At June 30, 2017, the government-wide financial statements show the following current receivables net of allowances for uncollectible amounts:

	Governmental Activities	Business-Type Activities	Total
Unrestricted:			
Accounts	\$ 763,355	\$ 17,233,553	\$ 17,996,908
Taxes	8,119,209	-	8,119,209
Interest	830,071	370,710	1,200,781
Other	694,300	22,231	716,531
Allowance	(286,599)	(837,602)	(1,124,201)
Total Unrestricted	10,120,336	16,788,892	26,909,228
Restricted:			
Accounts	40,475	-	40,475
Interest	590,306	20,443	610,749
Other	14,813	-	14,813
Total Restricted	645,594	20,443	666,037
Total Current Receivables, Net	\$ 10,765,930	\$ 16,809,335	\$ 27,575,265

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 4 – RECEIVABLES, CURRENT, Continued

Fund Financial Statements

At June 30, 2017, 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	\$ 803,656	\$ 8,119,209	\$ 574,008	\$ 506,003	\$ (286,599)	\$ 9,716,277
Housing	-	-	118,735	1,500	-	120,235
Park Dedication	-	-	238,017	-	-	238,017
Employment Development	-	-	-	13,310	-	13,310
City Projects	-	-	161,065	-	-	161,065
Nonmajor Funds	-	-	121,686	-	-	121,686
Total Governmental Funds	\$ 803,656	\$ 8,119,209	\$ 1,213,511	\$ 520,813	\$ (286,599)	\$ 10,370,590
Proprietary Funds:						
Water Supply and Distribution	\$ 6,532,696	\$ -	\$ 98,880	\$ -	\$ (273,807)	\$ 6,357,769
Wastewater Management	4,730,263	-	97,668	3,635	(215,206)	4,616,360
Solid Waste Management	5,960,405	-	57,106	16,837	(348,589)	5,685,759
SMART Station	-	-	12,796	-	-	12,796
Development	10,189	-	124,609	-	-	134,798
Golf and Tennis Operations	-	-	94	1,759	-	1,853
Internal Service Funds	174	-	206,866	188,300	-	395,340
Total Proprietary Funds	\$ 17,233,727	\$ -	\$ 598,019	\$ 210,531	\$ (837,602)	\$ 17,204,675
Fiduciary Funds:						
OPEB Trust Fund	\$ -	\$ -	\$ 141	\$ -	\$ -	\$ 141
Private-Purpose Trust Funds	-	-	4,524	5,051,503	-	5,056,027
Agency Funds	-	-	52,554	8,173	-	60,727
Total Fiduciary Funds	\$ -	\$ -	\$ 57,219	\$ 5,059,676	\$ -	\$ 5,116,895

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

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, 2017, the City had intergovernmental receivables in the following major funds and nonmajor funds in the aggregate:

Governmental Activities:

Governmental Funds:

General Fund	\$ 1,588,936
Employment Development Special Revenue Fund	1,173,907
City Projects Fund	1,336,113
Nonmajor Funds	<u>1,127,545</u>

Total Governmental Activities	<u>\$ 5,226,501</u>
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Business-Type Activities:

Water Supply and Distribution Fund	\$ 8,589
Wastewater Management Enterprise Fund	5,332,224
Solid Waste Management Enterprise Fund	<u>112,781</u>

Total Business-Type Activities	<u>\$ 5,453,594</u>
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NOTE 6 – LONG-TERM RECEIVABLES FROM EMPLOYEES

At June 30, 2017, the City had long-term receivables in the amount of \$5,490,937, reported under the General Fund.

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% to 3.879%, and have repayment terms ranging from 30 to 45 years. At year end, the City had six loans outstanding to City employees totaling \$5,490,937, including accrued interest of \$158,251.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 7 – HOUSING LOANS RECEIVABLE*Governmental Activities:*

Maturity Date Year Ending June 30,	Community Development Block Grant	HOME Grant	Housing Mitigation	Other Housing	Total
2018	\$ 464,308	\$ -	\$ -	\$ -	\$ 464,308
2019	100,966	-	-	-	100,966
2020	7,500	-	-	-	7,500
2021	-	-	-	-	-
2022	45,069	-	-	-	45,069
2023-2027	874,589	1,654,918	58,748	-	2,588,255
2028-2032	1,284,179	2,925,082	990,488	-	5,199,749
2033-2037	1,632,256	323,390	1,179,415	414,143	3,549,204
2038-2042	5,888,284	1,794,733	2,066,770	178,747	9,928,534
2043-2047	926,603	2,098,917	580,143	-	3,605,663
2048-2052	958	-	100,357	-	101,315
2053-2057	622,193	568,399	1,049,808	-	2,240,400
2058-2062	66,631	-	-	-	66,631
2063-2067	119,414	249,775	7,446,050	-	7,815,239
2068-2072	-	2,194,840	16,658,362	-	18,853,202
2073-2077	-	2,257,662	7,484,962	-	9,742,624
Due Upon Sale or Transfer of Property	753,100	-	-	-	753,100
	12,786,050	14,067,716	37,615,103	592,890	65,061,759
Less: Allowance for Uncollectibles	(255,721)	(281,354)	(752,302)	(11,858)	(1,301,235)
Housing Loans Receivables, Net at June 30, 2017	<u>\$ 12,530,329</u>	<u>\$ 13,786,362</u>	<u>\$ 36,862,801</u>	<u>\$ 581,032</u>	<u>\$ 63,760,524</u>

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, 2017

NOTE 7 – HOUSING LOANS RECEIVABLE, Continued

Community Development Block Grant (CDBG) Loans

The City has made a number of loans totaling \$12,530,329 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 \$13,786,362 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 \$36,862,801 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 \$581,032 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, 2017, unearned revenues were as follows:

	Governmental Activities	Business-Type Activities	Total
Prepayments Received for :			
Business License Renewal	\$ 889,702	\$ -	\$ 889,702
Grant and fee Revenue	27,300	164,000	191,300
Use of City Property	-	45,478	45,478
Armory Ground Lease	7,112,223	-	7,112,223
Total	\$ 8,029,225	\$ 209,478	\$ 8,238,703

Business licenses are renewed bi-annually. The prorated portion belonging to fiscal year 2018 was reported as unearned revenue.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

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 2017, revenue recognized was \$82,222 and the remaining balance of \$7,112,223 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) stays as the City's governmental capital asset at its original cost of \$1.7 million.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 9 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Government-Wide Financial Statements

Deferred Outflows of Resources	Governmental Activities	Business-Type Activities
Loss on Debt Refunding	\$ -	\$ 275,196
Deferred Outflows of Resources Related to Pensions	59,566,214	9,928,172
Total Deferred Outflows of Resources	<u>\$ 59,566,214</u>	<u>\$ 10,203,368</u>

Deferred Inflows of Resources	Governmental Activities	Business-Type Activities
Service Concession Agreement	\$ -	\$ 647,865
Deferred Inflows of Resources Related to Pensions	6,910,968	1,271,026
	<u>\$ 6,910,968</u>	<u>\$ 1,918,891</u>

Fund Financial Statements

At June 30, 2017, the following items were recorded in the 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	City Projects Capital Projects	Nonmajor Other Governmental Funds	Total
Reimbursement Agreement with RSA	\$ 27,216,679	\$ -	\$ -	\$ -	\$ -	\$ 27,216,679
Interest - Interfund Advances	31,636,150	-	-	-	-	31,636,150
Interest on Loans to City Employees	158,251	-	-	-	-	158,251
Capital Special Assessments	28,418	-	-	-	-	28,418
Administrative Citations on Tax Roll	40,500	-	-	-	-	40,500
Proposition 172 Revenue	136,392	-	-	-	-	136,392
Intergovernmental Cost Reimbursements	1,421,058	-	-	-	125,579	1,546,637
Interest - Housing Loans	-	2,021,120	-	-	6,059,489	8,080,609
Unavailable grant revenues	134,425	-	12,670	422,817	95,460	665,372
Total	<u>\$ 60,771,873</u>	<u>\$ 2,021,120</u>	<u>\$ 12,670</u>	<u>\$ 422,817</u>	<u>\$ 6,280,528</u>	<u>\$ 69,509,008</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 10– INTERNAL BALANCES/INTERFUND BALANCES**Government-Wide Financial Statements**

Internal Balances consist of the following items:

Internal Balances	Amount
Outstanding Long-Term Advances from Governmental to Business-Type Activities	\$ 31,636,150
Outstanding Short-Term Advances from Governmental to Business-Type Activities	17,151
Internal Service Fund Lookback Adjustment:	
Owed by Business-Type to Governmental Activities	(328,877)
Total Internal Balances	<u>\$ 31,324,424</u>

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 Special Revenue Fund:	
	Transportation Development Act	\$ 5,393
	Nonmajor Debt Service Fund:	
	Government Center COPs	26,150
	Enterprise Fund:	
	Golf and Tennis	17,151
Housing Special Revenue Fund	Nonmajor Special Revenue Fund:	
	HOME Grant	299,055
	Community Development Block Grant	10,062
Total		<u>\$ 357,811</u>

The amounts due to the General Fund from the respective nonmajor special revenue funds were due to cash flow needs at year end. These amounts will be repaid shortly after the end of the fiscal year, as grant reimbursement become available to the borrower funds.

Advances to/from Other Funds

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

Lender Fund	Borrower Fund	Amount
General Fund	Enterprise Funds:	
	Wastewater Management	\$ 9,542,457
	Solid Waste Management	22,093,693
	Total General Fund Advances	<u>\$ 31,636,150</u>
Wastewater Management Enterprise Fund	Solid Waste Management Enterprise Fund	\$ 1,776,819

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

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. Unpaid interest has increased the principal due to the General Fund. 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 \$1,264,379 was made to the General Fund. Annual repayments are budgeted as follows: \$1,316,438 annually in fiscal years 2018 and 2019, \$980,996 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, 2017, total loan balance was \$9,542,457.

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%. Unpaid interest increases the principal balance. During the fiscal year, repayment of \$4,099,556 was made to the General Fund. Annual repayments are budgeted as follows: \$3,470,202 annually from fiscal year 2018 to fiscal year 2023, and \$3,048,003 in 2024 to pay off the remaining balance. At June 30, 2017, total loan balance was \$22,093,693.

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 2018 to fiscal year 2021, and \$243,614 in 2022 to pay off the remaining balance. At June 30, 2017, total loan balance was \$1,776,819.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

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 \$3.3 million for governmental activities and \$1.1 million for business-type activities.

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

	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Nondepreciable Assets:					
Land	\$ 119,937,474	\$ 1,187,700	\$ -	\$ -	\$ 121,125,174
Construction in Progress	8,981,625	11,128,678	(17,692)	(1,733,633)	18,358,978
Infrastructure - Streets	162,282,183	1,597,633	-	-	163,879,816
Total Nondepreciable Assets	291,201,282	13,914,011	(17,692)	(1,733,633)	303,363,968
Depreciable Assets:					
Buildings and Structures	110,736,317	119,252	-	22,439	110,878,008
Improvements Other than Buildings	123,084,908	139,591	-	449,715	123,674,214
Machinery and Equipment	43,915,549	1,047,711	(2,395,174)	296,871	42,864,957
Infrastructure	86,571,774	763,243	-	964,608	88,299,625
Total Depreciable Assets	364,308,548	2,069,797	(2,395,174)	1,733,633	365,716,804
Accumulated Depreciation:					
Buildings and Structures	(57,209,765)	(2,731,053)	-	-	(59,940,818)
Improvements Other than Buildings	(46,219,826)	(3,920,304)	-	-	(50,140,130)
Machinery and Equipment	(25,552,215)	(2,548,336)	2,122,155	-	(25,978,396)
Infrastructure	(62,041,155)	(1,429,463)	-	-	(63,470,618)
Total Accumulated Depreciation	(191,022,961)	(10,629,156)	2,122,155	-	(199,529,962)
Depreciable Assets, Net	173,285,586	(8,559,359)	(273,019)	1,733,633	166,186,841
Total Governmental Activities Capital Assets, Net	\$ 464,486,868	\$ 5,354,652	\$ (290,711)	\$ -	\$ 469,550,809

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 11 – CAPITAL ASSETS, Continued

Governmental activities' depreciation expense for capital assets for the year ended June 30, 2017, are as follows:

Planning and Management	\$ 1,236,965
Public Safety	1,627,497
Community Development	1,825,772
Transportation	3,732,803
Socioeconomic	265,806
Cultural	1,480,546
Environmental Management	459,767
Total Depreciation Expense	\$ 10,629,156

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

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Nondepreciable Assets:				
Land	\$ 16,469,169	\$ -	\$ -	\$ 16,469,169
Construction in Progress	33,070,086	17,528,096	(834,961)	49,763,221
Total Nondepreciable Assets	49,539,255	17,528,096	(834,961)	66,232,390
Depreciable Assets:				
Buildings and Structures	23,437,545	-	-	23,437,545
Improvements Other than Buildings	43,814,694	-	-	43,814,694
Machinery and Equipment	6,807,244	155,870	(7,669)	6,955,445
Infrastructure	167,741,064	1,131,800	-	168,872,864
Total Depreciable Assets	241,800,547	1,287,670	(7,669)	243,080,547
Accumulated Depreciation:				
Buildings and Structures	(21,959,820)	(180,246)	-	(22,140,066)
Improvements Other than Buildings	(30,331,092)	(2,535,368)	-	(32,866,460)
Machinery and Equipment	(5,330,582)	(193,027)	7,589	(5,516,020)
Infrastructure	(81,149,012)	(4,370,219)	-	(85,519,231)
Total Accumulated Depreciation	(138,770,506)	(7,278,860)	7,589	(146,041,777)
Depreciable Assets, Net	103,030,041	(5,991,190)	(80)	97,038,770
Total Business-Type Activities Capital Assets, Net	\$ 152,569,296	\$ 11,536,906	\$ (835,041)	\$ 163,271,160

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 11 – CAPITAL ASSETS, Continued

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2017 are as follows:

Water Supply and Distribution	\$ 2,355,538
Wastewater Management	2,277,638
Solid Waste Management	116,564
SMaRT Station	2,269,691
Development	953
Golf and Tennis Operations	258,476
Total Depreciation Expense	<u>\$ 7,278,860</u>

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, 2017

NOTE 12 – NONCURRENT LIABILITIES

The following is a summary of changes in long-term liabilities during the fiscal year ended June 30, 2017:

Description	Beginning Balance, July 1, 2016	Additions	Reductions	Bond Amortization	Ending Balance, June 30, 2017	Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:							
Bonds Payable:							
Certificates of Participation:							
2009 Government Center	\$ 12,220,000	\$ -	\$ (605,000)	\$ -	\$ 11,615,000	\$ 630,000	\$ 10,985,000
1998 Parking Facility Lease	7,245,000	-	(860,000)	-	6,385,000	905,000	5,480,000
Risk Management: Self Insurance and							
Contingent Liability	17,906,000	6,847,800	(3,695,800)	-	21,058,000	4,531,990	16,526,010
Compensated Absences	11,164,035	10,475,026	(9,049,181)	-	12,589,880	10,345,966	2,243,914
Total Governmental Activities	\$ 48,535,035	\$ 17,322,826	\$ (14,209,981)	\$ -	\$ 51,647,880	\$ 16,412,956	\$ 35,234,924
Business-Type Activities:							
Bonds Payable:							
Revenue Bonds:							
Water Revenue Series 2010	\$ 20,955,462	\$ -	\$ (890,000)	\$ (63,145)	\$ 20,002,317	\$ 925,000	\$ 19,077,317
Wastewater Revenue Series 2010	29,947,662	-	(1,440,000)	(104,277)	28,403,385	1,515,000	26,888,385
Notes Payable	5,003,100	-	(2,392,200)	-	2,610,900	531,200	2,079,700
Service Concession Arrangement							
Maintenance Liability	941,969	515,653	(72,730)	-	1,384,892	93,891	1,291,001
Landfill Postclosure							
Care Costs	6,027,610	801,170	(722,810)	-	6,105,970	796,441	5,309,529
Total Business-Type Activities	\$ 62,875,803	\$ 13,16,823	\$ (5,517,740)	\$ (167,422)	\$ 58,507,464	\$ 3,861,532	\$ 54,645,932

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	Underlying Rating	
		Moody's	S&P
1998 Parking Facility, Series A Certificates of Participation	\$ 6,385,000	Aa2	AA+
2009 Government Center Certificates of Participation	11,615,000	Aa1	AA+
Water Revenue Bonds, Series 2010	18,550,000	Aa1	AA+
Wastewater Revenue Bonds, Series 2010	26,005,000	Aa2	AAA

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 12 – NONCURRENT LIABILITIES, Continued

Note Payable

\$7,368,400 Solid Waste Refunding Promissory Note Dated October 23, 2014

Due in original annual installments \$531,200 - \$2,392,200 from October 1, 2015 to October 1, 2020, interest at 1.23%, with repayments 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).

The debt service requirements for this Promissory Note at June 30, 2017 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 531,200	\$ 28,847	\$ 560,047
2019	685,000	21,367	706,367
2020	691,900	12,899	704,799
2021	702,800	4,322	707,122
Total	<u>\$ 2,610,900</u>	<u>\$ 67,435</u>	<u>\$ 2,678,335</u>

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 funding source of the RSA reimbursement is the Redevelopment Property Tax Trust Fund (RPTTF) maintained by the County of Santa Clara. Although 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 determined that reentered agreements are binding. This Agreement is still pending on appeal.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**NOTE 12 – NONCURRENT LIABILITIES, Continued**

The debt service requirements for the 1998 Parking Certificates of Participation at June 30, 2017 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 905,000	\$ 296,625	\$ 1,201,625
2019	950,000	250,250	1,200,250
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>\$ 6,385,000</u>	<u>\$ 1,017,375</u>	<u>\$ 7,402,375</u>

Certificates of Participation**\$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 0.50%, 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, 2017, the City incurred credit facility fees in the amount of \$65,144, which was in addition to \$17,665 in service fees to trustee, remarketing agent, and rating agencies. The letter of credit with Union Bank, NA will expire on June 1, 2018. Any outstanding draws are due at the expiration of the letter of credit. The City is seeking renewal of this credit facility and has started the credit process with Union Bank.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 12 – NONCURRENT LIABILITIES, Continued

At June 30, 2017, the annualized interest rate was 0.40%, 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, 2017 were as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 630,000	\$ 104,535	\$ 734,535
2019	655,000	98,865	753,865
2020	680,000	92,970	772,970
2021	710,000	86,850	796,850
2022	740,000	80,460	820,460
2023-2027	4,180,000	296,820	4,476,820
2028-2031	4,020,000	92,250	4,112,250
	<u>\$ 11,615,000</u>	<u>\$ 852,750</u>	<u>\$ 12,467,750</u>

Revenue Bonds

\$24,085,000 Water Revenue Bonds, Series 2010

Due in original annual installments \$455,000 - \$1,300,000 from April 1, 2011 to April 1, 2040, interest at 0.34 - 5.25%, with repayments made from net revenues of the Water Supply and Distribution Enterprise Fund.

The debt service requirements for the bonds at June 30, 2017 were as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 925,000	\$ 951,550	\$ 1,876,550
2019	455,000	914,550	1,369,550
2020	470,000	896,350	1,366,350
2021	495,000	872,850	1,367,850
2022	520,000	848,100	1,368,100
2023-2027	3,030,000	3,814,075	6,844,075
2028-2032	3,905,000	2,932,387	6,837,387
2033-2037	5,045,000	1,794,188	6,839,188
2038-2040	3,705,000	395,850	4,100,850
	<u>18,550,000</u>	<u>13,419,900</u>	<u>31,969,900</u>
Add Unamortized Premium	1,452,317	-	1,452,317
Total	<u>\$ 20,002,317</u>	<u>\$ 13,419,900</u>	<u>\$ 33,422,217</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**NOTE 12 – NONCURRENT LIABILITIES, Continued****\$35,380,000 Wastewater Revenue Bonds, Series 2010**

Due in original annual installments \$740,000 - \$1,600,000 from April 1, 2011 to April 1, 2040, interest at 0.34 - 5.25%, with repayments made from net revenues of the Wastewater Management Enterprise Fund.

The debt service requirements for the bonds at June 30, 2017 were as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,515,000	\$ 1,347,525	\$ 2,862,525
2019	1,010,000	1,271,775	2,281,775
2020	1,060,000	1,221,275	2,281,275
2021	1,115,000	1,168,275	2,283,275
2022	1,165,000	1,112,525	2,277,525
2023-2027	6,815,000	4,604,850	11,419,850
2028-2032	4,115,000	3,088,050	7,203,050
2033-2037	5,310,000	1,888,950	7,198,950
2038-2040	3,900,000	416,325	4,316,325
	<u>26,005,000</u>	<u>16,119,550</u>	<u>42,124,550</u>
Add Unamortized Premium	2,398,385	-	2,398,385
Total	<u>\$ 28,403,385</u>	<u>\$ 16,119,550</u>	<u>\$ 44,522,935</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

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, 2017 by activity are listed below:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 1,535,000	\$ 401,160	\$ 2,971,200	\$ 2,327,922
2019	1,605,000	349,115	2,150,000	2,207,692
2020	1,715,000	293,595	2,221,900	2,130,524
2021	1,805,000	234,225	2,312,800	2,045,447
2022	1,890,000	171,710	1,685,000	1,960,625
2023-2027	5,430,000	328,070	9,845,000	8,418,925
2028-2032	4,020,000	92,250	8,020,000	6,020,437
2033-2037	-	-	10,355,000	3,683,138
2038-2040	-	-	7,605,000	812,175
Subtotal	18,000,000	1,870,125	47,165,900	29,606,885
Add Unamortized Premium	-	-	3,850,702	-
Total	<u>\$ 18,000,000</u>	<u>\$ 1,870,125</u>	<u>\$ 51,016,602</u>	<u>\$ 29,606,885</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. Financial statements for CJPRMA for the fiscal year ended June 30, 2017 may be obtained from the CJPRMA website.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

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, 2017, 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, 2017

NOTE 12 – NONCURRENT LIABILITIES, Continued

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
General:			
Liability at beginning of fiscal year	\$ 1,841,000	\$ 1,937,000	\$ 1,617,000
Claims paid	(500,000)	(52,700)	(35,200)
Current fiscal year claims and changes in estimated liability	<u>789,000</u>	<u>(43,300)</u>	<u>355,200</u>
Liability at end of fiscal year	<u><u>\$ 2,130,000</u></u>	<u><u>\$ 1,841,000</u></u>	<u><u>\$ 1,937,000</u></u>
Workers' Compensation:			
Liability at beginning of fiscal year	\$ 16,065,000	\$ 14,580,000	\$ 13,502,000
Claims paid	(3,195,800)	(2,057,800)	(2,284,900)
Current fiscal year claims and changes in estimated liability	<u>6,058,800</u>	<u>3,542,800</u>	<u>3,362,900</u>
Liability at end of fiscal year	<u><u>\$ 18,928,000</u></u>	<u><u>\$ 16,065,000</u></u>	<u><u>\$ 14,580,000</u></u>
Total Estimated Claims Payable	<u><u>\$ 21,058,000</u></u>	<u><u>\$ 17,906,000</u></u>	<u><u>\$ 16,517,000</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 1.0% for fiscal year 2017, 2.0% for 2018, 3% for 2019, 4% for 2020 to 2026, and 5% for 2027 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 vacation pay, paid time off, compensatory time, and other paid leave are recorded in the Employee Benefits Internal Service Fund. Sick leave for employees does not vest. The total amount of the liability at June 30, 2017 was \$12,589,880.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

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 Santa Clara County 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, 2017, a liability in the amount of \$6,105,970 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, 2017. 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, 2017

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 \$15,635,000 at June 30, 2017. 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.

2002 Housing Revenue Bonds, Series A

On December 26, 2002, the City issued \$2,600,000 of 2002 Housing Revenue Bonds, Series A on behalf of HomeFirst, formerly EHC Life Builders and Emergency Housing Consortium, a nonprofit corporation. The bonds bear interest at 7.5% to 9.0% and mature December 1, 2032. The bonds were used to partially finance the acquisition of a 24-unit apartment complex located at 183 Acalanes Drive to increase the number of affordable rental housing units in the City. The bonds are secured by a deed of trust on the property. Neither the City's General Fund nor the full faith and credit of the City are pledged for the payment of principal or interest on the Housing Revenue Bonds. Since the bonds do not constitute a debt of the City, they are not reported in the accompanying financial statements.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

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	2010 Water Revenue Bonds	2010 Wastewater Revenue Bonds	2014 Solid Waste Note
Net revenue ¹ pledged	Net revenues of the City's Water 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 4/1/2040	Until 10/1/2020
Purpose of the debt secured by the pledge	To pay off the 2001 Water and Wastewater Revenue Bonds and to provide financing for additions and improvements to the Water System.	To pay off the 2001 Water and Wastewater Revenue Bonds and to provide financing for additions and improvements to the Wastewater System.	To refund the 2003 and 2007 Solid Waste Revenue Bonds for the Sunnyvale Materials Recovery and Transfer Station.
Amount of the pledge (remaining debt service principal and interest)	\$31,969,900	\$42,124,550	\$2,678,337
Pledged revenues recognized during the period (net of operating expenses and operating transfers, also excluding depreciation and interest expense)	\$6,003,941	\$13,404,062	\$8,453,377
Debt service – principal and interest – paid during the period	\$1,881,050	\$2,859,525	\$2,439,026

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 City's 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 annual update of the 20-year long-term financial plan for each utility fund, prepared as part of the budget development process.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**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>
2018	\$ 132,198
2019	132,198
2020	132,198
2021	110,278
Total	<u><u>\$ 506,872</u></u>

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 2017, the City paid surcharges (proportional to the amount of water purchased) in the amount of \$1,412,928.

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, 2017**NOTE 15 – COMMITMENTS, Continued****Outstanding Construction Commitments**

At June 30, 2017, the City had outstanding construction commitments for the following projects:

Governmental Activities

Description	Contract	Unpaid
Sunnyvale Community Center Infrastructure Repairs	\$ 5,922,500	\$ 4,417,000
Old Mountain View-Alviso Rd Bridge@Calabazas Creek	4,751,225	3,419,735
Park Buildings Modernization	2,248,280	931,870
Pavement Rehabilitation	2,448,551	2,448,551
Reconstruction of Curbs, Gutters, Sidewalks	1,296,301	751,886
Mary Ave Bike Lanes Project Phase II	885,001	885,001
Playground Braly, Orchard Gardens & Fairwood	1,630,750	1,385,500
	<u>\$ 19,182,608</u>	<u>\$ 14,239,543</u>

Business-Type Activities

Description	Contract	Unpaid
Water Pollution Control Plant (WPCP) Hypochlorite Conversion	\$ 4,843,800	\$ 581,681
Emergency Flow Management Improvements	1,699,610	428,328
Primary Treatment Facility Package 1 - Site Preparation	6,785,350	1,259,891
Primary Treatment Facility Pkge 2 - Reconstruct WPCP	107,201,106	107,201,106
Wolfe/Evelyn H2O Plant Reconstruction	3,771,295	3,771,295
Baylands Stormwater Pump Station No 2 Rehabilitation	3,676,200	2,225,143
	<u>\$ 127,977,361</u>	<u>\$ 115,467,444</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 15 – COMMITMENTS, Continued

Silicon Valley Clean Energy Authority Non-Revolving Credit Guaranty

On December 15, 2015, the Sunnyvale City Council approved the actions required to form and participate in the Silicon Valley Clean Energy Authority (SVCEA), a JPA. The SVCEA became effective on March 31, 2016 and operates a Community Choice Energy (CCE) program to pool the electricity demand within the twelve participating jurisdictions to directly procure or generate electrical power supplies on behalf of their residents and businesses. The twelve participating jurisdictions provided advances of \$2,730,000 to fund the initial costs in establishing the SVCEA, including additional costs associated with program launch. The City contributed its share of \$520,000 towards these initial costs.

In December 2016, the SVCEA secured significant credit capacity for its initial power supply purchases until sufficient ratepayer revenues are received. The lender, River City Bank of Sacramento, agreed to a Non-Revolving Line of Credit (NRLOC) of up to \$2 million and a Revolving Line of Credit (RLOC) of up to \$18 million. River City Bank required the NRLOC be guaranteed by participating member agencies based on projected energy demand proportionately. No action by the member agencies is required on the RLOC. River City Bank also required a Subordination Agreement that subordinates the initial contributions made by participating member agencies until the NRLOC and RLOC are retired.

On November 29, 2016, the City Council authorized the City Manager to sign a loan guaranty on the part of the City of Sunnyvale of the Non-Revolving Note for the SVCEA in a guaranteed amount not to exceed \$1,020,000. On January 10, 2017, to facilitate the launch of the CCE program of the SVCEA, the City of Sunnyvale also agreed to take on 67% of the risk of additional costs related to enforcement of the loan guaranty if the SVCEA were to default on its loan.

At June 30, 2017, the City does not record a liability related to the above-mentioned guarantees. Default by the SVCEA does not seem to be likely, as evidenced by the successful launch of several other local CCE programs. Even in the event of default, the incurrence of additional costs related to enforcement of the loan guaranty will be unlikely since the guarantors are all public agencies.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 15 – COMMITMENTS, Continued

New Loan Agreement with State Water Resources Control Board

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.

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 SRF loan includes an interest rate of 1.7%. The City will draw down the SRF loan on a cost reimbursement basis. The first \$4 million requested will be 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.

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. 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 15 – COMMITMENTS, Continued

Clean Water State Revolving Fund Loan Projected Debt Service Requirements

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.

As of June 30, 2017, the City has incurred allowable costs of \$3,826,736 to be reimbursed by the SRF capitalization grant principal forgiveness funds. These allowable costs have been recognized as a receivable and a revenue in the Wastewater Management Fund. No liability has been recognized by the City under this SRF Loan Agreement.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 16 – PENSION PLANS

A. General Information about the Pension Plans

Plan Descriptions – 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 death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

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

Employees Covered - At June 30, 2016, the most recent information available, the following employees were covered by the benefit terms:

	Miscellaneous	Safety	Total
Inactive employees or beneficiaries currently receiving benefits	963	380	1,343
Inactive employees entitled to but not yet receiving benefits	783	55	838
Active employees	659	202	861
	<u>2,405</u>	<u>637</u>	<u>3,042</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

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 11.25% (9% normal contribution plus an additional 2.25% to fund the cost of the "single highest year" retirement benefit) of their annual covered salary. Third- or reformed-tier safety employees are required to contribute 12.75% of annual covered salary. In the fiscal year ended June 30, 2016 (the measurement date of the net pension liability reported for fiscal year ended June 30, 2017), the City made contributions of 4% for miscellaneous employees and 5% for safety employees. The City also picked up the additional 2.25% cost of funding the "single highest year" retirement benefit cost on behalf of the first-tier and second-tier safety employees.

For the fiscal year ending June 30, 2016 (the measurement date of the net pension liability in this report), the required employer contribution was 24.887% for miscellaneous employees. The required employer contribution rates were 37.710% (net rate after employee cost sharing of 2.25% from the CalPERS perspective) for safety employees in the first and second tiers and 39.960% for the third tier. The City also made additional lump-sum contributions of \$700,000 each for the Plans.

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 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, June 30, 2015; measurement date, June 30, 2016, measurement period, July 1, 2015 to June 30, 2016.

	Miscellaneous	Safety	Total
Total Pension Liability	\$ 530,613,227	\$ 509,519,270	\$ 1,040,132,497
Plan Net Position	367,486,410	343,286,462	710,772,872
Net Pension Liability	<u>\$ 163,126,817</u>	<u>\$ 166,232,808</u>	<u>\$ 329,359,625</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**NOTE 16 – PENSION PLANS, Continued*****Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

The June 30, 2015 valuation was rolled forward to determine the June 30, 2016 total pension liability, based on the following actuarial methods and assumptions:

	Miscellaneous and Safety
Actuarial Cost Method	Entry age normal in accordance with GASB 68 requirements
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' membership data for all funds.

¹ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience study report.
website.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 16 – PENSION PLANS, Continued

CalPERS Pension Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed that the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 PERF fund. The expected rate of return was set by calculating the 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**NOTE 16 – PENSION PLANS, Continued**

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by CalPERS effective on July 1, 2015.

Asset Class	Current Target Allocation	Real Return Years 1 - 10¹	Real Return Years 11+²
Global Equity	51%	5.25%	5.71%
Global Fixed Income	20%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
Total	100%		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 16 – PENSION PLANS, Continued

C. Changes in the Net Pension Liability

Pension Results, Provided by the Miscellaneous Plan
For the Measurement Date of June 30, 2016

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances at June 30, 2015	\$ 509,929,954	\$ 372,974,401	\$ 136,955,553
Changes Recognized for the Measurement Period:			
Service Cost	9,680,984		9,680,984
Interest on the Total Pension Liability	38,249,412		38,249,412
Differences between Expected and Actual Experience	(2,309,130)		(2,309,130)
Plan to Plan Resource Movement		579	(579)
Contributions - Employer		14,617,203	(14,617,203)
Contributions - Employee		4,584,629	(4,584,629)
Net Investment Income		474,899	(474,899)
Benefit Payments, including Refunds of Employee Contributions	(24,937,993)	(24,937,993)	-
Administrative Expenses		(227,308)	227,308
Net Changes	20,683,273	(5,487,991)	26,171,264
Balances at June 30, 2016	\$ 530,613,227	\$ 367,486,410	\$ 163,126,817

Pension Results, Provided by the Safety Plan
For the Measurement Date of June 30, 2016

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances at June 30, 2015	\$ 489,708,809	\$ 352,415,022	\$ 137,293,787
Changes Recognized for the Measurement Period:			
Service Cost	9,135,944		9,135,944
Interest on the Total Pension Liability	36,805,665		36,805,665
Differences between Expected and Actual Experience	(182,810)		(182,810)
Plan to Plan Resource Movement		(579)	579
Contributions - Employer		12,634,254	(12,634,254)
Contributions - Employee		3,911,682	(3,911,682)
Net Investment Income		489,200	(489,200)
Benefit Payments, including Refunds of Employee Contributions	(25,948,338)	(25,948,338)	-
Administrative Expenses		(214,779)	214,779
Net Changes	19,810,461	(9,128,560)	28,939,021
Balances at June 30, 2016	\$ 509,519,270	\$ 343,286,462	\$ 166,232,808

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

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 7.65 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

Net Pension Liability	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Miscellaneous Plan	\$ 232,148,169	\$ 163,126,817	\$ 105,982,366
Safety Plan	234,078,449	166,232,808	110,465,577

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 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, 2017

NOTE 16 – PENSION PLANS, Continued

For the measurement period ending June 30, 2016 (the measurement date), the City recognized total pension expense of \$27,257,368, including \$12,063,842 for Miscellaneous and \$15,193,526 for Safety Plans.

At June 30, 2017, 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
Employer Contributions Subsequent to Measurement Date	\$ 28,985,745	\$ -
Changes of Assumptions	-	(5,126,282)
Differences between Expected and Actual Experiences	-	(3,055,712)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	40,508,641	-
Total	<u>\$ 69,494,386</u>	<u>\$ (8,181,994)</u>

The amount of \$28,985,745 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the next reporting period. The amounts of \$40,508,641 reported as deferred outflows and \$8,181,995 as deferred inflows of resources related to pensions will be recognized as a credit to pension expense as follows:

Measurement Period Ended June 30,	Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	2018	\$ (1,687,567)
2018	2019	4,813,476
2019	2020	18,445,244
2020	2021	10,755,494

There were no subsequent events that would materially affect the results presented in this note disclosure.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City's retiree healthcare plan is a single-employer defined benefit healthcare plan. The plan provides healthcare benefits to eligible retirees and their dependents through the California Public Employees' Retirement System healthcare program (PEMHCA). 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.

The City provides a retiree healthcare stipend equal to the lesser of the medical premium or a dollar limit that varies by employee group (\$438 to \$796 per month at June 30, 2017). 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. There were 785 retired plan participants at year end.

Funding Policy

The contribution requirements of the Plan participants and the City are established and may be amended by the City. The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Since 2007, the City has set aside funds in the Employee 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 fiscal year 2017, the ARC was \$8,135,000. The City contributed \$5,599,000 on a pay-as-you-go basis for current benefit payments. Additionally, based on the actuarial study of the City's overall OPEB liability and consideration of mitigating funding risk from market fluctuations, the City contributed a total of \$4,243,000 to the Trust in accordance with the adopted financial plan during fiscal year 2017. The Employee Benefits Internal Service Fund had accumulated such resources in past years through internal service charges and transfers from the General Fund. Additional resources will be added on an ongoing basis until the Trust is fully funded.

A stand-alone Retiree Healthcare Plan Report, which complies with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, can be obtained by contacting the Finance Department, City of Sunnyvale, 650 West Olive Avenue, Sunnyvale, CA 94086. The City will implement GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in next fiscal year.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

Annual OPEB Cost and Net OPEB Assets

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's Net OPEB Obligation:

Annual Required Contribution, Fiscal Year 2017		\$	8,135,000
Interest on Net OPEB Obligation			(370,000)
Amortization of Net OPEB Obligation			387,000
Annual OPEB Cost			<u>8,152,000</u>
Contributions			
Trust Pre-Funding	\$	(4,243,000)	
Benefit Payments Outside of Trust		<u>(5,599,000)</u>	<u>(9,842,000)</u>
Increase (Decrease) in Net OPEB Obligation			(1,690,000)
Net OPEB Obligation (Asset)-Beginning of Year			(5,695,000)
Net OPEB Obligation (Asset)-End of Year			<u><u>\$ (7,385,000)</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset) Obligation
6/30/2015	\$ 9,754,000	\$ 10,150,000	104.1%	\$ (3,811,000)
6/30/2016	7,940,000	9,824,000	123.7%	(5,695,000)
6/30/2017	8,152,000	9,842,000	120.7%	(7,385,000)

Funded Status

The funded status of the plan, as of June 30, 2016, the date of the most recent valuation for funding purpose, is presented below:

	Actuarial Valuation 6/30/2016
Actuarial Accrued Liability (AAL)	<u>\$ 158,481,000</u>
Actuarial Value of Plan Assets	<u>(72,784,000)</u>
Unfunded Actuarial Accrued Liability (UAAL)	85,697,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	45.9%
Covered Payroll (Active Plan Participants)	\$ 87,488,000
UAAL as a Percentage of Covered Payroll	98.0%

The OPEB Trust has been receiving contributions since fiscal year 2011. The fair value of the City's OPEB Trust assets was \$83,044,059 as of June 30, 2017.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial value of assets was determined using techniques that spread the effects of investment gains and losses over a five-year rolling period, resulting in not less than 80% nor more than 120% of market value.

The fiscal year 2017 required employer contribution was determined as part of the June 30, 2016 valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 6.50% investment rate of return (net of administrative expenses) and a 3% general inflation assumption. Premiums were assumed to increase with a pre-Medicare medical cost increase rate of 6.5% for 2018, grading down to 5% for 2021 and thereafter. The post-Medicare medical cost increase rates were 6.7% for 2018, grading down to 5% for 2021 and thereafter. The initial (projected June 30, 2007 UAAL for 2007/08 ARC) UAAL was amortized as a level percentage of projected payroll over a fixed (closed) 30-year period. The amortization period decreases by one year each fiscal year, but not less than 15 years. When the amortization period reaches 15 years, experience gains and losses will be amortized over fixed (closed) 15-year periods and plan and assumption changes will be amortized over fixed (closed) 20 year periods. There were 20 years remaining for projected UAAL as of June 30, 2017.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

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	\$ 8,576	(1)
	Nonmajor Governmental	118,604	(3)
	Internal Service - General Services	349,973	(1), (3)
	Water Supply and Distribution	28,702	(1)
	Wastewater Management	1,332,961	(3)
	Solid Waste Management	686,389	(3)
	Development	152,733	(1)
	Subtotal - General Fund	2,677,938	
City Projects	General Fund	592,840	(1)
	Park Dedication Special Revenue	122,222	(1)
	Nonmajor Governmental	590,222	(1)
	Subtotal - City Projects	1,305,284	
Nonmajor Governmental	General Fund	1,670,464	(3)
	Park Dedication Special Revenue	2,557,859	(1)
	City Projects	71,873	(1)
	Nonmajor Governmental	1,672,072	(1)
	Internal Service - General Services	964,384	(4)
	Water Supply and Distribution	63,857	(4)
	Wastewater Management	58,075	(4)
	Solid Waste Management	56,302	(4)
	Subtotal - Nonmajor Governmental	7,114,886	
Internal Service	General Fund	1,265,410	(1)
	Park Dedication Special Revenue	877,861	(1)
	City Projects	9,533	(1)
	Nonmajor Governmental	476,159	(1)
	Water Supply and Distribution	546,096	(1)
	Wastewater Management	1,059,103	(1)
	Solid Waste Management	69,750	(1)
	Development	260,000	(1)
	Subtotal - Internal Service	4,563,912	
Water Supply and Distribution	Wastewater Management	859,439	(1)
Wastewater Management	Water Supply and Distribution	222,611	(1)
	Solid Waste Management	759	(1)
	Subtotal - Wastewater Management	223,370	
Solid Waste Management	General Fund	91	(1)
	Water Supply and Distribution	459	(1)
	Wastewater Management	177	(1)
	Subtotal - Wastewater Management	727	
SMaRT Station	Solid Waste Management	1,467,893	(2)
Golf and Tennis Operations	General Fund	850,000	(3)
Total Interfund Transfers		\$ 19,063,449	

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

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, 2017

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, 2017:

	Major Funds					Nonmajor Governmental Funds
	General Fund	Housing Special Revenue	Park Dedication Special Revenue	Employment Development Special Revenue	City Projects	
Fund Balances:						
Nonspendable:						
Inventories and Prepaid Items	\$ 609,871	\$ -	\$ -	\$ 50	\$ -	\$ -
Long-term Receivables Net of Deferred						
Inflows of Resources	5,332,687	-	-	-	-	-
Assets Held for Resale	1,101,077	280,000	-	-	-	-
Permanent Fund Principal	-	-	-	-	-	1,600,451
Columbia Neighborhood Center Endowment	510,217	-	-	-	-	-
Subtotal	7,553,852	280,000	-	50	-	1,600,451
Restricted for:						
Donations and Contributions from External Sources	900,853	-	-	-	-	-
Hazardous Materials Program Enforcement Actions	515,819	-	-	-	-	-
Housing Mitigation	-	62,530,608	-	-	-	-
Housing - CDBG and HOME Grants	-	-	-	-	-	21,157,036
Low and Moderate Income Housing Assets	-	-	-	-	-	14,295,204
Park Dedication	-	-	64,107,487	-	-	-
Law Enforcement - Asset Forfeiture Funds	-	-	-	-	-	374,796
Police Services Augmentation	-	-	-	-	-	21,368
Workforce Training and Development	-	-	-	424,888	-	-
Downtown Parking Maintenance	-	-	-	-	-	482,701
Public Street and Highways	-	-	-	-	-	5,415,526
Debt Service Reserve	1,307,184	-	-	-	-	1,079,281
Capital Projects Funded by External Resources	-	-	-	-	51,438,746	-
Subtotal	2,723,856	62,530,608	64,107,487	424,888	51,438,746	42,825,912
Committed to:						
Contingency Reserve	22,604,606	-	-	-	-	-
Capital Improvement Projects	17,865,031	-	-	-	-	-
Current Capital Projects Carryover	17,275,945	-	-	-	-	-
Subtotal	57,745,582	-	-	-	-	-
Assigned to:						
Infrastructure Renovation and Improvement Projects	-	-	-	-	-	14,886,369
Unassigned, Reported in						
General Fund	60,978,795	-	-	-	-	-
TDA Fund	-	-	-	-	-	(5,393)
Total	\$ 129,002,085	\$ 62,810,608	\$ 64,107,487	\$ 424,938	\$ 51,438,746	\$ 59,307,339

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, 2017

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. Amounts in excess of nonspendable, restricted, and committed fund balances in funds other than the General Fund are reported as assigned 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

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

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.

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 2017 adopted budget, the Contingency Reserve was identified and set aside for the designated purpose in the amount of \$22,604,606.

The General Fund Reserve for Capital Improvement Projects primarily reflects the proceeds of \$22.7 million from land sales between fiscal year 2006 and fiscal year 2016. Such proceeds have been used for specific capital improvement projects as approved by the Council. During this fiscal year, this reserve was drawn down by \$0.1 million for the Lakewood Branch Library project. The reserve balance at year end was \$17,865,031, 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 \$17,275,945 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 2017, this Fund had a balance of \$60,978,795. This Fund is classified as unassigned resources.

Explanation of Fund Balance Requirements Other than the General Fund:

For the Housing Special Revenue Fund, the restricted amount of \$62,530,608 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 \$64,107,487 is for the purpose of acquisition, construction, or renovation of neighborhood parks.

For the Employment Development Special Revenue Fund, the restricted amount of \$424,888 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 Major Fund, total fund balance was \$51,438,746, which represents the restricted resources from grants and impact fees.

For the Nonmajor Governmental Funds, the amount of \$14,886,369 represents resources assigned to uncompleted projects accounted for in the Infrastructure Renovation and Improvement Nonmajor Fund.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

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).

The RSA is governed by an 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. 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.

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.

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 Redevelopment Successor Agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The City has two private 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

Notes to the RSA Private-Purpose Trust Fund Financial Statements for the Year Ended June 30, 2017:

A. Deposits and investments

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

Enforceable Obligations Purposes	Amounts Advanced to Cover the Period 7/1/17-12/31/17	Unspent Amounts from Prior Advances	Total RPTTF Held at 6/30/17
Central Core Tax Allocation Bonds Debt Service	\$ 543,921	\$ 7,088	\$ 551,009
Fiscal Agent Trustee Fees	2,500	4,990	7,490
Town Center Pollution Remediation Obligations	69,000	299,053	368,053
Town Center Development Agreement Management	40,000	50,180	90,180
Low and Moderate Income Housing Asset Fund Repayment	1,941,611	-	1,941,611
Administration Funded by RPTTF	125,000	56,578	181,578
RPTTF Managed by the City for the RSA	<u>\$ 2,722,032</u>	<u>\$ 417,889</u>	<u>\$ 3,139,921</u>

In June 2017, the County distributed the amount of \$2,801,267 to the RSA based on the Certified Recognized Obligation Payment Schedule (ROPS) submitted for the period from July to December of 2017 and for a prior period overspent amount of \$79,235 in the Town Center Project Management for negotiating the transfer and sale of the Project.

At year end deposits and investments totaling \$616,398 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued****B. Receivables**

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

To Collect from	Amount
RPTTF (Reimbursement Obligation to City-1998 Parking Facility COP-pending appeal and final court decision)	\$ 5,051,503
Interest Receivable	3,923
Total Receivables	<u>\$ 5,055,426</u>

The City's position on certain obligations of the former RDA is not a position of settled law and there is considerable legal uncertainty regarding the outcome. The Court declined to rule on the Amended and Restated Reimbursement Agreement for repayment of lease payments made by the City for the 1998 Parking Facility Certificates of Participation debt service. The Court's decision on the RSA's receivables is pending on appeal by the Successor Agency.

Beginning with the third ROPS, which covered the period from January to June of 2013, the State Department of Finance denied the Sunnyvale 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 \$5,051,503 represents the unreimbursed debt service payments by the City's General Fund.

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 \$98,282 included unpaid invoices for legal and financial services at fiscal year end.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

E. Accrued Interest Payable

As of June 30, 2017, interest expense of \$57,434 was accrued on the 2003 Tax Allocation Bonds.

F. Noncurrent Liabilities

Description	Balance, June 30, 2016	Additions	Reductions	Balance, June 30, 2017	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	\$ 3,625,000	\$ -	\$ (460,000)	\$ 3,165,000	\$ 475,000	\$ 2,690,000
Contractual Obligations under the 2016 MRADDOP A:						
Town Center Public Improvement Obligations to Developer	13,538,006	-	(13,538,006)	-	-	-
Town Center Pollution Remediation Obligations to Developer	906,750	-	(136,589)	770,161	138,000	632,161
Payable to the Low and Moderate Income Housing Asset Fund	14,234,679	-	(1,149,558)	13,085,121	1,941,611	11,143,510
Former RDA Obligations Due to the City	25,450,746	1,765,933	-	27,216,679	-	27,216,679
Total Governmental Activities	\$ 57,755,181	\$ 1,765,933	\$ (15,284,153)	\$ 44,236,961	\$ 2,554,611	\$ 41,682,350

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	\$ 3,165,000	A2	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, 2017**NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued**

The debt service requirements for the bonds at June 30, 2017 were as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 475,000	\$ 128,044	\$ 603,044
2019	495,000	107,729	602,729
2020	515,000	86,138	601,138
2021	535,000	63,295	598,295
2022	560,000	38,925	598,925
2022-2023	585,000	13,163	598,163
Total	\$ 3,165,000	\$ 437,294	\$ 3,602,294

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()(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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

Elimination of Town Center Public Improvement Obligation to Developer

As part of the ADDOPA on August 2, 2010, the former Redevelopment Agency agreed to return to the developer up to \$4.5 million per year starting in fiscal year 2004 through fiscal year 2026 of tax increment equal to all of the new project-generated secured property tax plus 50% of any receipts above this amount, in return for construction by the developer of public streets and underground parking. No payment would be due until the Developer reached the Minimum Project TIF (tax increment financing) Date. The Minimum Project TIF Date was determined as the date on which the following have occurred: (1) Completion of no less than 150,000 square feet of the retail portion of the Project, as evidenced by final City building permit and inspection, and evidence of execution of leases with retail tenants for said 150,000 square feet providing for tenant's construction of tenant improvements and (2) completion of the Redwood Plaza Area.

At last fiscal year end, the liability to the Developer was calculated to be \$13,538,006. The 2016 MRADDOPA has completely eliminated such an obligation, which was reported as a Special Item – Reduction of Liability to Developer.

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.

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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

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 \$1,095,279 have been incurred since the RDA dissolution, including \$136,589 in this year. At year end the estimated remaining obligations are \$770,161.

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.

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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

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, 2017, the remaining amount of the LMIHAF obligation was \$13,085,121 which will be reduced by \$1,941,611 on July 1, 2017, 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, 2017

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 a “repayment schedule” will be interpreted under the implementation of SB 107 is still pending and will ultimately effect whether any reestablished loan of the former RDA can be revitalized for repayment.

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. According to 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. The “1977 Loan” met the definition of an enforceable obligation” under Health and Safety Code Section 34171(d)(2) and therefore the interest rate should not have been modified. However, under the current uncertain circumstances, the City applied conservatism and recalculated the loan balance for only the Reentered Agreement at three percent.

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 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued**

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

Description	1977 Loan & Reentered Agreement	Administrative Loan	Plaza Loan	Total
Loan Balance at LAIF Rates as of 6/30/2016	\$ 4,054,727	\$ 19,828,519	\$ 1,567,500	\$ 25,450,746
City Advance for 1998 COP Debt Service in Fiscal Year 2017	1,200,750	-	-	1,200,750
Interest Accrued 7/1/2016 - 6/30/2017	140,145	420,538	4,500	565,183
Loan Balance at 3% Simple as of 6/30/2017	<u>\$ 5,395,622</u>	<u>\$ 20,249,057</u>	<u>\$ 1,572,000</u>	<u>\$ 27,216,679</u>

Since repayment of the loans cannot be expected until the due process is complete, the loan balance of \$27,216,679 was reported in the General Fund as a receivable “Advances to Redevelopment Successor Agency Trust Fund.” This receivable was offset by reporting an equal amount of “Deferred Inflows of Resources,” leaving no effect on the calculation of the General Fund’s fund balance.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

At the time of issuing this financial report, the determination on certain enforceable obligations was still pending. Items challenged by the State are whether the 1977 Loan Repayment Agreement and the repayment of the Certificates of Participation (COPs) qualify as enforceable obligations.

The 1977 Loan Repayment Agreement and the repayment of COPs meet the requirements of the Health and Safety Code Section 34171 (d)(2) and are enforceable obligations for the following reasons:

- The Repayment Contract is a written agreement entered into between the City and the Redevelopment Agency on May 1, 1977 (prior to December 31, 2010) at the time of issuance of the Lease Revenue Bonds (which have been refinanced as Certificates of Participation (COPs)) for the purpose of repaying the bonds/COPs, and is an enforceable obligation under Health and Safety Code Section 34171 (d) (2).
- The Redevelopment Agency's indebtedness obligations meet the definition of Section 34171 (e) allowing for bonds, notes, certificates of participation, or other evidence of indebtedness.
- The obligation was issued or delivered by the Redevelopment Agency to third-party investors and bondholders in order to finance and refinance the project (parking structure).
- The bonds were used for purposes of constructing a parking structure to serve the Town Center Project pursuant to the Disposition and Development Agreement in compliance with Community Redevelopment Law (Health and Safety Code Section 33445).

Additionally, the 1977 Loan Repayment Agreement was entered into for the sole purpose of securing or repaying the indebtedness obligation.

- The agreement repays the City for all contributions that secured the financial indebtedness obligations of the Redevelopment Agency under the Disposition and Development Agreement.
- The agreement secured the financing obligation of the Redevelopment Agency, which then allowed the Agency to issue the Lease Revenue Bonds and Certificates of Participation and undertake the project.
- The Agreement repays the City for all rental payments made that were secured under project leases and are equal to the debt service payments made by the Redevelopment Agency on the Lease Revenue Bonds and Certificates of participation.

After the dissolution of the Redevelopment Agency, the Oversight Board authorized the Successor Agency to execute an Amended and Restated Reimbursement Agreement, dated April 24, 2012, which specifically referred to the COPs, to restate and update the existing 1977 Repayment Agreement, as authorized by HSC Section 34178 (a).

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

On May 23, 2013, the Successor Agency filed suit challenging the State Department of Finance's determination that the City is not entitled to reimbursement for all payments related to the financing of parking facilities for the Town Center project. In response to this petition, on September 4, 2013, Santa Clara County Counsel on behalf of two affected taxing entities (the County Office of Education and Fremont Union High School District) filed a counter lawsuit against the Successor Agency, the City and the State Department of Finance. Included in the lawsuit, County Counsel included a court order to invalidate a \$3.9 million approved payment made to the City on January 31, 2012, prior to the dissolution of the Redevelopment Agency. Both lawsuits share the same legal questions and facts, and a "Notice of Related Cases" was filed to coordinate the two Lawsuits and were heard in April 2014.

The Redevelopment Successor Agency received a demand letter on October 9, 2013 from the State Department of Finance ordering the Agency to remit \$10 million in past payments that were made to the City prior to the dissolution of the Redevelopment Agency. These payments are related to the lawsuit filed by the Redevelopment Successor Agency. Since the State Department of Finance's determination on past payments contradicts the findings of the Due Diligence Review and the State Controller's Asset Transfer Review, which both determined that all payments made by the Redevelopment Agency to the City during this period were allowable, the Agency/City did not remit the funds.

On July 8, 2014, the Sacramento County Superior Court issued its ruling on the two related cases. In summary, the rulings:

1. Denied the City reimbursement of the 1977 Loan Repayment Agreement;
2. Declined ruling on the Amended and Restated Reimbursement Agreement; and
3. Retroactively invalidated \$13.9 million in repayments legally made to the City.

The Court's decision is pending on appeal by the Redevelopment Successor Agency.

On September 8, 2014, the State Department of Finance adjusted their demand letter to \$13.9 million to reflect the Court's decision. The Redevelopment Successor Agency transmitted principal and interest totaling \$14,176,939 to the County of Santa Clara on December 18, 2015.

On December 23, 2015, the State Department of Finance notified the Successor Agency that the finding of completion has been granted.

Notes to the Basic Financial Statements, Concluded
Fiscal Year Ended June 30, 2017

NOTE 21 – Restatement of Fiduciary Fund’s Beginning Net Position

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

On July 1, 2016, the Plan adopted GASB Statement No. 74 and restated its net position to record beginning assets of \$71,309,091 and beginning liabilities of \$31,931.

The financial transactions of this Trust were reported in the Other Postemployment Benefit Trust Fund under the City’s fiduciary funds.

The following schedule presents the cumulative effect of this accounting change:

Fiduciary Fund Financial Statements	Fund Balance, Originally Stated, June 30, 2016	Adjustments	Fund Balance, Restated, June 30, 2016
Other Postemployment Benefit Trust Fund	\$ -	\$ 71,277,160	\$ 71,277,160

Required Supplementary Information (Unaudited)

Required Supplementary Information
Fiscal Year Ended June 30, 2017

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, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive(Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2016	\$97,591,471	\$119,472,757	\$119,472,757	\$ -
Resources (inflows):				
Property Taxes	62,777,052	67,335,066	66,608,795	(726,271)
Sales and Use Taxes	33,334,799	33,047,146	31,029,332	(2,017,814)
Other Taxes	26,714,557	29,963,109	32,232,050	2,268,941
Franchise Fees	7,153,717	7,153,717	7,117,732	(35,985)
Intergovernmental Revenues	624,136	1,026,270	1,119,567	93,297
Permits and Licenses	1,314,179	1,314,179	1,286,572	(27,607)
Fines and Forfeitures	999,943	999,943	1,199,253	199,310
Service Fees	5,512,741	5,512,741	6,575,050	1,062,309
Rents and Concessions	1,446,444	1,374,886	1,422,637	47,751
Investment Earnings	831,032	831,032	1,201,019	369,987
Interfund Revenues	7,349,045	7,349,045	7,349,044	(1)
Other Revenues ¹	11,506,062	38,234,712	697,840	(37,536,872)
Transfers In	11,372,302	11,761,703	11,600,502	(161,201)
Total Resources	170,936,009	205,903,549	169,439,393	(36,464,156)
Charges to appropriations (outflows):				
City Attorney	1,463,589	1,463,589	1,436,747	26,842
City Manager	5,836,609	5,836,609	5,580,351	256,258
Community Development	1,154,542	1,154,542	1,098,205	56,337
Finance	8,936,029	8,936,029	8,924,061	11,968
Human Resources	4,588,585	4,588,585	4,380,586	207,999
Library and Community Services	17,763,743	17,764,643	17,274,043	490,600
Public Safety	86,419,052	86,519,052	84,336,803	2,182,249
Public Works	20,088,245	20,293,151	20,685,491	(392,340)
Non-Departmental	-	-	23,887	(23,887)
Capital Outlay and Special Projects	13,916,693	21,771,995	10,581,151	11,190,844
Debt Service	1,207,710	1,207,710	1,203,910	3,800
Transfers Out	6,450,800	22,098,729	6,031,240	16,067,489
Total charges to appropriations	167,825,597	191,634,634	161,556,475	30,078,159
Excess of resources over (under) charges to appropriations	3,110,412	14,268,915	7,882,918	(6,385,997)
Net amount of resources in nonspendable form converted from cash during the year ²	-	-	(1,308,848)	(1,308,848)
Budgetary Fund Balance, June 30, 2017	\$ 100,701,883	\$ 133,741,672	\$ 126,046,827	\$ (7,694,845)

¹ City property sales totaling \$37.6 million did not materialize during this fiscal year.

² Nonspendable resources include inventory and prepayments, asset held for resale, and long-term loans to employees.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2017

BUDGETARY POLICY AND CONTROL, Continued

Budgetary Comparison Schedule - Housing Special Revenue Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2016	\$ 16,419,791	\$ 24,031,156	\$ 24,031,156	\$ -
Resources (inflows):				
Intergovernmental Revenues	-	-	1,000	1,000
Service Fees	9,030,047	2,475,134	6,258,127	3,782,993
Rents and Concessions	18,804	-	-	-
Interest Income	172,371	187,192	240,006	52,814
Other Revenues	467,452	1,120,776	1,081,015	(39,761)
Total Resources	9,688,674	3,783,102	7,580,148	3,797,046
Charges to appropriations (outflows):				
Community Development	838,974	838,974	736,945	102,029
Capital Outlay and Special Projects	6,626,183	10,374,137	3,368,413	7,005,724
Transfers Out	322,313	373,105	322,313	50,792
Total charges to appropriations	7,787,470	11,586,216	4,427,671	7,158,545
Excess of resources over (under) charges to appropriations	1,901,204	(7,803,114)	3,152,477	10,955,591
Budgetary Fund Balance, June 30, 2017	\$ 18,320,995	\$ 16,228,042	\$ 27,183,633	\$ 10,955,591

Budgetary Comparison Schedule – Park Dedication Special Revenue Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2016	\$ 33,355,660	\$ 46,933,070	\$ 46,933,070	\$ -
Resources (inflows):				
Service Fees	22,291,133	18,320,933	20,493,702	2,172,769
Interest Income	457,392	457,392	494,680	37,288
Total Resources	22,748,525	18,778,325	20,988,382	2,210,057
Charges to appropriations (outflows):				
Transfers Out	9,875,991	24,986,655	3,557,941	21,428,714
Total charges to appropriations	9,875,991	24,986,655	3,557,941	21,428,714
Excess of resources over (under) charges to appropriations	12,872,534	(6,208,330)	17,430,441	23,638,771
Budgetary Fund Balance, June 30, 2017	\$ 46,228,194	\$ 40,724,740	\$ 64,363,511	\$ 23,638,771

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2017

BUDGETARY POLICY AND CONTROL, Continued

Budgetary Comparison Schedule - Employment Development Special Revenue Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Budgetary Fund Balance, July 1, 2016	\$ 295,130	\$ 162,478	\$ 162,478	\$ -
Resources (inflows):				
Intergovernmental Revenues	10,500,000	11,000,000	10,370,128	(629,872)
Service Fees	-	-	17,240	17,240
Other Revenues	-	-	268,997	268,997
Total Resources	10,500,000	11,000,000	10,656,365	(343,635)
Charges to appropriations (outflows):				
Employment Development	10,055,000	10,545,460	10,022,520	522,940
Transfers Out	445,000	454,540	371,384	83,156
Total charges to appropriations	10,500,000	11,000,000	10,393,904	606,096
Excess of resources over (under) charges to appropriations	-	-	262,461	262,461
Budgetary Fund Balance, June 30, 2017	\$ 295,130	\$ 162,478	\$ 424,939	\$ 262,461

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2017

BUDGETARY POLICY AND CONTROL, Continued

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

Sources/Inflow of Resources:	General Fund	Housing Fund	Park Dedication Fund	Employment Development Fund
Actual amounts (budgetary basis) of "total resources" from the budgetary comparison schedule	\$ 169,439,393	\$ 7,580,148	\$ 20,988,382	\$ 10,656,365
Differences - Budget to GAAP				
Loan principal repayments are a budgetary resource but are not revenues for financial reporting purposes	-	(209,812)	-	-
Change in fair value of investments is not a budgetary resource	(605,843)	(122,195)	(348,155)	-
Change in allowance for housing loans is not a budgetary resource	-	(65,790)	-	-
Housing loan assumption	-	130,913	-	-
GAAP Reporting Entity Differences:				
- Internal Agency Fund not budgeted in the General Fund	432,204	-	-	-
- Youth and Neighborhood Services not budgeted in the General Fund	243,133	-	-	-
Sinking fund payment to Internal Agency Fund not included for financial reporting	(11,087)	-	-	-
Timing difference for recognition of revenue which has been deferred for financial reporting purposes - Armory ground lease	82,222	-	-	-
- Public Safety sales tax net adjustment	(12,352)	-	-	-
Transfers from other funds for administrative reimbursements are inflows of budgetary resources but are expenditure reductions for financial reporting	(10,902,444)	-	-	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(2,677,938)	-	-	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 155,987,288</u>	<u>\$ 7,313,264</u>	<u>\$ 20,640,227</u>	<u>\$ 10,656,365</u>
Uses/Outflows of Resources				
Actual amounts (budgetary basis) of "total charges to appropriations" from the budgetary comparison schedule	\$ 161,556,475	\$ 4,427,671	\$ 3,557,941	\$ 10,393,904
Differences - Budget to GAAP				
GAAP Reporting Entity Differences:				
- Internal Agency Fund not budgeted in the General Fund	254,714	-	-	-
- Youth and Neighborhood Services is not budgeted in the General Fund	243,133	-	-	-
Unbudgeted activity - Multimodal Sinking Fund is not budgeted in the General Fund	(11,087)	-	-	-
Loan disbursements are outflows of budgetary resource but are not expenditures for financial reporting purposes	-	(3,368,413)	-	-
Transfers from other funds for administrative reimbursements are inflows of budgetary resources but are expenditure reductions for financial reporting	(10,902,444)	-	-	-
Transfer to establish a separate Redevelopment Housing Fund is an outflow of budgetary resources but is not an expenditure for financial reporting purposes	-	(244,503)	-	-
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(4,378,804)	-	(3,557,941)	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 146,761,987</u>	<u>\$ 814,755</u>	<u>\$ -</u>	<u>\$ 10,393,904</u>

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2017

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, 2017

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 14, 2016 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, added transportation staff costs, and additional street tree services provided, resulted in four of six program costs to exceed appropriation. In particular, the Neighborhood Parks and Open Space Management program's overage was contributed by sharp increases in water rates, comprised of increases approximating 500% in water meter use fees and 40% in water consumption rates.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2017

Notes to the Budgetary Comparison Schedule, Continued

3. Budgetary Highlights

The General Fund

The General Fund original appropriations budget (outflows) of \$167,825,597 was modified during the fiscal year to incorporate project carryovers of \$5,586,782, equipment carryover of \$360,327, transfer carryover of \$11,948,583, unanticipated expenditures of \$6,617,889 and a reduction of \$704,544 for projects which were closed out. The new appropriations during the fiscal year were for various unanticipated expenditures, including \$2,612,738 for projects, \$305,806 for operating, and \$3,699,345 for transfers to other funds. Of significance, \$1,350,000 of the additional transfer was to fund the Civic Center Modernization project and \$1,210,455 to fund the Sidewalk, Curb, and Gutter Replacement project. Funding sources for these amendments included grant revenues, General Fund savings due to other funding sources, General Fund reserves, and savings from projects and transfers which did not require their full appropriation.

Estimated inflows of resources of the General Fund were also amended during the fiscal year by a total of \$34,967,540 due to unanticipated receipt of grant funds and mid-year budgetary adjustments. Of the total increase, estimated revenues and transfer carryovers for projects were \$382,757. Resources for projects, primarily from grants, other contributions and transfers, in the amount of \$383,428 were secured during the fiscal year. The mid-year budget revenue adjustments were part of the budget development process to more appropriately reflect the actual trends based upon year-to-date information. Estimated revenue adjustments increased anticipated resources by \$34,201,355, primarily for sale of property at \$26,690,000 and the remaining consisting of property and other taxes.

The Housing Special Revenue Fund

The City's Housing Fund original appropriation budget of \$7,787,470 was increased during the fiscal year by \$3,798,746. The modification included project appropriation carryovers of \$914,954, a transfer carryover of \$50,792, and new appropriations of \$2,833,000. The new appropriations funded a loan of \$2,430,000 for construction of new affordable housing and \$403,000 to fund the rehabilitation of an affordable rental complex, Stoney Pine Villa Apartments.

The Park Dedication Special Revenue Fund

The original appropriation budget of the City's Park Dedication Fund was \$9,875,991 and was modified during the fiscal year to bring it to the final budget of \$24,986,655. The increase of \$15,110,664 included project appropriation carryovers of \$12,830,528 and new appropriations of \$2,280,136. Of the new appropriations, \$1,744,900 was to fund the Community Center Infrastructure Project, \$250,850 to fund renovations at three parks, and \$284,386 to fund renovations to the swimming pool at Columbia Middle School.

The Employment Development Special Revenue Fund

The \$10,500,000 budget of the City's Department of Employment Development (DED) was increased by \$500,000 during the year to reflect actual Workforce Innovation and Opportunity Act funding allocations and competitive grant awards.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2017

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 2017 for fiscal year 2017. 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	13.8%
Very Good	27.2%
Good	31.4%
Fair	19.2%
At Risk	6.7%
Poor	1.6%
Failed	0.0%

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2017**MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued**

While the 2017 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 within five years 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 other 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 \$3,966,964 on street maintenance for the fiscal year ended June 30, 2017. 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.

Fiscal Year	Maintenance Estimate	Actual Expenditures	Average PCI Index
2012-2013	\$ 10,095,000	\$ 6,126,000	79
2013-2014	10,172,000	8,251,000	78
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

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.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2017

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	2016	2015	2014
TOTAL PENSION LIABILITY			
Service Cost	\$ 9,680,984	\$ 9,957,430	\$ 10,186,565
Interest on Total Pension Liability	38,249,412	36,727,690	35,343,753
Changes of Assumptions	-	(8,859,441)	-
Difference Between Expected and Actual Experience	(2,309,130)	(4,993,806)	-
Benefit Payments, Including Refunds of Employee Contributions	(24,937,993)	(23,753,937)	(21,670,122)
Net Change in Total Pension Liability	20,683,273	9,077,936	23,860,196
Total Pension Liability – Beginning	509,929,954	500,852,018	476,991,822
Total Pension Liability – Ending (a)	\$ 530,613,227	\$ 509,929,954	\$ 500,852,018
PLAN FIDUCIARY NET POSITION			
Contributions – Employer	\$ 14,617,203	\$ 13,259,494	\$ 13,538,441
Contributions – Employee	4,584,629	4,498,949	4,900,096
Net Investment Income	474,899	8,380,085	56,229,060
Benefit Payments, Including Refunds of Employee Contributions	(24,937,993)	(23,753,937)	(21,670,122)
Plan to Plan Resource Movement	579	(288)	-
Administrative Expense	(227,308)	(419,766)	-
Net Change in Fiduciary Net Position	(5,487,991)	1,964,537	52,997,475
Plan Fiduciary Net Position – Beginning	372,974,401	371,009,864	318,012,389
Plan Fiduciary Net Position – Ending (b)	\$ 367,486,410	\$ 372,974,401	\$ 371,009,864
Plan Net Pension Liability – Ending (a) - (b)	\$ 163,126,817	\$ 136,955,553	\$ 129,842,154
Plan Fiduciary Net Position as a Percentage of the Total Pension Liabilit	69.26%	73.14%	74.08%
Covered-Employee Payroll ⁴	\$ 55,959,435	\$ 56,387,283	\$ 54,657,753
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	291.51%	242.88%	237.55%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date.

³ Changes of Assumptions: There were no changes in 2016. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

⁴ Covered payroll represents the payroll on which contributions to the pension plan are based.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2017

PENSION PLANS, Continued

City of Sunnyvale Miscellaneous Plan
Schedule of Plan Contributions for the Fiscal Years Ended June 30
Last 10 Years¹

	Fiscal Year 2017²	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Actuarially Determined Contribution (ARC)	\$ 15,147,763	\$ 13,917,203	\$ 12,759,494	\$ 11,511,570
Contributions in Relation to the Actuarially Determined Contributions	(15,147,763)	(14,617,203)	(13,259,494)	(13,538,441)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (700,000)</u>	<u>\$ (500,000)</u>	<u>\$ (2,026,871)</u>
Covered-Employee Payroll ³	\$ 59,134,119	\$ 55,959,435	\$ 56,387,283	\$ 54,657,753
Contributions as a Percentage of Covered Payroll	25.62%	26.12%	23.52%	24.77%

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.

For the fiscal year ended June 30, 2017, the City exercised the annual lump sum prepayment option and prepaid the required employer contribution in July 2016.

³ GASB 82 defines covered payroll as the payroll on which contributions to a pension plan are based.

⁴ The actuarial methods and assumptions used to determine the fiscal year 2017 contribution rates are as follows:

Valuation date	6/30/2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.5% (net of administrative expense)
Projected Salary Increase	3.3%-14.20% depending on age, service and type of employment
Inflation	2.75%
Payroll Growth	3%
Mortality	Derived using CalPERS membership data for all funds.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2017

PENSION PLANS, Continued

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	2016	2015	2014
TOTAL PENSION LIABILITY			
Service Cost	\$ 9,135,944	\$ 8,771,544	\$ 9,513,550
Interest on Total Pension Liability	36,805,665	35,349,092	33,899,709
Changes of Assumptions	-	(8,685,061)	-
Difference Between Expected and Actual Experience	(182,810)	(1,105,115)	-
Benefit Payments, Including Refunds of Employee Contributions	(25,948,338)	(24,211,372)	(22,125,777)
Net Change in Total Pension Liability	19,810,461	10,119,088	21,287,482
Total Pension Liability – Beginning	489,708,809	479,589,721	458,302,239
Total Pension Liability – Ending (a)	\$ 509,519,270	\$ 489,708,809	\$ 479,589,721
PLAN FIDUCIARY NET POSITION			
Contributions – Employer	\$ 12,634,254	\$ 11,312,835	\$ 12,221,414
Contributions – Employee	3,911,682	3,970,442	3,689,599
Net Investment Income	489,200	7,812,498	54,102,751
Benefit Payments, Including Refunds of Employee Contributions	(25,948,338)	(24,211,372)	(22,125,777)
Plan to Plan Resource Movement	(579)	202	-
Administrative Expense	(214,779)	(396,404)	-
Net Change in Fiduciary Net Position	(9,128,560)	(1,511,799)	47,887,987
Plan Fiduciary Net Position – Beginning	352,415,022	353,926,821	306,038,834
Plan Fiduciary Net Position – Ending (b)	\$ 343,286,462	\$ 352,415,022	\$ 353,926,821
Plan Net Pension Liability – Ending (a) - (b)	\$ 166,232,808	\$ 137,293,787	\$ 125,662,900
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.37%	71.96%	73.80%
Covered-Employee Payroll ⁴	\$ 31,449,031	\$ 29,886,011	\$ 31,473,683
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	528.58%	459.39%	399.26%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date.

³ Changes of Assumptions: There were no changes in 2016. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

⁴ Covered payroll represents the payroll on which contributions to the pension plan are based.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2017

PENSION PLANS, Continued

City of Sunnyvale Safety Plan
Schedule of Plan Contributions for the Fiscal Years Ended June 30
Last 10 Years¹

	Fiscal Year 2017²	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Actuarially Determined Contribution (ARC)	\$ 13,837,982	\$ 11,934,254	\$ 10,812,835	\$ 10,310,729
Contributions in Relation to the Actuarially Determined Contributions	(13,837,982)	(12,634,254)	(11,312,835)	(12,221,414)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (700,000)</u>	<u>\$ (500,000)</u>	<u>\$ (1,910,685)</u>
Covered-Employee Payroll ³	\$ 32,260,186	\$ 31,449,031	\$ 29,886,011	\$ 31,473,683
Contributions as a Percentage of Covered Payroll	42.89%	40.17%	37.85%	38.83%

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.

For the fiscal year ended June 30, 2017, the City exercised the annual lump sum prepayment option and prepaid the required employer contribution in July 2016.

³ GASB 82 defines covered payroll as the payroll on which contributions to a pension plan are based.

⁴ The actuarial methods and assumptions used to determine the fiscal year 2017 contribution rates are as follows:

Valuation date	6/30/2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.5% (net of administrative expense)
Projected Salary Increase	3.3%-14.20% depending on age, service and type of employment
Inflation	2.75%
Payroll Growth	3%
Mortality	Derived using CalPERS membership data for all funds.

Required Supplementary Information, Concluded
Fiscal Year Ended June 30, 2017

OTHER POST-EMPLOYMENT BENEFITS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2012	\$39,228,000	\$115,859,000	\$76,631,000	33.9%	\$79,265,000	96.7%
6/30/2014	55,308,000	118,864,000	63,556,000	46.5%	83,089,000	76.5%
6/30/2016	72,784,000	158,481,000	85,697,000	45.9%	87,488,000	98.0%

*The implied subsidy was first included in the 6/30/16 actuarial valuation.

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Supplementary Information

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General Fund Budgetary Control

CITY OF SUNNYVALE**General Fund Appropriations****Budgetary Comparisons****June 30, 2017**

Description	Final Budget	Actual Expenditures	Variance Positive (Negative)
Equipment			
General Equipment	\$ 217,510	\$ -	\$ 217,510
Recreation Equipment	152,937	39,089	113,848
Public Safety Equipment	433,778	414,278	19,500
Total Equipment	804,225	453,367	350,858
Operating Programs			
City Attorney			
Comprehensive Legal Services	1,463,589	1,436,747	26,842
Total City Attorney	1,463,589	1,436,747	26,842
City Manager			
Office of the City Manager	5,836,609	5,580,351	256,258
Total City Manager	5,836,609	5,580,351	256,258
Community Development			
Planning	628,439	560,027	68,412
Community Development Department Management	526,103	538,178	(12,075)
Total Community Development	1,154,542	1,098,205	56,337
Finance			
Budget Management	962,286	734,486	227,800
Purchasing	1,511,931	1,606,603	(94,672)
Financial Management and Analysis	910,380	861,389	48,991
Accounting and Financial Services	2,015,360	2,115,495	(100,135)
Treasury Services	960,512	935,116	25,396
Utility Billing	2,575,560	2,670,972	(95,412)
Total Finance	8,936,029	8,924,061	11,968
Human Resources			
Human Resources	4,588,585	4,380,586	207,999
Total Human Resources	4,588,585	4,380,586	207,999
Library and Community Services			
Youth and Family Services	360,128	359,936	192
Library	8,730,564	8,528,599	201,965
Arts and Recreation Programs	8,673,951	8,385,508	288,443
Total Library and Community Services	17,764,643	17,274,043	490,600
			Continued

CITY OF SUNNYVALE**General Fund Appropriations****Budgetary Comparisons****June 30, 2017**

Description	Final Budget	Actual Expenditures	Variance Positive (Negative)
Public Safety			
Police Services	30,506,969	27,539,644	2,967,325
Fire Services	31,211,740	31,913,556	(701,816)
Community Safety Services	4,299,095	3,913,586	385,509
Personnel and Training	2,133,109	2,254,969	(121,860)
Investigation Services	4,861,829	4,830,271	31,558
Communication Services	4,192,385	4,124,104	68,281
Public Safety Administrative Services	5,770,381	6,381,601	(611,220)
Records Management and Property Services	2,103,318	2,014,420	88,898
Fire Prevention and Hazardous Material Services	1,440,226	1,364,652	75,574
Total Public Safety	86,519,052	84,336,803	2,182,249
Public Works			
Transportation and Traffic Services	2,526,491	2,607,190	(80,699)
Pavement Maintenance, Traffic Signs and Markings	4,042,699	3,979,179	63,520
Street Lights	1,261,318	1,289,101	(27,783)
Street Tree Services	2,025,975	2,060,925	(34,950)
Neighborhood Parks and Open Space Management	9,544,624	9,860,957	(316,333)
Public Works Administration	892,044	888,139	3,905
Total Public Works	20,293,151	20,685,491	(392,340)
Total Operating Programs	146,556,200	143,716,287	2,839,913
Transfers Out			
Capital Projects Fund-General Assets	4,386,411	592,840	3,793,571
General Services Fund - Fleet	58,752	37,220	21,532
General Services - Fund Tech & Communication Services	909,770	101,950	807,820
General Services Fund - Proj Mgmt Serv	402,979	326,240	76,739
Infrastructure Fund - General Assets	12,947,073	1,670,464	11,276,609
Liability and Property Insurance Fund	1,059,858	1,059,858	-
Youth and Neighborhood Services Fund	582,886	592,577	(9,691)
Community Recreation Fund - Golf	850,000	850,000	-
Employee Leave Benefits	800,000	800,000	-
Utilities Fund - Refuse	101,000	91	100,909
Total Transfers Out	22,098,729	6,031,240	16,067,489
Parking COP Lease Payments			
Financial Services	6,960	3,160	3,800
Lease Expenditure - Principal	860,000	860,000	-
Lease Expenditure - Interest	340,750	340,750	-
Total Lease Payments	1,207,710	1,203,910	3,800
Non-Departmental Expenditures			
Bad Debt Expense and Inventory Loss	-	23,887	(23,887)
Total Non-Departmental Expenditures	-	23,887	(23,887)

Continued

CITY OF SUNNYVALE**General Fund Appropriations****Budgetary Comparisons****June 30, 2017**

Description	Final Budget	Actual Expenditures	Variance Positive (Negative)
Projects			
<i>Infrastructure Projects</i>			
Illuminated Street Sign Replacement	129,280	718	128,562
Raynor Park Trash & Maintenance Building	414,080	-	414,080
<i>Outside Group Funding Projects</i>			
Leadership Sunnyvale [GF]	6,000	6,000	-
Outside Group Funding Support [GF]	135,000	134,507	493
Dispute Resolution Services	50,926	50,926	-
Iizuka Sister City Engagement Funding	10,000	2,220	7,780
<i>Capital Projects</i>			
Utility Undergrounding Cost Sharing	260,200	-	260,200
Minor Building Modifications	20,352	13,460	6,892
Tree Planting and Maintenance within the SNAIL Neighborhood	6,090	-	6,090
Garden Conference HVAC Improvements	2,450	-	2,450
Library LED Pilot Project	27,000	17,978	9,022
ADA Transition Plan	261,964	218,672	43,292
Fire Station 5 Improvements	47,556	36,437	11,119
Emergency Vehicle Traffic Signal Preemption	604,037	515,794	88,243
Grade Separation Caltrain Crossings at Mary Ave. Study Issue	729,794	79,471	650,323
Vision Zero Plan - Study Issue	183,476	8,621	174,855
<i>Special Projects</i>			
Library Foundation Program Grant	242,362	-	242,362
Maintenance of City Owned Properties - Downtown	41,312	18,186	23,126
Bicycle Map Revision	23,451	14,454	8,997
239 - 241 Commercial Street Property Maintenance	13,560	523	13,037
General Plan Updates	50,792	-	50,792
FY 14-15 Recruitment and Training for Sworn Officers	3,112,711	2,207,805	904,906
FY 15-16 Recruitment and Training for Sworn Officers	2,209,202	1,646,834	562,368
FY 16-17 Recruitment and Training for Sworn Officers	5,272,505	2,885,716	2,386,789
Town Center Construction - Public Works Services	190,925	57,404	133,521
Records Imaging and Voting System Upgrade	53,745	-	53,745
Land Use & Transportation Study	49,420	10,420	39,000
California Environmental Reporting System (CERS) Grant	19,802	4,000	15,802
Emergency Medical Dispatch First Responder Incentive Funding	160,185	11,418	148,767
Downtown Association	30,000	30,000	-
Council Set Aside	89,100	-	89,100
Lawrence Station Area Plan - Phase II	21,823	8,369	13,454
Comprehensive School Traffic Study	74,110	-	74,110
Peery Park Specific Plan and Environmental Impact Report	68,681	36,787	31,894
Financial System Replacement Project Support	2,414,501	395,296	2,019,205
EMS Patient Care Data System	52,383	17,823	34,560
Participate in NLC's Youth, Education and Family Council	10,000	-	10,000
Wolfe Road Corridor Traffic Improvement Study	43,062	10,712	32,350
Comprehensive Update of the Precise Plan for El Camino Real	461,646	132,339	329,307
Community Choice Aggregation Program	107,894	-	107,894
Climate Action Plan Implementation	476,117	103,510	372,607
Minimum Wage Enforcement Agreement	30,000	3,182	26,818

CITY OF SUNNYVALE**General Fund Appropriations****Budgetary Comparisons****June 30, 2017**

Description	Final Budget	Actual Expenditures	Variance Positive (Negative)
Recreation Fee Waiver	57,961	26,091	31,870
Fire Department Standards of Response Coverage Study	53,213	39,366	13,847
FY2015 Tobacco-Free Environment Study	8,278	8,278	-
Website Redesign	457,569	210,655	246,914
DPS Body Worn Cameras	400,000	393,602	6,398
Channel 26 Public Access Program	20,916	15,000	5,916
Electronic Records Management	80,000	-	80,000
Arts Master Plan	65,000	-	65,000
FY2015/16 OTS Selective Traffic Enforcement Program (STEP)	34,292	27,664	6,628
FY2015 Jag Byrne Memorial Grant	6,080	6,080	-
Annual State of the City	40,800	32,923	7,877
Stevens Creek Fish Passage Improvement Project	9,800	6,300	3,500
Electric Vehicle Charging Stations	10,460	10,460	-
Google-Funded Staff for Transportation	440,000	290,738	149,262
Fire Prevention (Non Hazmat) Technology Project	21,200	4,000	17,200
Fire Prevention (Hazmat) Technology Project	31,300	16,038	15,262
Utility Users Tax Voter Education	86,000	77,694	8,306
Office of Emergency Services	100,000	39,319	60,681
Maintenance of City Owned Properties - 1484 Kifer Road	12,240	12,240	-
Safe Routes to School Program	176,279	54,752	121,527
State 9-1-1 System Residual Funds	60,000	52,817	7,183
Silicon Valley Talent Partnership	3,000	3,000	-
Murphy Avenue Design Guidelines Comprehensive Update	25,000	14,491	10,509
Sustainability Speaker Series	25,500	6,438	19,062
FY2016 JAG	12,832	-	12,832
FY 16/17 OTS Step Grant PT 17128	63,445	37,016	26,429
Silicon Valley Healthy Aging Partnership	28,358	26,649	1,709
FY16/17 BSCC City Law Enforcement Grant	67,103	7,136	59,967
Sunnyvale Library Bike Mobile Project	5,650	4,107	1,543
Sale of City Property - 1050 & 1060 Innovation Way (Onizuka)	340,000	16,166	323,834
Sale of City Property - 1484 Kifer Road (Unilever)	15,000	6,182	8,818
AMD Grant Funds to Columbia Neighborhood Center	3,000	3,000	-
Total Projects	20,967,770	10,127,784	10,839,986
Total Appropriations	\$ 191,634,634	\$ 161,556,475	\$ 30,078,159

Concluded

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 ***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.

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.

Nonmajor Governmental Funds

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.

Capital Projects Funds are used to account for financial resources to be used for capital outlays involving major capital facilities.

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
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			
	Community Development Block Grant	HOME Grant	Low and Moderate Income Housing Asset	Asset Forfeiture
Assets:				
Deposits and Investments Held by City	\$ 653,914	\$ -	\$ 1,253,676	\$ 373,786
Deposits and Investments Held by Fiscal Agent	-	-	-	-
Receivables	-	1,015	6,228	1,960
Intergovernmental Receivables	131,902	767,962	-	-
Housing Deficits Receivable	-	-	13,085,121	-
Housing Loans Receivable	12,530,329	13,786,362	-	-
Total Assets	\$ 13,316,145	\$ 14,555,339	\$ 14,345,025	\$ 375,746
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 122,417	\$ 223,425	\$ 49,821	\$ 950
Due to Other Funds	10,062	299,055	-	-
Total Liabilities	132,479	522,480	49,821	950
Deferred Inflows of Resources	3,170,191	2,889,298	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	10,013,475	11,143,561	14,295,204	374,796
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	10,013,475	11,143,561	14,295,204	374,796
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,316,145	\$ 14,555,339	\$ 14,345,025	\$ 375,746

Continued

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Special Revenue

Police Services Augmentation	Parking District	Gas Tax	Transportation Development Act
\$ 20,360	\$ 490,963	\$ 5,286,763	\$ -
-	-	-	-
44	2,463	25,467	-
94,388	2,321	-	5,393
-	-	-	-
-	-	-	-
<u>\$ 114,792</u>	<u>\$ 495,747</u>	<u>\$ 5,312,230</u>	<u>\$ 5,393</u>
\$ 3,357	\$ 13,046		\$ -
-	-	-	5,393
<u>3,357</u>	<u>13,046</u>	<u>-</u>	<u>5,393</u>
<u>90,067</u>	<u>-</u>	<u>-</u>	<u>5,393</u>
-	-	-	-
21,368	482,701	5,312,230	-
-	-	-	-
-	-	-	(5,393)
<u>21,368</u>	<u>482,701</u>	<u>5,312,230</u>	<u>(5,393)</u>
<u>\$ 114,792</u>	<u>\$ 495,747</u>	<u>\$ 5,312,230</u>	<u>\$ 5,393</u>

Continued

CITY OF SUNNYVALE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue	Permanent		Debt Service
	VRF Local Road Improvement Program	Swirsky Youth Opportunity	Fremont Pool	Government Center Certificates of Participation
Assets:				
Deposits and Investments Held by City	\$ 100,516	\$ 549,451	\$ 1,043,562	\$ -
Deposits and Investments Held by Fiscal Agent	-	-	-	1,120,424
Receivables	2,780	2,565	4,873	7,590
Intergovernmental Receivables	-	-	-	-
Housing Deficits Receivable	-	-	-	-
Housing Loans Receivable	-	-	-	-
Total Assets	\$ 103,296	\$ 552,016	\$ 1,048,435	\$ 1,128,014
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ 22,583
Due to Other Funds	-	-	-	26,150
Total Liabilities	-	-	-	48,733
Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Nonspendable	-	552,016	1,048,435	-
Restricted	103,296	-	-	1,079,281
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	103,296	552,016	1,048,435	1,079,281
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 103,296	\$ 552,016	\$ 1,048,435	\$ 1,128,014

Continued

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Capital Projects Infrastructure Renovation and Replacement	Total Nonmajor Governmental Funds
\$ 16,666,506	\$ 26,439,497
-	1,120,424
66,701	121,686
125,579	1,127,545
-	13,085,121
-	26,316,691
<u>\$ 16,858,786</u>	<u>\$ 68,210,964</u>
\$ 1,846,838	\$ 2,282,437
-	340,660
<u>1,846,838</u>	<u>2,623,097</u>
<u>125,579</u>	<u>6,280,528</u>
-	1,600,451
-	42,825,912
14,886,369	14,886,369
-	(5,393)
<u>14,886,369</u>	<u>59,307,339</u>
<u>\$ 16,858,786</u>	<u>\$ 68,210,964</u>
	Concluded

CITY OF SUNNYVALE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue		
	Community Development Block Grant	HOME Grant	Low and Moderate Income Housing Asset
Revenues:			
Property Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	1,413,480	1,236,626	-
Fines and Forfeitures	-	-	-
Service Fees	-	-	-
Investment Earnings	-	2,107	8,058
Other Revenues	27,581	67,584	-
Total Revenues	1,441,061	1,306,317	8,058
Expenditures:			
Current:			
Planning and Management	17,119	4,260	-
Public Safety	-	-	-
Community Development	651,959	479,247	196,078
Transportation	-	-	-
Socioeconomic	404,225	-	-
Environmental Management	-	-	-
Capital Outlay	186,462	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Fiscal Charges	-	-	-
Total Expenditures	1,259,765	483,507	196,078
Excess of Revenues Over (Under) Expenditures	181,296	822,810	(188,020)
Other Financing Sources (Uses):			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	181,296	822,810	(188,020)
Fund Balances, Beginning of Year	9,832,179	10,320,751	14,483,224
Fund Balances - End of Year	\$ 10,013,475	\$ 11,143,561	\$ 14,295,204

Continued

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Special Revenue				
Asset Forfeiture	Police Services Augmentation	Parking District	Gas Tax	Transportation Development Act
\$ -	\$ -	\$ -	\$ -	\$ -
-	300,672	-	2,824,559	441,636
11,103	-	-	-	-
-	-	184,820	-	-
6,378	91	5,117	31,322	-
-	-	-	-	-
17,481	300,763	189,937	2,855,881	441,636
-	-	10,202	-	-
1,430	313,513	-	-	-
-	-	86,673	-	-
-	-	-	1,993,183	-
-	-	-	-	-
-	-	8,407	-	-
26,129	-	244,404	73,161	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
27,559	313,513	349,686	2,066,344	-
(10,078)	(12,750)	(159,749)	789,537	441,636
-	-	-	15,765	-
(103,151)	-	-	(1,160,296)	(443,692)
(103,151)	-	-	(1,144,531)	(443,692)
(113,229)	(12,750)	(159,749)	(354,994)	(2,056)
488,025	34,118	642,450	5,667,224	(3,337)
\$ 374,796	\$ 21,368	\$ 482,701	\$ 5,312,230	\$ (5,393)

Continued

CITY OF SUNNYVALE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue	Permanent	
	VRF Local Road Improvement Program	Swirsky Youth Opportunity	Fremont Pool
Revenues:			
Property Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenues	898,229	-	-
Fines and Forfeitures	-	-	-
Service Fees	-	-	-
Investment Earnings	5,766	5,330	10,123
Other Revenues	-	-	-
Total Revenues	903,995	5,330	10,123
Expenditures:			
Current:			
Planning and Management	-	-	-
Public Safety	-	-	-
Community Development	-	-	-
Transportation	-	-	-
Socioeconomic	-	-	-
Environmental Management	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Fiscal Charges	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	903,995	5,330	10,123
Other Financing Sources (Uses):			
Transfers In	-	-	-
Transfers Out	(816,000)	(5,330)	(10,123)
Total Other Financing Sources (Uses)	(816,000)	(5,330)	(10,123)
Net Change in Fund Balances	87,995	-	-
Fund Balances, Beginning of Year	15,301	552,016	1,048,435
Fund Balances - End of Year	\$ 103,296	\$ 552,016	\$ 1,048,435

Continued

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Debt Service	Capital Projects	
Government	Infrastructure	Total
Center	Renovation	Nonmajor
Certificates of	and	Governmental
Participation	Replacement	Funds
\$ -	\$ 1,067,479	\$ 1,067,479
-	1,295,800	8,411,002
-	-	11,103
-	7,500	192,320
(640)	44,223	117,875
-	-	95,165
(640)	2,415,002	9,894,944
-	-	31,581
-	-	314,943
-	-	1,413,957
-	-	1,993,183
-	-	404,225
-	-	8,407
-	8,928,907	9,459,063
605,000	-	605,000
78,366	-	78,366
82,810	-	82,810
766,176	8,928,907	14,391,535
(766,816)	(6,513,905)	(4,496,591)
748,703	6,350,418	7,114,886
-	(318,466)	(2,857,058)
748,703	6,031,952	4,257,828
(18,113)	(481,953)	(238,763)
1,097,394	15,368,322	59,546,102
\$ 1,079,281	\$ 14,886,369	\$ 59,307,339

Concluded

CITY OF SUNNYVALE
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2017**

	Community Development Block Grant			HOME Grant		
	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
Revenues:						
Intergovernmental Revenues	\$ 1,898,852	\$ 1,413,480	\$ (485,372)	\$ 1,814,531	\$ 1,236,626	\$ (577,905)
Fines and Forfeitures	-	-	-	-	-	-
Service Fees	-	-	-	-	-	-
Rents and Concessions	-	-	-	-	-	-
Investment Earnings	-	-	-	5,106	2,107	(2,999)
Other Revenues	172,756	206,542	33,786	82,356	138,235	55,879
Total Revenues	2,071,608	1,620,022	(451,586)	1,901,993	1,376,968	(525,025)
Expenditures:						
Current:						
Public Safety	-	-	-	-	-	-
Community Development	381,571	381,344	227	100,115	92,650	7,465
Public Works	-	-	-	-	-	-
Library and Community Services	-	-	-	-	-	-
Capital Outlay and Special Projects	1,316,003	904,992	411,011	2,299,345	2,053,516	245,829
Total Expenditures	1,697,574	1,286,336	411,238	2,399,460	2,146,166	253,294
Excess of Revenues Over (Under) Expenditures	374,034	333,686	(40,348)	(497,467)	(769,198)	(271,731)
Other Financing Sources (Uses):						
Transfers In	-	-	-	600,000	446,919	(153,081)
Transfers Out	(630,678)	(464,038)	166,640	(8,049)	(4,260)	3,789
Total Other Financing Sources (Uses)	(630,678)	(464,038)	166,640	591,951	442,659	(149,292)
Net Change in Fund Balances	\$ (256,644)	(130,352)	\$ 126,292	\$ 94,484	(326,539)	\$ (421,023)
Fund Balances - Beginning of Year		783,692			573,036	
Fund Balances - End of Year		\$ 653,340 *			\$ 246,497 *	

* Loan principal repayments and disbursements which impact budgetary resources are Balance Sheet items on a GAAP basis.

Continued



Low and Moderate Income Housing Asset			Asset Forfeiture		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
\$ 1,149,558	\$ 1,149,558	\$ -	\$ -	\$ -	\$ -
-	-	-	10,491	11,103	612
-	-	-	-	-	-
-	-	-	-	-	-
3,998	12,937	8,939	3,221	4,071	850
-	-	-	-	-	-
1,153,556	1,162,495	8,939	13,712	15,174	1,462
-	-	-	1,999	1,430	569
40,093	2,854	37,239	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
309,869	193,224	116,645	46,322	26,129	20,193
349,962	196,078	153,884	48,321	27,559	20,762
803,594	966,417	(144,945)	(34,609)	(12,385)	22,224
244,503	244,503	-	-	-	-
-	-	-	(105,154)	(103,151)	2,003
244,503	244,503	-	(105,154)	(103,151)	2,003
\$ 1,048,097	1,210,920	\$ (144,945)	\$ (139,763)	(115,536)	\$ 24,227
	-			463,873	
	\$ 1,210,920			\$ 348,337	

Continued

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Police Services Augmentation		
Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
\$ 296,333	\$ 300,672	\$ 4,339
-	-	-
-	-	-
-	91	91
-	-	-
296,333	300,763	4,430
262,619	261,694	925
-	-	-
-	-	-
-	-	-
67,850	51,819	16,031
330,469	313,513	16,956
(34,136)	(12,750)	21,386
-	-	-
-	-	-
-	-	-
\$ (34,136)	(12,750)	\$ 21,386
	34,118	
	\$ 21,368	

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, 2017**

	Parking District			Gas Tax		
	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
Revenues:						
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ 2,894,726	\$ 2,824,559	\$ (70,167)
Fines and Forfeitures	-	-	-	-	-	-
Service Fees	184,127	184,820	693	-	-	-
Rents and Concessions	-	-	-	-	-	-
Investment Earnings	3,918	5,117	1,199	45,765	52,906	7,141
Other Revenues	-	-	-	-	-	-
Total Revenues	188,045	189,937	1,892	2,940,491	2,877,465	(63,026)
Expenditures:						
Current:						
Public Safety	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	121,528	95,080	26,448	2,025,000	2,017,310	7,690
Library and Community Services	-	-	-	-	-	-
Capital Outlay and Special Projects	313,410	244,404	69,006	264,165	73,161	191,004
Total Expenditures	434,938	339,484	95,454	2,289,165	2,090,471	198,694
Excess of Revenues Over (Under) Expenditures	(246,893)	(149,547)	97,346	651,326	786,994	135,668
Other Financing Sources (Uses):						
Transfers In	-	-	-	19,391	15,765	(3,626)
Transfers Out	(10,202)	(10,202)	-	(2,692,254)	(1,160,296)	1,531,958
Total Other Financing Sources (Uses)	(10,202)	(10,202)	-	(2,672,863)	(1,144,531)	1,528,332
Net Change in Fund Balances	\$ (257,095)	(159,749)	\$ 97,346	\$ (2,021,537)	(357,537)	\$ 1,664,000
Fund Balances - Beginning of Year		642,450			5,667,224	
Fund Balances - End of Year		\$ 482,701			\$ 5,309,687	

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)
\$ 864,974	\$ 441,636	\$ (423,338)	\$ 898,229	\$ 898,229	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	4,464	5,766	1,302
-	-	-	-	-	-
864,974	441,636	(423,338)	902,693	903,995	1,302
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
864,974	441,636	(423,338)	902,693	903,995	1,302
-	-	-	-	-	-
(861,637)	(443,692)	417,945	(816,000)	(816,000)	-
(861,637)	(443,692)	417,945	(816,000)	(816,000)	-
\$ 3,337	(2,056)	\$ (5,393)	\$ 86,693	87,995	\$ 1,302
	(3,337)			15,301	
	\$ (5,393)			\$ 103,296	

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, 2017**

	Youth And Neighborhood Services Fund**		
	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 190,641	\$ 140,491	\$ (50,150)
Fines and Forfeitures	-	-	-
Service Fees	25,510	42,589	17,079
Rents and Concessions	31,620	54,218	22,598
Investment Earnings	5,102	4,906	(196)
Other Revenues	3,929	929	(3,000)
Total Revenues	256,802	243,133	(13,669)
Expenditures:			
Current:			
Public Safety	-	-	-
Community Development	-	-	-
Public Works	-	-	-
Library and Community Services	839,688	835,710	3,978
Capital Outlay and Special Projects	-	-	-
Total Expenditures	839,688	835,710	3,978
Excess of Revenues Over (Under) Expenditures	(582,886)	(592,577)	(9,691)
Other Financing Sources (Uses):			
Transfers In	582,886	592,577	9,691
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	582,886	592,577	9,691
Net Change in Fund Balances	\$ -	-	\$ -
Fund Balances - Beginning of Year		510,217	
Fund Balances - End of Year		\$ 510,217	

** 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, 2017

	Government Center Certificates of Participation		
	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
Revenues:			
Investment Earnings	\$ -	\$ 17,473	\$ 17,473
Total Revenues	-	17,473	17,473
Expenditures:			
Debt Service			
Principal Retirement	605,000	605,000	-
Interest	61,100	78,366	(17,266)
Fiscal Charges	80,332	82,810	(2,478)
Total Expenditures	746,432	766,176	(19,744)
Excess of Revenues Over (Under) Expenditures	(746,432)	(748,703)	37,217
Other Financing Sources:			
Transfers in - Water Supply and Distribution	55,236	55,404	(168)
Transfers in - Wastewater Management	37,919	38,034	(115)
Transfers in - Solid Waste Management	56,132	56,302	(170)
Transfers in - Internal Service General Services	597,146	598,963	(1,817)
Total Other Financing Sources (Uses)	746,432	748,703	(2,271)
Net Change in Fund Balances	\$ 746,432	-	\$ 34,946
Fund Balances - Beginning of Year		1,096,402	
Fund Balances - End of Year		\$ 1,096,402	

CITY OF SUNNYVALE

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Permanent Funds
Year Ended June 30, 2017

	Swirsky Youth Opportunity			Fremont Pool		
	Actual	Variance		Actual	Variance	
	Amounts	Positive		Amounts	Positive	
	(Budgetary	(Negative)		(Budgetary	(Negative)	
	Basis)			Basis)		
	Budget			Budget		
Revenues:						
Investment Earnings	\$ 5,520	\$ 5,330	\$ (190)	\$ 9,458	\$ 10,123	\$ 665
Total Revenues	5,520	5,330	(190)	9,458	10,123	665
Other Financing Sources (Uses):						
Transfers Out	(5,520)	(5,330)	190	(10,484)	(10,123)	361
Total Other Financing Sources (Uses)	(5,520)	(5,330)	190	(10,484)	(10,123)	361
Change in Fund Balances before Special Items	-	-	-	(1,026)	-	1,026
Net Change in Fund Balances	\$ -	-	\$ -	\$ (1,026)	-	\$ 1,026
Fund Balances - Beginning of Year		552,016			1,048,435	
Fund Balances - End of Year		\$ 552,016			\$ 1,048,435	

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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 Benefits Fund*** accounts for charges to City departments for leave time and employee benefits on a cost reimbursement basis.

The ***Risk Management 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, 2017**

	General Services	Employee Benefits	Risk Management	Totals
Assets:				
Current Assets				
Deposits and Investments Held by City	\$ 23,101,189	\$ 36,782,943	\$ 951,395	\$ 60,835,527
Receivables	275,555	113,085	6,700	395,340
Inventories and Prepayments	932,336	217,238	10,329	1,159,903
Total Current Assets	24,309,080	37,113,266	968,424	62,390,770
Noncurrent Assets				
Net OPEB Asset	-	7,385,000	-	7,385,000
Capital Assets:				
Land & Nondepreciable Assets	171,740	-	-	171,740
Depreciable Buildings, Property, Equipment and Infrastructure, Net	14,732,501	-	-	14,732,501
Total Assets	39,213,321	44,498,266	968,424	84,680,011
Deferred Outflows of Resources	4,217,923	297,000	38,630	4,553,553
Liabilities:				
Current Liabilities				
Wages Payable	-	3,749,935	-	3,749,935
Accounts Payable and Accrued Liabilities	397,028	357,098	95,631	849,757
Refundable Deposits	15,676	-	-	15,676
Claims and Judgments Payable - Due Within One Year	-	4,126,990	405,000	4,531,990
Compensated Absences Payable - Due Within One Year	-	10,345,966	-	10,345,966
Total Current Liabilities	412,704	18,579,989	500,631	19,493,324
Noncurrent Liabilities				
Claims and Judgments Payable- Due in More than One Year	-	14,801,010	1,725,000	16,526,010
Compensated Absences Payable - Due in More than One Year	-	2,243,914	-	2,243,914
Net Pension Liability	18,637,071	251,150	205,237	19,093,458
Total Noncurrent Liabilities	18,637,071	17,296,074	1,930,237	37,863,382
Total Liabilities	19,049,775	35,876,063	2,430,868	57,356,706
Deferred Inflows of Resources	525,253	19,952	5,088	550,293
Net Position:				
Net Investment in Capital Assets	14,904,241	-	-	14,904,241
Unrestricted	8,951,975	8,899,251	(1,428,902)	16,422,324
Net Position	\$ 23,856,216	\$ 8,899,251	\$ (1,428,902)	\$ 31,326,565

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
Year Ended June 30, 2017**

	General Services	Employee Benefits	Risk Management	Totals
Operating Revenues:				
Charges for Services	\$ 20,986,671	\$ 81,095,649	\$ 1,575,821	\$ 103,658,141
Operating Expenses:				
Personnel Services	11,044,344	18,305,019	119,817	29,469,180
Contractual Services	4,241,288	5,145	466,273	4,712,706
Material and Supplies	2,033,658	25,321	239	2,059,218
Utilities	1,968,857	-	-	1,968,857
Taxes and Licenses	10,102	-	-	10,102
Equipment and Building Rental	1,577,878	-	-	1,577,878
Insurance Premiums and Claims	153	28,226,990	1,483,295	29,710,438
Retirement Premiums	-	33,774,123	-	33,774,123
Other Operating Expenses	131,625	-	266	131,891
Depreciation	2,131,897	-	-	2,131,897
Total Operating Expenses	23,139,802	80,336,598	2,069,890	105,546,290
Operating Income (Loss)	(2,153,131)	759,051	(494,069)	(1,888,149)
Nonoperating Revenues:				
Investment Earnings	128,502	(66,915)	13,911	75,498
Total Nonoperating Revenues	128,502	(66,915)	13,911	75,498
Income (Loss) before Capital Contributions and Transfers	(2,024,629)	692,136	(480,158)	(1,812,651)
Transfers In	3,763,912	800,000	-	4,563,912
Transfers Out	(1,314,357)	-	-	(1,314,357)
Change in Net Position	424,926	1,492,136	(480,158)	1,436,904
Net Position (Deficit) - Beginning of Year	23,431,290	7,407,115	(948,744)	29,889,661
Net Position (Deficit) - End of Year	\$ 23,856,216	\$ 8,899,251	\$ (1,428,902)	\$ 31,326,565

CITY OF SUNNYVALE

**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2017**

	General Services	Employee Benefits	Risk Management	Totals
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 1,285,972	\$ 25,120	\$ -	\$ 1,311,092
Cash Received for Interfund Services Provided	19,750,600	81,083,184	1,575,821	102,409,605
Cash Payments to Suppliers of Goods and Services	(10,445,907)	(976,403)	(416,896)	(11,839,206)
Cash Payments for Employee Services	(11,247,859)	(49,359,791)	(127,261)	(60,734,911)
Insurance and Claims Paid	(153)	(26,892,611)	(1,200,640)	(28,093,404)
Net Cash Provided by (Used for) Operating Activities	(657,347)	3,879,499	(168,976)	3,053,176
Cash Flows from Noncapital Financing Activities:				
Transfers In	3,763,912	800,000	-	4,563,912
Transfers Out	(1,314,357)	-	-	(1,314,357)
Net Cash Provided by Noncapital Financing Activities	2,449,555	800,000	-	3,249,555
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(1,375,363)	-	-	(1,375,363)
Net Cash Used for Capital and Related Financing Activities	(1,375,363)	-	-	(1,375,363)
Cash Flows from Investing Activities:				
Interest on Investments	100,944	(44,667)	11,192	67,469
Net Cash Provided by (Used for) Investing Activities	100,944	(44,667)	11,192	67,469
Net Increase (Decrease) in Cash and Cash Equivalents	517,789	4,634,832	(157,784)	4,994,837
Cash and Cash Equivalents - Beginning of Year	22,583,400	32,148,111	1,109,179	55,840,690
Cash and Cash Equivalents - End of Year	\$ 23,101,189	\$ 36,782,943	\$ 951,395	\$ 60,835,527

Continued

CITY OF SUNNYVALE

**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2017**

	General Services	Employee Benefits	Risk Management	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (2,153,131)	\$ 759,051	\$ (494,069)	\$ (1,888,149)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	2,131,897	-	-	2,131,897
Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows:				
Receivables	(102,233)	161,545	-	59,312
Intergovernmental Receivables	-	-	-	-
Inventories and Prepayments	(80,736)	7,389	65	(73,282)
Refundable Deposits	(805)	-	-	(805)
Accounts Payable and Accrued Liabilities	(46,394)	(8,362,737)	43,472	(8,365,659)
Claims and Judgments Payable	-	2,863,000	289,000	3,152,000
Compensated Absences Payable	-	10,200,819	-	10,200,819
Deferred Outflows Related to Pensions	(2,219,225)	(167,237)	(22,250)	(2,408,712)
Deferred Inflows Related to Pensions	(1,193,994)	(20,887)	(13,043)	(1,227,924)
Net Pension Liability	3,007,274	128,556	27,849	3,163,679
Net OPEB Asset	-	(1,690,000)	-	(1,690,000)
Net Cash Provided (Used) by Operating Activities	\$ (657,347)	\$ 3,879,499	\$ (168,976)	\$ 3,053,176
Noncash Investing, Capital and Financing Activities:				
Change in the Fair Value of Investments	\$ (99,677)	\$ (254,834)	\$ -	\$ (354,511)
Purchase of Capital Assets on Account	20,800	-	-	20,800

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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.

Combining Statement of Fiduciary Net Position
Fiduciary Funds - Private-Purpose Trust Funds
June 30, 2017

	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	\$ 74,793	\$ 11,493	\$ 86,286
Deposits and Investments not in City Treasury Pool	-	3,128,428	3,128,428
Deposits and Investments Held by Fiscal Agent	-	616,398	616,398
Receivables	601	5,055,426	5,056,027
Capital Assets:			
Land and Nondepreciable Assets	-	13,959,752	13,959,752
Total Assets	75,394	22,771,497	22,846,891
Liabilities:			
Accounts Payable and Accrued Liabilities	21,922	98,282	120,204
Accrued Interest Payable	-	57,434	57,434
Long-term Obligations :			
Due Within One Year	-	2,554,611	2,554,611
Due in More Than One Year	-	41,682,350	41,682,350
Total Liabilities	21,922	44,392,677	44,414,599
Net Position:			
Held in Trust for Private Purpose	\$ 53,472	\$ (21,621,180)	\$ (21,567,708)

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Private-Purpose Trust Funds
Year Ended June 30, 2017

	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	\$ 24,131	\$ -	\$ 24,131
County Redevelopment Property Tax Trust Fund	-	3,124,188	3,124,188
Interest Income	605	8,722	9,327
Total Additions	24,736	3,132,910	3,157,646
Deductions:			
Projects Management	30,428	10,172	40,600
City Loan Interest Added to Loan Principal	-	565,183	565,183
Interest on Central Core Bonds	-	139,375	139,375
Fiscal Agent Trustee Fees	-	2,195	2,195
Administrative Expenses	-	186,419	186,419
Total Deductions	30,428	903,344	933,772
Change in Net Position before Special Item	(5,692)	2,229,566	2,223,874
Special Item - Reduction of Liability to Developer	-	13,538,006	13,538,006
Change in Net Position	(5,692)	15,767,572	15,761,880
Net Position, Beginning of Year	59,164	(37,388,752)	(37,329,588)
Net Position, End of Year	\$ 53,472	\$ (21,621,180)	\$ (21,567,708)

CITY OF SUNNYVALE
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds - Agency Funds
Year Ended June 30, 2017
Community Facilities District No. 1

	Beginning Balance July 1, 2016	Additions	Deletions	Ending Balance June 30, 2017
Assets:				
Deposits and Investments in City Treasury Pool	\$ 1,909,131	\$ 1,737,031	\$ (1,613,582)	\$ 2,032,580
Deposits and Investments Held by Fiscal Agent	1,905,165	1,608,418	(1,712,243)	1,801,340
Receivables	54,229	60,727	(54,229)	60,727
Prepaid Items	2,340	-	(2,340)	-
Total Assets	\$ 3,870,865	\$ 3,406,176	\$ (3,382,394)	\$ 3,894,647
Liabilities:				
Due to CFD Bondholders	\$ 3,870,865	\$ 3,406,176	\$ (3,382,394)	\$ 3,894,647
Total Liabilities	\$ 3,870,865	\$ 3,406,176	\$ (3,382,394)	\$ 3,894,647

Santa Clara Valley Urban Runoff Pollution Prevention Program

	Beginning Balance July 1, 2016	Additions	Deletions	Ending Balance June 30, 2017
Assets:				
Deposits and Investments not in City Treasury Pool	\$ 1,751,492	\$ 4,596,472	\$ (4,656,276)	\$ 1,691,688
Total Assets	\$ 1,751,492	\$ 4,596,472	\$ (4,656,276)	\$ 1,691,688
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 1,751,492	\$ 4,596,472	\$ (4,656,276)	\$ 1,691,688
Total Liabilities	\$ 1,751,492	\$ 4,596,472	\$ (4,656,276)	\$ 1,691,688

Continued

CITY OF SUNNYVALE

Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds - Agency Funds
Year Ended June 30, 2017

Silicon Valley Clean Energy Authority

	Beginning Balance July 1, 2016	Additions	Deletions	Ending Balance June 30, 2017
Assets:				
Deposits and Investments in City Treasury Pool	\$ 1,985,581	\$ 165,791	\$ (2,151,372)	\$ -
Total Assets	<u>\$ 1,985,581</u>	<u>\$ 165,791</u>	<u>\$ (2,151,372)</u>	<u>\$ -</u>
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 1,985,581	\$ 165,791	\$ (2,151,372)	\$ -
Total Liabilities	<u>\$ 1,985,581</u>	<u>\$ 165,791</u>	<u>\$ (2,151,372)</u>	<u>\$ -</u>

Total Agency Funds

	Beginning Balance July 1, 2016	Additions	Deletions	Ending Balance June 30, 2017
Assets:				
Deposits and Investments in City Treasury Pool	\$ 3,894,712	\$ 1,902,822	\$ (3,764,954)	\$ 2,032,580
Deposits and Investments not in City Treasury Pool	\$ 1,751,492	\$ 4,596,472	\$ (4,656,276)	1,691,688
Deposits and Investments Held by Fiscal Agent	1,905,165	1,608,418	(1,712,243)	1,801,340
Receivables	54,229	60,727	(54,229)	60,727
Prepaid Items	<u>2,340</u>	<u>-</u>	<u>(2,340)</u>	<u>-</u>
Total Assets	<u>\$ 7,607,938</u>	<u>\$ 8,168,439</u>	<u>\$ (10,190,042)</u>	<u>\$ 5,586,335</u>
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 3,737,073	\$ 4,762,263	\$ (6,807,648)	\$ 1,691,688
Due to CFD No. 1 Bondholders	<u>3,870,865</u>	<u>3,406,176</u>	<u>(3,382,394)</u>	<u>3,894,647</u>
Total Liabilities	<u>\$ 7,607,938</u>	<u>\$ 8,168,439</u>	<u>\$ (10,190,042)</u>	<u>\$ 5,586,335</u>

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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.	203-209
<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.	210-214
<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.	215-218
<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.	219-221
<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.	222-223

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CITY OF SUNNYVALE

**Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(dollars in thousands)**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012 ¹	2011	2010	2009	2008
Governmental Activities										
Net Investment in Capital Assets	\$ 459,015	\$ 453,364	\$ 435,271	\$ 426,044	\$ 420,326	\$ 402,857	\$ 388,753	\$ 378,990	\$ 371,980	\$ 361,946
Restricted	232,876	189,436	153,631	145,874	133,414	122,424	115,097	87,408	86,468	86,217
Unrestricted ²	(4,091)	(13,422)	(46,498)	204,836	195,897	205,327	155,432	174,362	179,360	194,198
Total Governmental Activities Net Position	\$ 687,800	\$ 629,378	\$ 542,404	\$ 776,754	\$ 749,637	\$ 730,608	\$ 659,282	\$ 640,760	\$ 637,808	\$ 642,361
Business-type activities										
Net Investment in Capital Assets	\$ 116,934	\$ 101,526	\$ 90,914	\$ 77,389	\$ 80,828	\$ 80,831	\$ 85,837	\$ 82,415	\$ 75,783	\$ 66,109
Restricted	5,271	-	-	-	-	-	-	-	-	12,673
Unrestricted ²	6,185	(2,906)	(16,659)	12,068	(3,449)	(12,005)	(23,312)	(21,066)	(13,983)	(11,949)
Total Business-Type Activities Net Position	\$ 128,390	\$ 98,620	\$ 74,255	\$ 89,457	\$ 77,379	\$ 68,826	\$ 62,525	\$ 61,349	\$ 61,800	\$ 66,833
Primary Government										
Net Investment in Capital Assets	\$ 575,949	\$ 554,890	\$ 526,185	\$ 503,433	\$ 501,154	\$ 483,688	\$ 474,590	\$ 461,404	\$ 447,763	\$ 428,055
Restricted	238,147	189,436	153,631	145,874	133,414	122,424	115,097	87,408	86,468	98,890
Unrestricted ²	2,094	(16,328)	(63,157)	216,904	192,448	193,323	132,120	153,296	165,377	182,249
Total Primary Government Net Position	\$ 816,190	\$ 727,998	\$ 616,659	\$ 866,211	\$ 827,016	\$ 799,435	\$ 721,807	\$ 702,108	\$ 699,608	\$ 709,194

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 in fiscal year 2015, which had a significant effect on unrestricted fund balance.
- 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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
Governmental Activities:										
Planning and Management	\$ 13,342	\$ 9,548	\$ 19,431	\$ 18,678	\$ 17,859	\$ 18,538	\$ 18,671	\$ 20,533	\$ 21,405	\$ 20,624
Public Safety	94,623	83,058	82,086	80,022	78,670	74,077	75,988	73,903	74,876	72,918
Community Development	17,676	18,025	16,351	21,922	20,855	21,981	21,119	23,833	21,790	21,399
Transportation	18,157	15,950	17,022	18,822	14,292	10,810	11,845	11,081	11,831	11,182
Socioeconomic	11,776	11,548	8,919	8,874	9,141	12,813	14,329	12,932	10,533	9,178
Cultural	17,628	16,194	17,216	16,222	16,399	8,873	9,036	9,757	9,449	9,627
Environmental Management	1,248	1,864	913	1,993	2,279	2,920	3,609	1,445	2,167	14,280
Interest on Long-term Debt	494	473	573	648	781	419	1,078	1,003	1,730	1,638
Total Governmental Activities	174,944	156,660	162,511	167,181	160,276	150,431	155,675	154,487	153,781	160,846
Business-Type Activities:										
Water Supply and Distribution	44,104	36,294	29,303	31,732	31,790	27,254	24,667	23,065	21,939	20,685
Wastewater Management	26,645	24,237	22,353	22,101	21,753	20,597	18,680	17,249	17,376	16,728
Solid Waste Management	40,734	39,357	36,576	36,496	31,637	32,327	32,406	30,814	37,503	29,013
SMaRT Station	28,056	27,202	27,389	27,426	26,810	28,467	26,320	26,618	26,256	22,670
Development	10,980	8,945	7,671	-	-	-	-	-	-	-
Golf & Tennis Operations or Community Recreation	4,184	3,636	3,473	3,621	3,728	11,454	11,802	11,834	11,687	11,166
Total Business-Type Activities	154,703	139,671	126,765	121,376	115,718	120,099	113,875	109,580	114,761	100,262
Total Primary Government Expenses	\$ 329,647	\$ 296,331	\$ 289,276	\$ 288,557	\$ 275,994	\$ 270,530	\$ 269,550	\$ 264,067	\$ 268,542	\$ 261,108
Program Revenues:										
Governmental Activities:										
Charges for Services										
Planning and Management	\$ 478	\$ 278	\$ 563	\$ 427	\$ 347	\$ 1,510	\$ 733	\$ 524	\$ 442	\$ 490
Public Safety	3,827	3,716	3,713	3,573	2,926	3,596	3,418	3,430	4,417	3,311
Community Development	30,861	35,141	12,464	30,322	28,060	21,553	13,842	10,818	8,998	22,250
Transportation	3,004	4,162	3,157	3,783	3,790	497	548	887	814	6,222
Socioeconomic	112	98	110	98	-	144	62	805	300	345
Cultural	4,770	4,871	4,674	4,446	4,387	270	253	233	205	223
Environmental Management	-	1	-	954	979	575	435	366	161	2,339
Operating Grants and Contributions	19,932	18,767	15,616	16,198	16,427	19,426	27,491	19,419	17,353	14,799
Capital Grants and Contributions	26,895	21,323	12,789	6,831	26,038	15,095	11,795	12,632	8,079	6,923
Total Governmental Activities Program Revenues	89,879	88,357	53,086	66,632	82,954	62,666	58,577	49,114	40,769	56,902

Business-Type Activities:

Charges for Services										
Water Supply and Distribution	45,311	36,300	33,568	39,066	36,071	32,630	27,687	24,773	25,022	24,007
Wastewater Management	37,720	37,071	31,487	32,078	29,253	26,046	24,278	22,997	21,244	23,527
Solid Waste Management	47,952	46,585	43,236	42,033	40,415	38,668	36,752	33,900	33,153	31,606
SMaRT Station	26,443	25,827	25,817	25,749	25,265	26,210	24,537	23,826	22,699	24,373
Development	19,371	15,850	13,832	-	-	-	-	-	-	-
Golf & Tennis Operations or Community Recreation	3,107	3,186	3,528	3,572	3,491	7,452	7,110	7,361	7,663	7,764
Capital Grants and Contributions	5,658	368	1,916	401	584	459	91	857	457	602
Total Business-Type Activities Program Revenues	<u>185,562</u>	<u>165,187</u>	<u>153,384</u>	<u>142,899</u>	<u>135,079</u>	<u>131,465</u>	<u>120,455</u>	<u>113,714</u>	<u>110,238</u>	<u>111,879</u>
Total Primary Government Program Revenues	<u>\$ 275,441</u>	<u>\$ 253,544</u>	<u>\$ 206,470</u>	<u>\$ 209,531</u>	<u>\$ 218,033</u>	<u>\$ 194,131</u>	<u>\$ 179,032</u>	<u>\$ 162,828</u>	<u>\$ 151,007</u>	<u>\$ 168,781</u>

Net (Expense)/Revenue

Governmental Activities	\$ (85,065)	\$ (68,303)	\$ (109,425)	\$ (100,549)	\$ (77,322)	\$ (87,765)	\$ (97,098)	\$ (105,373)	\$ (113,012)	\$ (103,944)
Business-Type Activities	30,859	25,516	26,619	21,523	19,361	11,366	6,580	4,134	(4,523)	11,617
Total Primary Government Net Expense	<u>\$ (54,206)</u>	<u>\$ (42,787)</u>	<u>\$ (82,806)</u>	<u>\$ (79,026)</u>	<u>\$ (57,961)</u>	<u>\$ (76,399)</u>	<u>\$ (90,518)</u>	<u>\$ (101,239)</u>	<u>\$ (117,535)</u>	<u>\$ (92,327)</u>

General Revenues and Other Changes in Net Position**Governmental Activities:**

Taxes										
Property Taxes	\$ 67,899	\$ 64,168	\$ 56,560	\$ 50,515	\$ 47,779	\$ 48,823	\$ 52,261	\$ 51,633	\$ 50,741	\$ 44,107
Sales and Use Taxes	29,408	31,357	29,676	30,195	29,909	30,345	29,228	25,432	25,072	29,705
Motor Vehicle License Fees	-	-	-	-	62	73	708	408	468	602
Franchise Fees, Unrestricted	7,118	7,057	6,898	6,694	6,462	6,373	6,247	5,979	6,127	5,855
Utilities Users Taxes	7,334	6,901	6,774	6,754	6,549	6,830	6,806	6,798	6,841	6,840
Transient Occupancy Taxes	16,590	16,295	14,137	10,859	9,016	7,777	6,589	5,578	5,686	7,350
Real Property Transfer Taxes	1,770	1,972	1,765	1,674	1,275	925	717	571	548	1,225
Construction Taxes	4,719	3,298	3,066	2,984	2,725	3,059	1,356	937	1,260	2,943
Business License Taxes	1,819	1,872	1,846	1,742	1,589	1,505	1,494	1,364	1,199	1,075
Investment Earnings	1,094	2,682	1,702	1,710	758	1,262	1,432	1,834	5,923	9,927
Interest Accrued from Advances to Business-Type Activities	2,421	2,613	2,793	2,922	3,068	3,044	2,901	2,801	2,928	3,033
Interest Accrued from Advances to Former RDA	565	49	64	56	66	39	-	-	-	-
Extraordinary Items	-	-	-	-	(13,966)	43,481	-	-	-	-
Gain (Loss) on Disposal of Assets	-	12,822	-	-	-	-	-	-	-	-
Miscellaneous	1,221	2,260	1,274	1,617	1,355	30	25	18	8	417
Transfers	1,529	1,930	12,743	9,943	9,123	5,524	5,857	4,970	1,658	6,410
Total Governmental Activities	<u>143,487</u>	<u>155,276</u>	<u>139,298</u>	<u>127,665</u>	<u>105,770</u>	<u>159,090</u>	<u>115,621</u>	<u>108,323</u>	<u>108,459</u>	<u>119,489</u>
Business-type Activities										
Investment Earnings	440	780	541	499	331	460	453	386	1,148	1,764
Transfers	(1,529)	(1,930)	(12,743)	(9,943)	(9,123)	(5,524)	(5,857)	(4,970)	(1,658)	(6,410)
Total Business-Type Activities	<u>(1,089)</u>	<u>(1,150)</u>	<u>(12,202)</u>	<u>(9,444)</u>	<u>(8,792)</u>	<u>(5,064)</u>	<u>(5,404)</u>	<u>(4,584)</u>	<u>(510)</u>	<u>(4,646)</u>
Total Primary Government	<u>\$ 142,398</u>	<u>\$ 154,126</u>	<u>\$ 127,096</u>	<u>\$ 118,221</u>	<u>\$ 96,978</u>	<u>\$ 154,026</u>	<u>\$ 110,217</u>	<u>\$ 103,739</u>	<u>\$ 107,949</u>	<u>\$ 114,843</u>
Change in Net Position										
Governmental Activities	\$ 58,422	\$ 86,973	\$ 29,873	\$ 27,116	\$ 28,448	\$ 71,325	\$ 18,523	\$ 2,950	\$ (4,553)	\$ 15,545
Business-Type Activities	29,770	24,365	14,417	12,079	10,569	6,302	1,176	(450)	(5,033)	6,971
Total Primary Government	<u>\$ 88,192</u>	<u>\$ 111,338</u>	<u>\$ 44,290</u>	<u>\$ 39,195</u>	<u>\$ 39,017</u>	<u>\$ 77,627</u>	<u>\$ 19,699</u>	<u>\$ 2,500</u>	<u>\$ (9,586)</u>	<u>\$ 22,516</u>

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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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Nonspendable	\$ 7,554	\$ 6,261	\$ 4,596	\$ 5,488	\$ 9,829	\$ 13,320	\$ 15,976	\$ 15,983	\$ 21,893	\$ 22,246
Restricted	2,724	2,554	2,500	2,413	2,288	5,196	5,078	3,807	1,821	1,147
Committed	57,745	55,240	32,402	42,015	33,454	34,014	32,963	35,418	35,724	41,927
Assigned	-	-	-	-	-	-	193	22	-	-
Unassigned	60,979	57,423	59,096	52,868	52,486	54,753	43,545	36,836	41,865	56,591
Total General Fund	<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>	<u>\$ 101,303</u>	<u>\$ 121,911</u>
All Other Governmental Funds										
Nonspendable	\$ 1,880	\$ 1,882	\$ 1,883	\$ 1,885	\$ 2,027	\$ 2,055	\$ 2,211	\$ 2,170	\$ 1,843	\$ 909
Restricted	221,328	179,053	143,788	93,137	91,549	75,296	67,810	63,527	64,772	65,125
Assigned	14,886	15,368	14,216	12,267	11,092	9,937	10,279	10,554	12,992	14,379
Unassigned	(5)	-	-	-	(3)	- ⁽²⁾	(80,670) ⁽¹⁾	(79,399) ⁽¹⁾	(71,928) ⁽¹⁾	(68,683)
Total All Other Governmental Funds	<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>	<u>\$ 7,679</u>	<u>\$ 11,730</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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Property Taxes	\$ 67,676	\$ 63,945	\$ 56,337	\$ 50,294	\$ 47,556	\$ 48,597	\$ 52,032	\$ 51,407	\$ 50,523	\$ 43,893
Sales and Use Taxes	31,017	32,914	31,212	31,672	31,412	31,623	30,327	26,590	26,201	30,915
Other Taxes	32,232	30,338	27,588	24,013	21,154	20,096	16,963	15,248	15,534	19,433
Franchise Fees	7,118	7,057	6,898	6,694	6,462	6,373	6,247	5,979	6,127	5,855
Intergovernmental Revenues	22,461	21,757	18,077	19,659	22,466	31,420	37,939	28,107	21,468	19,567
Permits and Licenses	1,287	1,297	1,308	9,796	9,734	9,568	5,972	4,766	5,435	9,265
Fines and Forfeitures	1,217	1,312	1,174	1,199	1,080	1,290	1,230	1,165	1,537	1,249
Special Assessments	6	6	6	26	38	13	21	21	17	71
Service Fees	37,455	46,554	19,719	30,250	27,397	13,629	9,769	6,809	5,416	21,725
Rents and Concessions	1,483	1,469	1,494	1,408	1,668	1,211	1,223	2,366	2,029	1,907
Interest Received from										
Interfund Advances	5,364	5,364	4,862	1,616	1,806	4,426	8,999	950	3,389	6,864
Investment Earnings	1,012	2,112	1,320	1,361	578	922	633	1,085	3,909	-
Other Revenues ¹	20,123	1,931	1,350	4,016	4,551	6,042	1,320	1,674	1,075	1,824
Total Revenues	228,451	216,056	171,345	182,004	175,902	175,210	172,675	146,167	142,660	162,568
Expenditures										
Planning and Management	12,107	9,632	19,021	17,882	17,101	17,501	17,068	18,708	19,483	19,390
Public Safety	92,113	88,392	82,490	81,129	78,155	73,484	72,059	70,023	73,457	69,582
Community Development ²	15,262	13,594	14,120	30,898	21,269	22,210	24,876	26,333	21,034	20,816
Transportation	10,140	10,072	12,698	13,811	7,955	7,750	7,342	7,364	7,706	7,533
Socioeconomic	11,841	11,812	8,834	8,392	8,644	11,726	13,162	12,113	10,031	8,600
Cultural ³	16,995	16,314	15,721	15,209	15,587	7,804	7,667	7,931	7,871	7,545
Environmental Management	1,163	1,801	647	1,948	1,922	1,861	2,882	5,306	4,148	2,492
Capital Outlay	17,764	19,133	10,337	15,596	10,126	16,787	16,940	16,497	10,621	9,691
Debt Service:										
Principal Retirement ⁴	1,465	1,395	1,335	1,280	1,220	1,550	2,140	1,630	1,535	1,705
Interest	419	394	427	468	518	3,291	6,039	6,041	6,399	6,091
Fiscal Charges	86	89	156	189	131	181	189	48	551	104
Total Expenditures	179,355	172,628	165,786	186,802	162,628	164,145	170,364	171,994	162,836	153,549

Excess (Deficiency) of Revenues										
Over (Under) Expenditures	49,096	43,428	5,559	(4,798)	13,274	11,065	2,311	(25,827)	(20,176)	9,019
Other Financing Sources (Uses):										
Transfers In	11,098	10,378	22,588	30,481	19,913	21,770	26,368	26,612	19,011	18,325
Transfers Out	(10,884)	(9,186)	(22,978)	(19,203)	(12,382)	(15,746)	(20,213)	(20,848)	(23,883)	(14,273)
Proceeds from Refunding Bonds	-	-	-	-	-	-	-	-	15,865	-
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	-	-	-	(15,475)	-
Proceeds from Sale of Capital Assets ⁵	-	14,680	-	870	-	-	-	-	-	4,700
Total Other Financing Sources (Uses)	<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>	<u>(4,482)</u>	<u>8,752</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>(13,966)</u>	<u>80,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<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>	<u>\$ (24,658)</u>	<u>\$ 17,771</u>
Capital Expenditures	\$ 11,691	\$ 11,969	\$ 7,299	\$ 12,077	\$ 5,992	\$ 14,207	\$ 13,690	\$ 13,791	\$ 8,458	\$ 8,583
Debt Service as a Percentage of Noncapital Expenditures	1.1%	1.1%	1.1%	1.0%	1.1%	3.2%	5.2%	4.8%	5.1%	5.4%

- 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.
 - 5 Proceeds from sale of capital assets are normally reported as other financing sources. The amounts were significant enough in fiscal year 2008 to be reported as special items in the basic financial statements according to GASB Statement No. 34 guidance.

CITY OF SUNNYVALE**General Governmental Tax Revenues by Source****Last Ten Fiscal Years***(modified accrual basis of accounting)**(dollars in thousands)*

		Fiscal Year									
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Property	\$	67,676	\$ 63,945	\$ 56,337	\$ 50,294	\$ 47,556	\$ 48,597	\$ 52,032	\$ 51,407	\$ 50,523	\$ 43,905
Sales and Use		31,017	32,914	31,212	31,672	31,412	31,623	30,327	26,590	26,201	30,915
Transient Occupancy		16,590	16,295	14,137	10,859	9,016	7,778	6,589	5,578	5,686	7,350
Utility Users		7,334	6,901	6,774	6,754	6,549	6,830	6,806	6,798	6,841	6,840
Business Licenses		1,819	1,872	1,846	1,742	1,589	1,505	1,494	1,364	1,199	1,075
Real Property Transfer		1,770	1,972	1,765	1,674	1,275	925	718	571	548	1,225
Construction		4,719	3,298	3,066	2,984	2,725	3,059	1,356	937	1,260	2,943
Franchise		7,118	7,057	6,898	6,694	6,462	6,373	6,247	5,979	6,127	5,855
Total	\$	<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>	<u>\$ 98,385</u>	<u>\$ 100,108</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
2008	12,899,641,149	2,249,318,824	4,864,685,262	680,647,211	2,203,422,900	22,897,715,346	230,239,556	22,667,475,790	1.0%
2009	13,884,261,832	2,769,989,883	5,384,520,573	577,941,420	2,355,453,585	24,972,167,293	246,909,926	24,725,257,367	1.0%
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%

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
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	0.00860	0.00880	0.00910	0.00350	0.00510	0.00470	0.00950	0.01220	-	-
Special District										
Santa Clara Valley Water District	0.00860	0.00570	0.00650	0.00700	0.00690	0.00642	0.00720	0.00740	0.00610	0.00710
El Camino Hospital	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290
Midpeninsula Regional Open Space	0.00060	0.00080	-	-	-	-	-	-	-	-
School Districts										
Sunnyvale School District	0.02630	0.04090	0.04920	0.03640	0.03690	0.03980	0.03900	0.02670	0.03390	0.03560
Cupertino Elementary	0.05090	0.05190	0.05400	0.05250	0.05980	0.02900	0.03080	0.03120	0.03060	0.03370
Los Altos Elementary	0.04790	0.04850	0.05240	0.05340	0.05790	0.05950	0.06000	0.05390	0.05260	0.05430
Mountain View Elementary	0.04260	0.02730	0.03380	0.05300	0.06020	0.03030	0.03220	0.02880	0.02940	0.03120
Fremont High	0.04030	0.05250	0.03960	0.04050	0.03900	0.04150	0.03650	0.03060	0.03390	0.02410
Mountain View-Los Altos High	0.01120	0.01190	0.01330	0.01210	0.01390	0.01470	0.01510	0.01470	0.01480	0.01590
Santa Clara Unified	0.08180	0.09420	0.07040	0.07070	0.08190	0.08360	0.05190	0.07010	0.07430	0.02710
Foothills-De Anza College	0.02340	0.02400	0.02760	0.02900	0.02870	0.02970	0.03260	0.03220	0.01230	0.01130

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, 2017**

Taxpayer	2017			2008		
	Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value ²	Rank	Percentage of Total Taxable Assessed Value
Lockheed Martin Corporation	\$ 971,197,259	1	2.54%	\$ 791,216,764	1	3.49%
Menlo And Juniper Networks LLC	806,209,172	2	2.11%	154,199,277	8	0.68%
Network Appliance Inc	507,822,261	3	1.33%	425,820,495	4	1.88%
Apple Inc	503,950,231	4	1.32%			
Google Inc	458,421,905	5	1.20%			
Applied Materials Inc	442,543,131	6	1.16%	472,395,825	3	2.08%
Yahoo Holdings Inc	436,201,757	7	1.14%	513,759,113	2	2.27%
Intuitive Surgical Inc	401,330,891	8	1.05%			
KR 555 Mathilda LLC	349,455,410	9	0.91%			
SPF Mathilda LLC	301,857,308	10	0.79%			
Spansion LLC				307,092,362	5	1.35%
MT SPE LLC				255,588,096	6	1.13%
Bay Apartment Communities Inc				194,792,716	7	0.86%
Moffett Park Dr LLC				139,086,659	9	0.61%
Silicon Valley California LLC				135,685,500	10	0.60%
Total	\$ 5,178,989,325		13.56%	\$ 3,389,636,807		14.95%

Source: County of Santa Clara Assessor's Office

Note 1 City Total Taxable Assessed Value: \$38,199,341,129

Note 2 City Total Taxable Assessed Value: \$22,667,475,790

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	
2008	\$ 27,482,447	\$ 25,971,030	94.5%	\$ 544,284
2009	29,964,119	27,953,448	93.3%	1,049,591
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

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities:										
Certificates of Participation	\$ 18,000	\$ 19,465	\$ 20,860	\$ 22,195	\$ 23,475	\$ 24,695	\$ 36,835	\$ 39,250	\$ 41,140	\$ 42,520
Tax Allocation Bonds	-	-	-	-	-	-	5,629	5,996	6,352	6,703
Business-Type Activities:										
Water and Wastewater										
Revenue Bonds	48,406	50,903	53,291	55,573	57,775	58,677	60,555	62,889	23,004	24,426
Solid Waste Notes Payable	2,611	5,003	7,368	-	-	-	-	-	-	-
Solid Waste Revenue Bonds	-	-	-	12,388	14,505	16,144	18,000	19,781	21,487	23,129
Total Primary Government	\$ 69,017	\$ 75,371	\$ 81,519	\$ 90,156	\$ 95,755	\$ 99,516	\$ 121,019	\$ 127,916	\$ 91,983	\$ 96,778
Percentage of Personal Income ¹	0.04%	0.05%	0.05%	0.06%	0.07%	0.07%	0.10%	0.11%	0.09%	0.09%
Per Capita ²	\$ 461	\$ 506	\$ 556	\$ 613	\$ 656	\$ 696	\$ 858	\$ 911	\$ 663	\$ 704

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 2015 was used to calculate percentages for fiscal years 2016 and 2017 since data for fiscal years 2016 and 2017 are 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, 2017**

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	\$ 15,635,000	100.000 %	\$ 15,635,000
Cupertino Union School District	281,213,688	14.162	39,825,482
El Camino Hospital District	227,050,000	35.967	81,663,074
Foothill Community College District Certificates of Participation	30,830,528	22.929	7,069,132
Foothill-De Anza Community College District	649,079,095	22.929	148,827,346
Fremont Union High School District	364,345,088	49.343	179,778,797
Midpeninsula Regional Open Space Park District & General Fund Obligations	156,368,611	15.604	24,399,758
Mountain View School District	15,110,000	7.382	1,115,420
Mountain View-Whisman School District	223,495,000	4.604	10,289,710
Mountain View-Los Altos Union High School District & Certificates of Participation	57,706,725	2.571	1,483,639
Los Altos School District	65,340,000	0.268	175,111
Santa Clara County	784,845,000	9.120	71,577,864
Santa Clara County General Fund Obligations	634,190,521	9.120	57,838,176
Santa Clara County Pension Obligation Bonds	362,470,957	9.120	33,057,351
Santa Clara County Board of Education Certificates of Participation	5,690,000	9.120	518,928
Santa Clara County Vector Control Certificates of Participation	2,685,000	9.120	244,872
Santa Clara Unified School District & Certificates of Participation	514,875,000	9.673	49,803,858
Santa Clara Valley Water District Benefit Assessment District	90,945,000	9.120	8,294,184
Sunnyvale School District	195,570,820	99.216	194,037,545
West Valley-Mission Community College District	407,295,973	4.288	17,464,851
West Valley Mission Community College District General Fund Obligations	63,715,000	4.288	2,732,099
Subtotal Overlapping Debt			945,832,197
Direct Debt ²			
City of Sunnyvale Government Center Certificates of Participation			11,615,000
City of Sunnyvale Parking Facility Certificates of Participation			6,385,000
Subtotal Direct Debt			18,000,000
Total Direct and Overlapping Debt ³			\$ 963,832,197

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Debt limit	\$ 5,801,897	\$ 5,285,706	\$ 4,774,271	\$ 4,459,946	\$ 4,085,461	\$ 3,933,110	\$ 3,888,601	\$ 3,929,447	\$ 3,745,825	\$ 3,434,657
Total net debt applicable to limit	18,000	19,465	20,860	22,195	23,475	29,943	31,490	32,971	35,252	36,394
Legal debt Margin	<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>	<u>\$ 3,710,573</u>	<u>\$ 3,398,263</u>
Total net debt applicable to the limit as a percentage of debt limit	0.31%	0.37%	0.44%	0.57%	0.57%	0.76%	0.81%	0.84%	0.94%	1.06%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$ 38,199,341
Add back: exempt real property	479,971
Total assessed value	<u>\$ 38,679,312</u>
Debt limit (15% of total assessed value)	5,801,897
Debt applicable to limit:	
Total bonded debt	<u>69,017</u>
Less:	
Water and Wastewater Revenue Bonds	(48,406)
Solid Waste Revenue Bonds	<u>(2,611)</u>
Total net debt applicable to limit	<u>18,000</u>
Legal debt margin	<u>\$ 5,783,897</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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Water and Wastewater										
Revenue Bonds										
Gross Revenues	\$ 83,371	\$ 73,946	\$ 65,536	\$ 71,567	\$ 65,621	\$ 59,071	\$ 52,303	\$ 48,000	\$ 47,060	\$ 48,250
Less: Operating Expenses ²	63,547	53,452	44,141	46,074	45,316	39,268	34,303	33,899	33,272	31,868
Less: Operating Transfers ³	415	1,362	6,716	6,852	6,161	6,636	6,427	4,754	4,770	5,051
Net Available Revenue ⁶	\$ 19,409	\$ 19,132	\$ 14,679	\$ 18,641	\$ 14,144	\$ 13,167	\$ 11,573	\$ 9,347	\$ 9,018	\$ 11,331
Debt Service										
Principal	\$ 2,330	\$ 2,220	\$ 2,115	\$ 2,035	\$ 1,955	\$ 1,900	\$ 2,355	\$ 1,495	\$ 1,435	\$ 1,370
Interest	2,411	2,522	2,624	2,703	2,789	2,824	2,161	1,119	1,180	1,243
Coverage	4.1	4.0	3.1	3.9	3.0	2.8	2.6	3.6	3.4	4.3
Solid Waste Revenue										
Bonds/Notes Payable⁵										
Gross Revenues	\$ 48,052	\$ 46,698	\$ 43,295	\$ 42,104	\$ 40,444	\$ 38,717	\$ 36,782	\$ 33,980	\$ 33,274	\$ 32,336
Other Agencies Shares ⁴	971	972	1,004	1,064	1,043	1,041	1,041	1,043	1,039	863
Less: Operating Expenses ²	38,856	37,433	34,517	34,334	29,422	30,110	30,317	28,822	35,602	27,193
Less: Operating Transfers ³	743	723	3,135	3,201	2,882	3,241	3,145	2,445	2,344	2,241
Net Available Revenue ⁶	\$ 9,424	\$ 9,514	\$ 6,647	\$ 5,633	\$ 9,183	\$ 6,407	\$ 4,361	\$ 3,756	\$ (3,633)	\$ 3,765
Debt Service										
Principal	\$ 2,392	\$ 2,365	\$ 2,165	\$ 2,060	\$ 1,960	\$ 1,865	\$ 1,790	\$ 1,715	\$ 1,645	\$ 1,165
Interest ⁵	47	76	394	645	746	834	916	990	1,056	898
Coverage ¹	3.9	3.9	2.6	2.1	3.4	2.4	1.6	1.4	-1.3	1.8

Notes:

- The negative coverage amount for fiscal year 2009 was caused by a \$7 million increase in accounting estimate of landfill postclosure liability, which was anticipated to be funded by rate increases over the subsequent 15 years.
- Excludes depreciation expense.
- Operating expense-related transfers.
- Proportion of debt service shared by Cities of Mountain View and Palo Alto according to the Memorandum of Understanding.
- The City paid off the Solid Waste Revenue Bonds during Fiscal Year 2015 with a new privately funded bank loan.
- 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 (thousands of dollars) ¹	Per Capita Personal Income ¹	Median Age	School Enrollment	Civilian Labor Force	Unemployment Rate
2008	137,538	109,334,057	60,903	37	15,142	74,532	5.1%
2009	138,826	103,417,653	56,836	37	15,596	74,777	9.6%
2010	140,450	111,305,920	60,414	37	15,979	76,214	9.4%
2011	141,099	122,216,603	65,342	36	16,224	78,221	8.7%
2012	142,896	136,205,087	71,755	36	16,562	80,300	7.4%
2013	145,864	137,458,755	71,268	36	16,900	81,330	6.1%
2014	147,055	149,615,456	76,555	36	17,103	82,808	4.7%
2015	146,629	161,294,578	81,592	35	17,078	84,798	3.8%
2016	148,948	Not Available	Not Available	35	16,908	86,041	3.5%
2017	149,831	Not Available	Not Available	34	16,755	85,651	3.1%

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	2017			2008		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Lockheed Martin Space Systems	4,610	1	5.38%	7,375	1	9.90%
Apple	4,000	2	4.67%			
Yahoo!	3,877	3	4.53%	4,906	2	6.58%
Juniper Networks	3,180	4	3.71%	2,187	3	2.93%
Google	3,176	5	3.71%			
NetApp	2,209	6	2.58%			
A2Z Development Center	2,021	7	2.36%			
LinkedIn	1,840	8	2.15%			
West Valley Engineering	1,476	9	1.72%			
Northrup Grumman Marine Systems	1,226	10	1.43%	1,200	7	1.61%
Network Appliance				2,133	4	2.86%
Maxim Integrated Products				1,800	5	2.42%
Spansion				1,256	6	1.69%
Palm				858	8	1.15%
Synopsys				714	9	0.96%
Advanced Micro Devices				702	10	0.94%

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Function/Program										
Planning and Management ^{3 & 4}	143	136	136	130	124	124	130	137	144	141
Public Safety ^{1 & 3 & 4}	345	348	334	319	311	308	321	328	340	335
Community Development ^{3 & 4}	71	74	76	105	102	103	106	117	126	129
Transportation ⁴	41	41	39	34	33	33	35	35	36	35
Socioeconomic ⁴	52	51	49	50	55	69	91	89	66	65
Cultural ^{2 & 4}	110	110	107	104	104	47	50	58	61	61
Environmental Management ^{3 & 4}	20	18	18	25	24	22	21	20	21	21
Water Supply and Distribution ⁴	30	33	34	34	31	30	29	30	30	29
Wastewater Management ⁴	76	76	75	71	70	68	66	69	70	69
Solid Waste Management ⁴	10	10	11	10	10	11	10	11	10	10
SMaRT Station ⁴	1	1	1	1	1	1	1	1	1	1
Development ^{3 & 4}	48	46	41	-	-	-	-	-	-	-
Golf and Tennis Operations or Community Recreation ^{2 & 4}	24	24	25	25	25	79	88	89	92	92
Total	971	968	946	908	890	895	948	984	997	988

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety:										
Police										
Emergency Responses	41,050	31,848	37,662	38,133	40,680	41,060	41,840	37,721	38,676	41,062
Crime Investigations	2,030	4,718	2,855	3,249	5,131	2,347	3,068	Not Available	3,240	3,749
Traffic Events and Citations	10,155	8,829	9,772	11,894	14,460	17,514	17,237	17,208	20,258	19,657
Fire										
Emergency Responses	7,483	7,774	7,438	7,606	7,487	7,092	7,098	6,901	7,123	7,385
Fire Safety Inspections	7,585	6,682	6,439	7,163	6,842	6,495	5,883	Not Available	Not Available	4,666
Transportation:										
Streets Resurfacing (1,000 square feet)	Not Available	None	1,177	1,565	1,493	572	237	152	None	158
Street Preventive Maintenance (1,000 sq feet)	4,728	4,473	3,641	3,323	3,624	4,272	3,084	4,481	3,553	4,056
Streetlight Lamps Replaced	946	1,656	1,242	925	1,032	1,486	1,247	1,011	954	682
Cultural:										
Library Visitors	683,739	669,796	699,128	707,922	743,311	743,363	732,631	796,329	871,128	798,194
Library Materials Circulated	2,191,068	2,396,689	2,576,329	2,711,856	2,748,170	2,705,192	2,524,293	2,379,284	2,481,633	2,329,375
Library Materials Turnover Rate (average use)	7.2	6.6	8.7	8.8	9.5	9.0	8.3	7.9	7.1	7.4
Recreation Programs Registration (hours)	Not Available	821,950	866,750	850,978	837,899	801,792	703,355	717,931	710,537	745,720
Rental Use of Recreation Facilities ¹	Not Available	92,842	103,122	98,878	74,404	81,152	73,330	85,143	65,900	18,324
Water Supply and Distribution:										
Average Daily Demand (million gallons)	15.4	14.0	19.4	19.4	19.4	22.8	18.0	18.0	20.3	20.8
Peak Daily Use (million gallons)	27.8	21.0	29.1	29.1	29.1	34.2	40.3	40.3	41.3	42.4
Water Main Repairs	19	30	38	48	24	33	23	15	9	28
Wastewater Management:										
Average Daily Sewage Treatment (million gallons)	12.7	11.7	12.8	12.8	13.4	13.5	13.8	12.6	14.1	14.9
Solid Waste Management:										
Refuse collected (tons per day)	255.0	250.0	244.0	234.8	234.6	223.6	223.6	224.1	233.7	261.9
Recyclables collected (tons per day)	79.5	78.5	71.5	68.6	71.3	68.3	68.2	70.6	68.9	67.4
SMaRT Station:										
Refuse received (tons per day)	643.0	640.0	652.0	608.0	609.0	576.0	563.0	604.0	667.1	709.7
Golf and Tennis:										
Plays at Golf Courses	105,632	111,011	121,997	124,741	129,583	136,121	133,356	134,312	137,012	142,137

Source: City of Sunnyvale, various departments

Note: 1 Starting fiscal year 2009, includes sports field rentals for youth sports organizations.

CITY OF SUNNYVALE**Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
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	72	69	70	70	70	70	67	66	67	63
Fire Stations	6	6	6	6	6	6	6	6	6	6
Transportation										
Streets (miles)	261	300	300	300	300	300	300	300	300	300
Streetlights	9,352	9,354	9,357	9,316	9,328	9,357	9,542	9,542	9,242	8,928
Traffic Signals	132	131	131	129	129	130	128	128	128	129
Cultural¹										
Park Acreage	344	329	329	329	324	323	323	323	323	323
Parks	23	21	21	21	20	19	19	19	19	19
Swimming Pools	3	4	4	4	5	5	6	6	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	330	326	326	326	283
Fire Hydrants	3,412	3,400	3,362	3,362	3,360	3,424	3,390	3,390	3,390	3,381
Storage Capacity (million gallons)	26.5	26.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	28.0
Wastewater Management										
Sanitary Sewer (miles)	330	310	310	283	283	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	38	38	38	38	38

Source: City of Sunnyvale, various departments

Note: 1 No capital asset indicators are available for library function.

CITY OF SUNNYVALE

Report to the City Council

For the Year Ended June 30, 2017



Certified
Public
Accountants

CITY OF SUNNYVALE
Report to the City Council
For the Year Ended June 30, 2017

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Honorable Mayor and the Members of
the City Council of the City of Sunnyvale
Sunnyvale, California

In planning and performing our audit of the 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, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 10, 2017. Professional standards also require that we communicate to you other information related to our audit as discussed in the accompanying Required Communications section.

We would like to thank City management and staff for the courtesy and cooperation extended to us during the course of our engagement.

This communication is intended solely for the information and use of the Mayor and City Council, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 4, 2017

CITY OF SUNNYVALE
Report to the City Council
For the Year Ended June 30, 2017

REQUIRED COMMUNICATIONS

Significant Audit Results

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the City's basic financial statements. The City implemented five new Governmental Accounting Standards Board (GASB) pronouncements, consisting of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; Statement No. 77, *Tax Abatement Disclosures*; Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Pension Plans*; and Statement No. 80, *Blending Requirements for Certain Component Unit – An Amendment of GASB Statement No. 14*. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- *Fair value of investments.* The City's investments are generally carried at fair value, which is defined as the amount that the City could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller and is generally measured by quoted market prices.
- *Estimated allowance for losses on notes and loans receivable.* The allowance for losses on notes and loans receivable was based on management's estimate regarding the likelihood of collectability.
- *Useful life estimates for capital assets.* The estimated useful lives of capital assets were based on management's estimate of the economic lives of capital assets.
- *Accrued landfill postclosure care costs.* The City has estimated the postclosure care costs of the Sunnyvale Landfill based on what it would cost to perform all currently mandated closure and postclosure care. Actual postclosure care costs may be different due to inflation variances, changes in technology, or changes in State or Federal regulations.
- *Actuarial valuation of the pension plan and other postemployment benefits plans.* The actuarial valuation for the pension and other postemployment benefits plans, including the funded status and required contributions of the plans, are based on actuarial calculations performed by the City's independent actuaries, which incorporate actuarial methods and assumptions.
- *Claims loss reserve.* The City is exposed to a variety of risks of loss due to general liability, workers' compensation and other claims, and records an estimate of these losses based on actuarial studies performed by third-party actuaries. These studies are prepared based on the City's prior claims history, which is used as a basis for extrapolating losses for known and incurred but not reported claims. Actual loss experience may vary from these estimates.

CITY OF SUNNYVALE
Report to the City Council
For the Year Ended June 30, 2017

REQUIRED COMMUNICATIONS (Continued)

We evaluated the key factors and assumptions used to develop the accounting estimates described above in determining that they are reasonable in relation to the City's basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures of the City's Pension Plans in Note 16, the Other Postemployment Benefits in Note 17, and the Redevelopment Successor Agency Trust in Note 20. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 4, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

CITY OF SUNNYVALE
Report to the City Council
For the Year Ended June 30, 2017

REQUIRED COMMUNICATIONS (Continued)

Other Matters

We applied certain limited procedures to 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 which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining fund financial statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has 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 it.

CITY OF SUNNYVALE
RETIREE HEALTHCARE PLAN

Sunnyvale, California

Basic Financial Statements
and Independent Auditor's Report

Fiscal Year Ended June 30, 2017



**CITY OF SUNNYVALE
RETIREE HEALTHCARE PLAN
Basic Financial Statements
and Independent Auditor's Report**
For the Fiscal Year Ended
June 30, 2017



Sunnyvale

City of Sunnyvale
650 West Olive Avenue
Sunnyvale, CA 94086
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CITY OF SUNNYVALE RETIREE HEALTHCARE PLAN

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Fiscal Year Ended June 30, 2017

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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 City of Sunnyvale Retiree Healthcare Plan (Plan), a trust fund of the City of Sunnyvale (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Plan'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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Plan as of June 30, 2017, and the respective changes in financial net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 1, the financial statements present only the Plan and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2017 and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Also discussed in Note 1 to the financial statements, effective as of July 1, 2016, the Plan adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Changes in the City's Net OPEB Liability and Related Ratios, the Schedule of City Contributions, and the Schedule of Investment Returns 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 dark ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
December 4, 2017

Management's Discussion and Analysis (Unaudited)

Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2017

The City of Sunnyvale Retiree Healthcare Plan, commonly referred to as the OPEB (other post-employment benefits) Plan, is administered through a trust that meets the following criteria: 1) contributions from the employer and earnings on those contributions are irrevocable; 2) plan assets are dedicated to providing retiree healthcare in accordance with benefit terms; and, 3) plan assets are legally protected from the creditors of the City and of the OPEB Plan members.

This section of management's discussion and analysis provides an overview of the financial performance for the fiscal year ended June 30, 2017. The information presented here should be read in conjunction with the historical information presented by the accompanying basic financial statements, notes to the basic financial statements, and required supplementary information presented in this report. Certain forward-looking information, which by nature is subject to risks and uncertainties, is presented toward the end of this section.

A. FINANCIAL HIGHLIGHTS.

- On July 1, 2016, the Plan adopted Governmental Accounting Standard Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The fiduciary net position on that date was restated at \$71.3 million, reflecting the cumulative effect of applying GASB Statement No. 74.
- At June 30, 2017, the Plan's fiduciary net position was \$83 million, which was an increase of \$11.7 million from the prior year.
- Total benefit payments (including estimated implied subsidy of \$1.3 million for the non-Medicare eligible retirees) amounted to \$6.9 million, which were paid by the City's own resources outside of the trust assets in this Plan.

B. OVERVIEW OF FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

The basic financial statements consist of a statement of fiduciary net position and a statement of changes in fiduciary net position. The information about the assets, liabilities, fiduciary net position, and changes in the fiduciary net position presented in these statements helps to determine how the trustees and administrators have discharged their fiduciary responsibilities.

Fiduciary net position restricted for retiree healthcare benefits increased \$11.7 million from the prior year. The City prefunded \$4.2 million to the OPEB Trust in addition to making benefit payments (with implied subsidy) of \$6.9 million from its own resources. The Plan earned net investment income of \$7.5 million in this year.

The comparative schedules of fiduciary net position and changes in fiduciary net position as of and for the fiscal years ended 2017 and 2016 are presented as follows:

Management's Discussion and Analysis (Unaudited), Continued
Fiscal Year Ended June 30, 2017

B. OVERVIEW OF FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION
(Continued)

Fiduciary Net Position

(Amounts in Thousands)

	2017	2016 ¹	Increase/ (Decrease)
Assets:			
Cash and Cash Equivalents	\$ 233	\$ 165	\$ 68
Investments	82,811	71,144	11,667
Total Assets	<u>83,044</u>	<u>71,309</u>	<u>11,735</u>
Liabilities:			
Investment Fees Payable	36	32	4
Total Liabilities	<u>36</u>	<u>32</u>	<u>4</u>
Net Position:			
Restricted for Retiree Healthcare	<u>\$ 83,008</u>	<u>\$ 71,277</u>	<u>\$ 11,731</u>

Changes in Fiduciary Net Position

(Amounts in Thousands)

	2017	2016 ¹	Increase/ (Decrease)
Additions:			
Employer Contributions ²	\$ 11,170	\$ 10,980	\$ 190
Net Investment Income	7,488	1,346	6,142
Total Additions	<u>18,658</u>	<u>12,326</u>	<u>6,332</u>
Deductions			
Benefit Payments ²	<u>6,927</u>	<u>5,404</u>	<u>1,523</u>
Increase (Decrease) in Net Position	11,731	6,922	4,809
Net Position - Beginning	<u>71,277</u>	<u>64,355</u>	<u>6,922</u>
Net Position - Ending	<u>\$ 83,008</u>	<u>\$ 71,277</u>	<u>\$ 11,731</u>

¹ The Plan did not issue a standalone report for fiscal year 2016. Neither was the implied subsidy amount available for that year.

² Implied subsidy (outside Trust) of \$1.3 million was first included in Employer Contributions and Benefit Payments starting in fiscal year 2017. This amount was determined by the 6/30/2016 actuarial valuation, which are included in the total OPEB liability rolled forward from the 6/30/2016 valuation to 6/30/2017.

***Management's Discussion and Analysis (Unaudited), Continued
Fiscal Year Ended June 30, 2017***

***B. OVERVIEW OF FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION
(Continued)***

The notes to the basic financial statements provide information related to assets held in trust and managed by this Plan. Also disclosed is the total OPEB liability for which the OPEB Plan assets are restricted as of the fiscal year-end. The following is a list of items disclosed in the notes to the basic financial statements:

- Summary of significant accounting policies
- Plan descriptions and contribution information
- Investments
- Receivables
- Net OPEB liability of the City, with actuarial methods and assumptions used to measure the total OPEB liability

The required supplementary information presents certain schedules that are essential to understanding the trends by comparing the OPEB information reported for the current year with available data from prior years. The following schedules are presented as required:

- a schedule of changes in the City's net OPEB liability and related ratios
- a schedule of City contributions
- a schedule of investment returns

***Management's Discussion and Analysis (Unaudited), Continued
Fiscal Year Ended June 30, 2017***

C. FORWARD-LOOKING INFORMATION

- For funding purposes, as of June 30 2016, the most recent actuarial valuation date (dated February 1, 2017), the Plan had a 45.9 percent actuarial funded ratio. The actuarial accrued liability for other post-employment benefits (OPEB) was \$158.5 million and the actuarial value of assets was \$72.8 million resulting in an unfunded accrued liability of \$85.7 million.
- As reported in the GASB 74 Report as of June 30, 2017, prepared by actuaries for the Plan, the net position of the fiduciary Plan was 49.7% of the total OPEB liability. The total OPEB liability was \$166.9 million, and the Plan fiduciary net position was \$83.0 million, resulting in a net OPEB liability of \$83.9 million.
- As of June 30, 2016, the most recent actuarial valuation date, the actuarial determined contributions for fiscal year 2018 are \$11.5 million or 12.4%, based on the projected payroll of \$92.5 million. The benefit payments are projected to \$7.5 million, including the implied subsidy of \$1.5 million.
- In fiscal year 2018, the trustees of the Plan intend to amend its investment policy to find the best balance between risk and return for optimal diversification and to modify the targets for each asset class to achieve an average total annual rate of return that is equal to or greater than the Plan's actuarial discount rate. In addition, upon amendment, the Plan investment policy would like to encourage investments that support sound environmental, social and governance investing. Investments are discouraged in entities that manufacture tobacco products, firearms, or nuclear weapons and are direct or indirect investments to support the production or drilling of fossil fuels.
- The current annual contributions of \$4.1 million to prefund the Plan, \$5.9 million for benefit payments (pay-as-you-go basis) and implied subsidy of \$1.5 million totaling to \$11.5 million are budgeted for fiscal year 2018. Projected contributions to the Plan are calculated by the actuaries; these annual contributions are projected to increase to \$35.3 million over the City's 20-year financial plan, covering fiscal periods from 2017 to 2037. These contributions, combined with the projected contributions for retiree medical benefits, are expected to be 95% funded by the end of the 20-year financial plan.

***Management's Discussion and Analysis (Unaudited), Concluded
Fiscal Year Ended June 30, 2017***

D. REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Plan's finances and to demonstrate the Plan'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.

Basic Financial Statements

CITY OF SUNNYVALE RETIREE HEALTHCARE PLAN

**Statement of Fiduciary Net Position
June 30, 2017**

	Other Post-Employment Benefit Trust Fund
Assets	
Cash and Cash Equivalents	\$ 233,375
Interest Receivable	141
Investments at Fair Value:	
Mutual Fund-Fixed Income	30,313,083
Mutual Fund-Equity	52,497,460
Total Investments	<u>82,810,543</u>
Total Assets	<u>83,044,059</u>
Liabilities:	
Investment-Related Fees Payable	<u>36,124</u>
Total Liabilities	<u>36,124</u>
Net Position Restricted for Postemployment Benefits Other Than Pensions	<u><u>\$ 83,007,935</u></u>

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE RETIREE HEALTHCARE PLAN**Statement of Changes in Fiduciary Net Position
for the Year Ended June 30, 2017**

	Other Post-Employment Benefit Trust Fund
Additions:	
Employer Contributions - Direct	\$ 4,243,000
Employer Contributions - Outside of OPEB Trust	5,599,297
Employer Contributions - Implied Subsidy	1,328,000
Subtotal - Employer Contributions	11,170,297
Net Investment Income:	
Net Increase in Fair Value of Investments	5,973,954
Interest	1,203
Dividends	1,727,153
Less Investment-Related Expense	(214,535)
Subtotal - Net Investment Income	7,487,775
Total Additions	18,658,072
Deductions:	
Benefit Payments with Implied Subsidy	6,927,297
Total Deductions	6,927,297
Net Increase in Net Position	11,730,775
Net Position Restricted for Retiree Healthcare:	
Net Position, Beginning of Year	-
Cumulative Effect of Applying GASB 74	71,277,160
Beginning of Year, Restated	71,277,160
Net Position, End of Year	\$ 83,007,935

See Accompanying Notes to the Basic Financial Statements

Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The City of Sunnyvale provides healthcare benefits to eligible retirees and their dependents through the California Public Employee's Retirement System (CalPERS) healthcare program (PEMHCA). Benefit levels are established through agreements and memorandums of understanding between the City and employees or bargaining units.

To implement a funding plan to address the unfunded liabilities associated with retiree medical benefits, the City of Sunnyvale created an Other Postemployment Benefits (OPEB) Trust. Note 2 provides more detail about the plan administration.

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 Governmental Accounting Standards Board (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.

Basic Financial Statements

The Plan's resources are required to be held in trust for the members and beneficiaries of the Plan and, therefore, are accounted for as a Fiduciary Fund - Other Postemployment Benefits Trust Fund.

Measurement Focus

The Plan's financial statements are prepared using the economic resources measurement focus.

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due and the Plan has a legally enforceable right to the resources. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Cash, Cash Equivalents, and Investments

Cash equivalents include 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. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid investments with maturities of one year or less at time of purchase and guaranteed investment contracts are stated at amortized cost. All other investments are stated at fair value. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the exit price that would be received to sell an investment in an orderly transaction at the measurement date.

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, disclosures about deposits and investment risks are reported in the following areas:

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

Administrative Costs

Investment-related fees are disbursed from the Trust. The calculation of fees to compensate the services from the Trust Administrator and the Trustee are specified in the Trust Agreement; these fee expenses - such as investment advisory and management fees and trustee fees - are reported in the additions section of the Plan's statement of changes in fiduciary net position.

The City of Sunnyvale pays for audit costs of the Trust.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Effects of New Accounting Pronouncements

On July 1, 2016, the Plan adopted GASB Statement No. 74, which addresses reporting by OPEB plans that administer benefits on behalf of governments. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria in Paragraph 3 of this Statement. The new disclosure requirements are intended to enhance the decision-usefulness of the OPEB plan financial reports in the following ways:

- Information about measures of net OPEB liabilities will explain how the liabilities changed from year to year;
- Information about net OPEB liabilities, including ratios, will indicate the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan;
- Information about actuarial methods and assumptions used to determine total OPEB liability will enhance the comparability of reported information for similar types of OPEB plans;
- The contribution schedule will provide measures to evaluate decision related to the assessment of contribution rates in comparison with actuarially determined rates;
- New information about rates of return on OPEB plan investments will inform financial report users about the effects of market conditions on the OPEB plan's assets over time and provide information for users to assess the relative success of the OPEB plan's investment strategy and the relative contribution that investment earnings provide to the OPEB plan's ability to pay benefits to plan members when they come due.

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses how certain state and local government external investment pools and participants in external investment pools may measure and report their investments in response to changes contained in an SEC rule that took effect in April 2016. Statement No. 79 replaces the reference in existing GASB literature to Rule 2a7 with criteria that are similar in many respects to those in Rule 2a7. This Statement provides guidance that will allow many pools to continue to qualify for amortized cost accounting. This Statement also establishes additional note disclosure requirements for qualifying pools and pool participants. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for the Plan's fiscal year ending June 30, 2017. This Statement did not have a significant impact on the Plan's financial statements.

The Plan is currently analyzing its accounting practices to determine the potential impact on its financial statements for the following GASB statements:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This 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. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). For OPEB plan reporting, this Statement addresses issues in presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans. The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION****Plan Administration**

Since 2007, the City of Sunnyvale has set aside funds in the its Employee Benefits Internal Service Fund for meeting future OPEB obligations. On July 20, 2010, Sunnyvale City Council approved an Investment Advisory Agreement with PFM Asset Management, LLC (PFM) to establish and administer the 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, Sunnyvale City Council approved a Trust Agreement among the City of Sunnyvale (Employer), PFM (Trust Administrator), and U.S. Bank National Association (Trustee of Trust assets).

Plan Membership at June 30, 2017:

Inactive employees or beneficiaries currently receiving benefits	787
Inactive employees entitled to but not yet receiving benefits	85
Active employees	857
	<u>1,729</u>

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.

The City provides a retiree healthcare stipend equal to the lesser of the medical premium or a dollar limit that varies by employee group (\$438 for SEIU, \$467 for PSOA, \$473 for COA, and \$796 for SEA/Confidential/Management per month at June 30, 2017). 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. At June 30, 2017, the monthly City contribution of \$128 represents the PEMHCA required minimum employer contribution amount.

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION, Continued****Contributions**

The June 30, 2014 actuarial valuation (finalized on February 4, 2015 - before the Actuarial Standards of Practice requiring the inclusion of implied subsidy in actuarial valuations) set the fiscal year 2017 annually required contribution at \$8,135,000. The June 30, 2016 actuarial valuation estimated the implied subsidy for the fiscal year ended June 30, 2017 to be \$1,328,000, which was presented as both an addition to and a deduction from the net position.

For the fiscal year ended June 30, 2017, the City pre-funded \$4,243,000 to the Trust. The City also contributed \$5,599,297 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 Benefits Internal Service Fund's long-term financial plan, an integral part of the City's annually adopted budget.

NOTE 3 – INVESTMENTS**Investment Policy**

The OPEB Trust Investment Policy was established pursuant to Sunnyvale City Council Policy 7.1E.2.6, "An Actuarial Retiree Medical Reserve will be maintained at a level that is deemed adequate to meet the projected liabilities as determined by an actuarial evaluation."

The Investment Policy Statement for the OPEB Trust was approved by Sunnyvale City Council and adopted on January 12, 2011 and amended on February 25, 2014 to 1) clarify language applicable to each asset class with the objective to take advantage of market opportunity while maintaining a broadly diversified portfolio and 2) make the Investment Policy Statement consistent with current investment language.

To achieve the greatest likelihood of meeting the Trust's investment objectives and the best balance between risk and return for optimal diversification, assets would be invested in accordance with the targets for each asset class as follows to achieve an average total annual rate of return that is equal to or greater than the Trust's actuarial discount rate.

Asset Class	Asset Weightings	
	Range	Target
Growth		
Domestic Equity	25% - 45%	35%
International Equity	9% - 29%	19%
Alternatives	0% - 15%	0%
Income		
Fixed Income	26% - 66%	46%
Cash Equivalent	0% - 20%	0%
Total Portfolio		100%

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**NOTE 3 – INVESTMENTS, Continued**

The asset allocation range established by this Investment Policy represents a long-term perspective. Rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside Investment Policy Statement ranges. The 2014 Investment Policy intended to achieve a target asset allocation of 60 percent equities and 40 percent fixed income. These allocation targets, not maximum or minimum, are used as a guide so that the City may respond to market conditions as appropriate with these targets in mind.

Fair Value Measurement

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a hierarchy of inputs to valuation techniques used to measure fair value. The hierarchy has three levels. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs.

Open-end mutual funds are not subject to categorization by the fair value hierarchical levels. The fair value of an open-end mutual fund is determined by the fund's current share price, which is readily determinable if the fair value per share is determined and published and is the basis for current transactions.

At June 30, 2017, in addition to holding \$233,375 in open-end money market mutual funds (cash equivalents), the Plan had positions in open-end mutual funds as follows:

Investments	06/30/2017	Percentage of
	Fair Value	Fair Value
Mutual Funds-Domestic Equity	\$ 40,087,685	48.4%
Mutual Funds-International Equity	12,409,775	15.0%
Mutual Funds-Fixed Income	30,313,083	36.6%
Total	<u>\$ 82,810,543</u>	<u>100.0%</u>

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**NOTE 3 – INVESTMENTS, Continued****Risk Disclosure**

Interest rate risk is the risk the changes in interest rates demanded by the market will adversely affect the fair value of an investment. The Plan's interest rate risk disclosure is presented in the following schedule for the fixed-income mutual fund investments:

Fixed-Income Investments	Average Maturity		Total Fair Value
	2 to 5 Years	5 to 10 Years	
Vanguard High Yield Corporate Fund Admiral Shares	\$ 2,716,180	\$ -	\$ 2,716,180
Vanguard Intermediate Investment-Grade Corporate Fund Admiral		10,000,370	10,000,370
Baird Core Plus Bond Fund Class Institutional		10,008,646	10,008,646
Metropolitan West Total Return Bond Fund Class I		7,587,887	7,587,887
Fixed-Income Investments, June 30, 2017	<u>\$ 2,716,180</u>	<u>\$ 27,596,903</u>	<u>30,313,083</u>

Disclosures about credit risk, custodial credit risk, concentration of credit risk do not apply to the Plan's mutual fund investments for the following reasons:

- The various mutual fund investments held by the Plan are not rated by Nationally Recognized Statistical Rating Organizations
- Open-end mutual funds are not evidenced by securities that exist in physical or book entry form
- Open-end mutual funds diversify investments among organizations

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 10.30 percent. The money-weighted rate of return expresses investment performance (net of investment expense) adjusted for the changing amounts invested monthly.

NOTE 4 – RECEIVABLES

At year end, the Plan reported interest receivable of \$141 from its investments in money market mutual funds.

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**NOTE 5 – NET OPEB LIABILITY OF THE CITY**

The components of the net OPEB liability of the City at June 30, 2017 were as follows:

Total OPEB Liability	\$ 166,918,000
Plan Fiduciary Net Position	<u>83,007,935</u>
City's Net OPEB Liability	<u>\$ 83,910,065</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	49.7%

Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. No significant changes in benefits, the covered population or other factors affecting the valuation results have occurred after the most recent, June 30, 2016, actuarial valuation.

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. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial value of assets was determined using techniques that spread the effects of investment gains and losses over a five-year rolling period, resulting in not less than 80% nor more than 120% of market value.

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**NOTE 5 – NET OPEB LIABILITY OF THE CITY, Continued**

Additional information as of the latest actuarial valuation follows:

Valuation Date	The results of the June 30, 2016 actuarial valuation were rolled forward to June 30, 2017, the Plan's fiscal year-end.
Actuarial Cost Method	Entry age
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	6.5% - full actuarially determined contribution funding
Expected Long-Term Rate of Return	6.5%, net of plan investment expenses, including inflation
Inflation	3% annually
Payroll Growth	3.25% annually, including inflation
Cap increase on benefit payments	0% to 5% depending on bargaining unit
Medical Trend	6.5% to 5% over a 4-year period for retirees not eligible for Medicare. 6.7% to 5% over a 4-year period for retirees eligible for Medicare.
Mortality	CalPERS 1997-2011 Experience Study, Mortality Improvement Scale MP-2014 modified to converge to ultimate mortality improvement rates in 2022

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**NOTE 5 – NET OPEB LIABILITY OF THE CITY, Continued**

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, 2017 are summarized in the following table:

Asset Class	Expected Geometric Real Return *
Growth Assets	
Domestic Equity	5.35%
International Equity	5.35%
Alternatives	
Real Estate	4.03%
Commodities	1.90%
TIPS	1.53%
Income Assets	
Fixed Income	1.55%
Cash Equivalent	0.00%
Assumed Long-Term Rate of Inflation	3.00%
Assumed Long-Term Investment Expenses	0.30%
Expected Long-Term Net Rate of Return	6.50%

* Based on adjusted capital market assumptions used by CalPERS' investment advisors in May 2010.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 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.

Notes to Basic Financial Statements, Concluded
Fiscal Year Ended June 30, 2017

NOTE 5 – NET OPEB LIABILITY OF THE CITY, 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 (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current discount rate:

	Discount Rate -1% (5.5%)	Current Discount Rate (6.5%)	Discount Rate +1% (7.5%)
Net OPEB Liability	\$ 108,431,065	\$ 83,910,065	\$ 64,057,065

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

Medical premiums were assumed to increase with a pre-Medicare medical cost increase rate of 6.5% for 2018, grading down to 5% for 2021 and thereafter. The post-Medicare medical cost increase rates were 6.7% for 2018, grading down to 5% for 2021 and thereafter. 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	\$ 68,196,065	\$ 83,910,065	\$ 101,390,065

Required Supplementary Information (Unaudited)

CITY OF SUNNYVALE RETIREE HEALTHCARE PLAN**Required Supplementary Information
Fiscal Year Ended June 30, 2017****SCHEDULE OF CHANGES IN THE
CITY'S NET OPEB LIABILITY AND RELATED RATIOS****Last 10 Years¹**

(Amounts in Thousands)

	2017
Total OPEB liability	
Service Cost	\$ 5,288
Interest	10,076
Benefit Payments	(6,927)
Net change in Total OPEB Liability	8,437
Total OPEB Liability - Beginning	158,481
Total OPEB Liability - Ending (a)	<u>\$ 166,918</u>
 Plan Fiduciary Net Position	
Contributions - Employer	11,170
Net Investment Income	7,488
Benefit Payments	(6,927)
Net Change in Plan Fiduciary Net Position	11,731
Plan Fiduciary Net Position-Beginning	71,277
Plan Fiduciary Net Position-Ending (b)	<u>\$ 83,008</u>
 City's Net OPEB liability (a) - (b)	<u>\$ 83,910</u>
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	49.7%
 Covered-Employee Payroll	\$ 91,394
 City's Net OPEB Liability as a Percentage of Covered Employee Payroll	91.8%

¹ Historical information is required only for measurement periods for which GASB Statement No. 74 is applicable.

CITY OF SUNNYVALE RETIREE HEALTHCARE PLAN

Required Supplementary Information, Continued Fiscal Year Ended June 30, 2017

SCHEDULE OF CITY CONTRIBUTIONS

Last 10 Years¹

(Amounts in Thousands)

	2017	2016	2015	2014	2013	2012	2011 ²
Actuarially Determined Contribution	\$ 8,135	\$ 7,937	\$ 9,758	\$ 9,471	\$ 9,298	\$ 9,024	\$ 14,108
Contributions in Relation to the Actuarially Determined Contribution ³	(9,842)	(9,824)	(10,150)	(9,000)	(9,971)	(8,620)	(36,742)
Contribution Deficiency (Excess)	<u>\$ (1,707)</u>	<u>\$ (1,887)</u>	<u>\$ (392)</u>	<u>\$ 471</u>	<u>\$ (673)</u>	<u>\$ 404</u>	<u>\$ (22,634)</u>
Covered-Employee Payroll	\$ 91,394	\$ 87,488	\$ 86,273	\$ 86,131	\$ 83,623	\$ 84,699	\$ 86,955
Contributions as a Percentage of Covered Employee Payroll	10.8%	11.2%	11.8%	10.4%	11.9%	10.2%	42.3%

¹ Historical information is required only for measurement periods for which GASB Statement No. 74 is applicable.

² The City established the OPEB Trust in fiscal year 2011.

³ The fiscal year 2017 employer contribution was determined as part of the June 30, 2014 valuation.

The June 30, 2014 actuarial valuation was finalized on February 4, 2015, before the revised ASOP 6 went into effect.

ASOP 6 requires implied subsidy valued for community rated plans.

Required Supplementary Information, Concluded
Fiscal Year Ended June 30, 2017

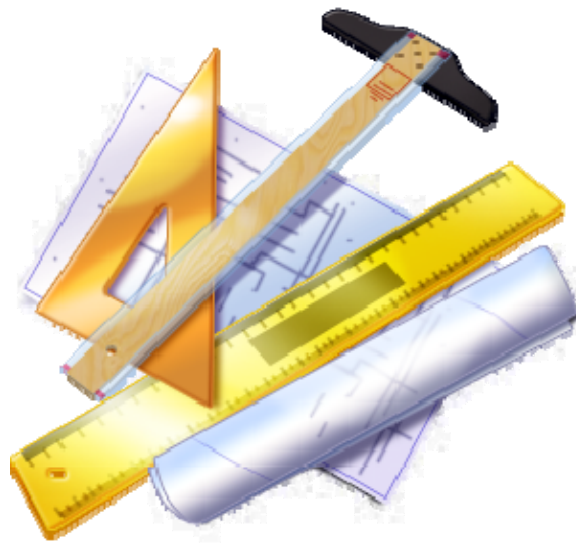
SCHEDULE OF INVESTMENT RETURNS**Last 10 Years**

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	10.30%

¹ Historical information is required only for measurement periods for which GASB Statement No. 74 is applicable.

Sunnyvale Financing Authority

Sunnyvale, California



**Basic Financial Statements
and Independent Auditor's Report**
Fiscal Year Ended June 30, 2017

Sunnyvale Financing Authority
Basic Financial Statements
and Independent Auditor's Report
Fiscal Year Ended June 30, 2017



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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Fiscal Year Ended June 30, 2017

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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 each major fund of the Sunnyvale Financing Authority (Authority), a component unit of the City of Sunnyvale, California, as of and for the fiscal year ended June 30, 2017, 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 each major fund of the Authority as of June 30, 2017, and the respective changes in financial position for the fiscal 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.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 4, 2017

Management's Discussion and Analysis

Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2017

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, 2017. 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, 2017, 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) handle such transactions for the Authority.
- At June 30, 2017, 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 2017.

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, 2017

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, 2017****C. GOVERNMENT-WIDE FINANCIAL ANALYSIS****Statement of Net Position**

The following are the condensed comparative statements of net position at June 30, 2017 and 2016.

Sunnyvale Financing Authority Condensed Statements of Net Position (Amounts in Thousands)		
	<u>2017</u>	<u>2016</u>
Assets:		
Current Assets	\$ 1,758	\$ 1,724
Noncurrent Assets	<u>9,865</u>	<u>10,500</u>
Total Assets	<u>11,623</u>	<u>12,224</u>
Liabilities:		
Current Liabilities	638	609
Noncurrent Liabilities	<u>10,985</u>	<u>11,615</u>
Total Liabilities	<u>11,623</u>	<u>12,224</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 excess reserve. 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, 2017**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, 2017 and 2016.

Sunnyvale Financing Authority		
Condensed Statements of Activities		
(Amounts in Thousands)		
	<u>2017</u>	<u>2016</u>
Revenues:		
Program Revenues:		
Charges for Services -		
Lease Revenue	\$ 86	\$ 12
General Revenues:		
Investment Earnings	-	5
Expenses:		
Interest Expense and Fiscal Charges	<u>(86)</u>	<u>(17)</u>
Change in Net Position	-	-
Net Position - Beginning of Year	<u>-</u>	<u>-</u>
Net Position - Ending of Year	<u>\$ -</u>	<u>\$ -</u>

The interest expense increased due to interest rate fluctuations affecting variable rate debt. The average interest rate in this fiscal year was 0.40% compared to 0.11% in the prior year. The increase in interest expense caused a corresponding increase in lease and installment revenues from the City. Most of the funds are invested in fixed income securities which are subject to changes in fair market value. Securities purchased during the low interest period decrease in fair market value as interest rates rise. Investment earnings were reduced this year due to a decrease in fair market value of the investment securities. The decrease in fair market value is an unrealized loss since the investments are held to maturity.

***Management's Discussion and Analysis (Unaudited), Concluded
Fiscal Year Ended June 30, 2017***

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 2017, the Authority's governmental fund reported an ending fund balance of \$1.1 million. All of the fund balance were restricted for the purposes of meeting future debt service requirements.

E. LONG-TERM OBLIGATIONS

At June 30, 2017, the only outstanding debt issues of the Authority is the 2009 Government Center Certificates of Participation in the amount of \$11,615,000.

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

Statement of Net Position
June 30, 2017

	Governmental Activities
Assets:	
Current Assets	
Restricted Cash and Investments Held by Fiscal Agent	\$ 1,120,424
Interest Receivable	7,590
Lease Receivable	630,610
Total Current Assets	<u>1,758,624</u>
Noncurrent Assets	
Lease Installment Receivable	<u>9,864,766</u>
Total Assets	<u>11,623,390</u>
Liabilities:	
Current Liabilities	
Accrued Expenses	8,390
Long-Term Debt - Due within One Year	630,000
Total Current Liabilities	<u>638,390</u>
Noncurrent Liabilities	
Long-Term Debt - Due in More Than One Year	<u>10,985,000</u>
Total Liabilities	<u>11,623,390</u>
Net Position:	
Restricted for Debt Service	<u><u>\$ -</u></u>

Statement of Activities
Year Ended June 30, 2017

	<u>Governmental Activities</u>
Program Expenses:	
Interest Expense and Fiscal Charges	\$ (85,554)
Program Revenues:	
Charges for Services - Lease Revenue	86,194
General Revenues:	
Investment Earnings	<u>(640)</u>
Change in Net Position	-
Net Position - Beginning of Year	<u>-</u>
Net Position - End of Year	<u><u>\$ -</u></u>

Governmental Fund Financial Statements

The 2009 Government Center 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 as of 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 Funds
June 30, 2017**

		Major Funds
		2009
		Government Center Certificates of Participation
Assets:		
Restricted Cash and Investments Held by Fiscal Agent	\$	1,120,424
Interest Receivable		7,590
Lease Receivable		10,495,376
Total Assets	\$	11,623,390
Liabilities:		
Accrued Expenses	\$	8,390
Deferred Inflows of Resources:		
Lease Revenue to be Collected		10,495,376
Fund Balances:		
Restricted for Debt Service		1,119,624
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$	11,623,390

See Accompanying Notes to the Basic Financial Statements.

Sunnyvale Financing Authority

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2017**

Total Fund Balances - Total Governmental Funds \$ 1,119,624

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. 10,495,376

Long-term debt are not due and payable in the current period and therefore they are not reported in the governmental fund balance sheet. (11,615,000)

Net Position of Governmental Activities -

Sunnyvale Financing Authority

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017**

	Major Funds
	2009
	Government Center Certificates of Participation
Revenues:	
Lease Revenue	\$ 690,584
Investment Earnings	(640)
Total Revenues	689,944
Expenditures:	
Debt Service:	
Principal Retirement	605,000
Interest and Fiscal Charges	85,554
Total Expenditures	690,554
Net Change in Fund Balances	(610)
Fund Balances - Beginning of Year	1,120,234
Fund Balances - End of Year	\$ 1,119,624

See Accompanying Notes to the Basic Financial Statements.

Sunnyvale Financing Authority

***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, 2017***

Net Change in Fund Balances - Total Governmental Funds	\$	(610)
Negative investment earnings on the debt service reserve account, due to change in fair value of investments, is applied to increasing lease receivable from the City for financial reporting purposes.		610
Lease revenues received are recognized as revenues in the fund financial statements during the year but recognized as revenues in the government-wide financial statements in the prior years.		(605,000)
Repayment of principal on the bonds is reported in the fund financials as expenditures.		<u>605,000</u>
Change in Net Position of Governmental Activities	<u>\$</u>	<u>-</u>

Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2017

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 conformity with U.S. generally accepted accounting principles (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 Comprehensive Annual Financial Report.

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 equity, 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, Continued
Fiscal Year Ended June 30, 2017

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 changes in fund balances. 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 sheets. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. 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, 2017, 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 services 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, 2017

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 March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this statements are effective for reporting periods beginning after June 15, 2017.

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued**

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

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 reporting periods beginning after December 15, 2019.

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, 2017, the Authority had the following cash and investments held by fiscal agent:

Investments	Credit Ratings S&P/Moody's	Maturity (in years)			Total Fair Value	Fair Value Input Hierarchy
		1 year or less	1 to 2 years	2 to 5 years		
Federal National Mortgage Association	AA+/Aaa	\$ -	\$ -	\$ 747,415	\$ 747,415	Level 2
Federal Home Loan Banks	AA+/Aaa	-	-	357,645	357,645	Level 2
Treasury Obligation Mutual Funds	Not Rated	15,364	-	-	15,364	*
Total		\$ 15,364	\$ -	\$ 1,105,060	\$ 1,120,424	

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

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**NOTE 2 – RESTRICTED CASH AND INVESTMENTS HELD BY FISCAL AGENT, Continued**

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.

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 an annualized variable interest rate of 0.40% at June 30, 2017 for 2009 COPs, the estimated future lease payments from the City as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 630,000	\$ 104,535
2019	655,000	98,865
2020	680,000	92,970
2021	710,000	86,850
2022	740,000	80,460
2023-2027	4,180,000	296,820
2028-2031	4,020,000	92,250
Total Outstanding	11,615,000	<u>\$ 852,750</u>
Unexpended bond reserve and excess reserve	<u>(1,119,624)</u>	
Lease Receivable - governmental funds	<u>10,495,376</u>	

NOTE 4 – LONG-TERM DEBT

Following is a summary of long-term debt transactions during the fiscal year ended June 30, 2017:

<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Retirement</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due in More than One Year</u>
2009 Government Center					
Certificates of Participation	<u>\$ 12,220,000</u>	<u>\$ (605,000)</u>	<u>\$ 11,615,000</u>	<u>\$ 630,000</u>	<u>\$ 10,985,000</u>

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2017**NOTE 4 – LONG-TERM DEBT, Continued****\$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.

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 0.50%, 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, 2017, the City incurred credit facility fees in the amount of \$65,144, which was in addition to \$17,665 in service fees to trustee, remarketing agent, and rating agencies. The letter of credit with Union Bank, NA will expire on June 1, 2018. Any outstanding draws are due at the expiration of the letter of credit. The City is seeking renewal of this credit facility and has started the credit process with Union Bank.

At June 30, 2017, the annualized interest rate for the 2009 COPS was 0.40%, 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, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 630,000	\$ 104,535	\$ 734,535
2019	655,000	98,865	753,865
2020	680,000	92,970	772,970
2021	710,000	86,850	796,850
2022	740,000	80,460	820,460
2023-2027	4,180,000	296,820	4,476,820
2028-2031	4,020,000	92,250	4,112,250
	<u>\$ 11,615,000</u>	<u>\$ 852,750</u>	<u>\$ 12,467,750</u>



City of Sunnyvale

Agenda Item

17-0961

Agenda Date: 12/12/2017

Tentative Council Meeting Agenda Calendar



City of Sunnyvale

Tentative Council Meeting Agenda Calendar

Tuesday, December 19, 2017 - City Council

Closed Session

- 17-1043** 5 P.M. SPECIAL COUNCIL MEETING (Closed Session)
Closed Session held pursuant to California Government Code Section 54956.8: CONFERENCE WITH REAL PROPERTY NEGOTIATORS
Property: "Block 15 Affordable Housing Site" located at 365-407 S. Mathilda Avenue and 388-406 Charles Street (APNs 165-13-045, 165-13-046, 165-13-068, 165-13-069, 165-13-073, 165-13-074)
City negotiators: Interim City Manager Kent Steffens, Director of Community Development Trudi Ryan and Housing Officer Suzanne Isé
Negotiating parties: The Related Companies of California, LLC
Under negotiation: Price and terms of payment for a proposed long-term ground lease of City property (Exclusive Negotiating Agreement)
- 17-0238** 6 P.M. SPECIAL COUNCIL MEETING (Closed Session)
Closed Session held pursuant to California Government Code Section 54957: PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Title: City Attorney

Presentation

- 17-1096** PRESENTATION - Update from VTA Policy Advisory Board on El Camino Real Bus Rapid Transit

Public Hearings/General Business

- 17-1101** Confirm Study Area for the Kifer North Precise Plan (Larger area) or Modify to Include Fortinet Parcels Only (Smaller area); Authorize the City Manager to Enter into Agreements with Ascent Environmental to complete the Planning Study and Environmental Document, and Hexagon Transportation Consultants to complete the associated Transportation Impact Analysis; and Approve Budget Modification No. XX in the amount of \$260395,000 if the Larger Area is Confirmed
- 17-0976** Approve Agreement between the City of Sunnyvale and Bay Area Children's Theatre for Use of City Facilities at a Below-Market Rate of \$24,000 for the Period January 5, 2018 through March 25, 2018
- 17-1049** Award a Contract for Fair Oaks Park Renovation Project (F17-176)
- 17-0159** Receive and File the FY 2016/17 City and Sunnyvale Financing Authority

Tuesday, January 9, 2018 - City Council

Closed Session

- 18-0002** 6 P.M. SPECIAL COUNCIL MEETING (Closed Session)
Closed Session held pursuant to California Government Code Section
54957: PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Title: City Manager

Public Hearings/General Business

- 18-0001** Selection of Vice Mayor for a One-Year Term Effective January 9, 2018
- 18-0005** Appoint Councilmembers to Intergovernmental Assignments; Ratify
Appointments of Councilmembers made by Outside Agencies; Take Action
to Modify, Create, or Terminate Council Subcommittees
- 18-0006** Approve the Proposed 2018 Priority Advocacy Issues and Short-term
Legislative Advocacy Positions (LAPs)
- 18-0003** Determine the 2018 Seating Arrangements for City Council

Friday, January 19, 2018 - City Council

Study Session

- 17-0099** 8:30 A.M. SPECIAL COUNCIL MEETING
Strategic Session-Prioritization & Policy Priorities Update

Tuesday, January 23, 2018 - City Council

Study Session

- 17-0784** 6 P.M. SPECIAL COUNCIL MEETING (Study Session)
Presentation by the California High-Speed Rail Authority on the Status and
Next Steps on the High-Speed Rail Project

Public Hearings/General Business

- 18-0004** Annual Public Hearing - Discussion of Potential Council Study Issues and
Budget Issues for Calendar Year 2018
- 17-0980** Proposed Project: Introduction of Ordinance to REZONE 79 contiguous single
family home lots from R-1 (Low Density Residential) to R-1/S (Low Density
Residential/Single-Story)
File #: 2017-7688
Location: 1135-1166 Pome Avenue (APNs 202-18-029 thru 031, 202-11 023)

thru 027, 202-13-002 thru 007 and 058); 1142-1167 Pomegranate Court (APNs 202-13-008 thru 013, 202-13-016 thru 021, 202-13-059 and 060); 1142-1167 Pulora Court (APNs 202-13-022 thru 035), 1142-1170 Quince Avenue (APNs 202-13-036 thru 050); 701-795 Sheraton Avenue (APNs 202-12-004 thru 019); 1151-1167 Hollenbeck Avenue (202-13-053 thru 057).

Zoning: R-1

Applicant / Owner: John Scheffel (plus multiple property owners)

Environmental Review: The Ordinance being considered is categorically exempt from review pursuant to CEQA Guidelines Section 15305 (minor alteration in land use) and Section 15061(b)(3) (a general rule that CEQA only applies to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the action may have a significant effect on the environment, the activity is not subject to CEQA).

17-1007 Hold Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing and Adopt Resolution Related to Proposed Issuance of Tax Exempt Revenue Bonds for Construction and Development of a Mixed-Income Multifamily Rental Housing Facility at 1008 E. El Camino Real in Sunnyvale

17-1107 Budget Modification No. XX in the amount of \$100,000 for the Peery Park Specific Plan Housing Study

17-1122 File #: 2016-7573
Location: 623-625 N. Pastoria Avenue (APNs: 165-41-029 & 165-41-030)
Proposed Project: Related applications on a 1.35-acre site on N. Pastoria Avenue:
PEERY PARK PLAN REVIEW PERMIT to construct a 52,755-square foot, three-story corporate/research and development (R&D) office building and a 1-level underground parking structure resulting in a total of 89% FAR. The project includes a restaurant on the first floor.
TENTATIVE MAP to merge two parcels into one parcel.
Applicant / Owner: Arc Tec, Inc. / George And Josefa Yagmourian Trustee
Environmental Review: The project is exempt from additional CEQA review per CEQA Guidelines section 15168(c)(2) and (4) and Public Resources Code Section 21094 (c). The project is within the scope of the Peery Park Specific Plan Program EIR as no new environmental impacts are anticipated and no new mitigation measures are required.

17-1161 Council Approval for Addition of Rail Depression Alternative for Caltrain Grade Separation Feasibility Study and Approve Budget Modification No. XX in the amount of \$XX,XXX

Tuesday, February 6, 2018 - City Council

Public Hearings/General Business

17-0122 File #: 2017-7743

Locations: Moffett Park Specific Plan Area
Proposed Project: General Plan Amendment Initiation: to consider amendments to the Moffett Park Specific Plan.
Applicant / Owner: Google, Inc. (applicant) / various owners
Environmental Review: The project is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378 (a).

17-0992 Accept the Findings of the Lakewood Branch Library and Learning Center Feasibility Study and Authorize the City Manager to Proceed with the Development of a Formal Memorandum of Understanding with the Sunnyvale School District for a Joint-Use Project on the Lakewood Elementary School Site

17-1134 Introduce an ordinance to amend Sunnyvale Municipal Code Sections 19.68.040 (Accessory Dwelling Units) of the Sunnyvale Municipal Code Related to Senate Bill 229 And Assembly Bill 494, And Find That the Action Is Exempt from Environmental Review Pursuant to CEQA Guidelines Section 15061(B)(3).

Friday, February 16, 2018 - City Council

Public Hearings/General Business

17-0101 8:30 A.M. SPECIAL COUNCIL MEETING
Study/Budget Issues Workshop

Tuesday, February 27, 2018 - City Council

Study Session

17-0102 5:30 P.M. SPECIAL COUNCIL MEETING (Study Session)
Minimum Wage Update

17-1150 6 P.M. SPECIAL COUNCIL MEETING (Study Session)
Wage Theft (Study Issue)

Public Hearings/General Business

17-0079 Agenda items pending- to be scheduled

Tuesday, March 6, 2018 - City Council

Public Hearings/General Business

18-0008 Agenda items pending- to be scheduled

Tuesday, March 27, 2018 - City Council

Public Hearings/General Business

17-1148 Wage Theft (Study Issue)

Tuesday, April 10, 2018 - City Council

Public Hearings/General Business

18-0010 Agenda items pending- to be scheduled

Tuesday, April 24, 2018 - City Council

Public Hearings/General Business

18-0011 Agenda items pending- to be scheduled

Tuesday, May 1, 2018 - City Council

Study Session

18-0012 6 P.M. SPECIAL COUNCIL MEETING (Study Session)
Board and Commission Interviews

Tuesday, May 8, 2018 - City Council

Public Hearings/General Business

18-0013 Agenda items pending- to be scheduled

Tuesday, May 15, 2018 - City Council

Study Session

18-0014 6 P.M. SPECIAL COUNCIL MEETING ONLY (Study Session)
Board and Commission Interviews

Tuesday, May 22, 2018 - City Council

Public Hearings/General Business

18-0015 Agenda items pending- to be scheduled

Friday, May 25, 2018 - City Council

Study Session

18-0016 8:30 A.M. SPECIAL COUNCIL MEETING
Budget Workshop

Tuesday, June 12, 2018 - City Council

Public Hearings/General Business

18-0017 Agenda items pending- to be scheduled

Tuesday, June 26, 2018 - City Council

Public Hearings/General Business

18-0018 Agenda items pending- to be scheduled

Tuesday, July 17, 2018 - City Council

Public Hearings/General Business

18-0019 Agenda items pending- to be scheduled

Tuesday, July 31, 2018 - City Council

Public Hearings/General Business

18-0020 Agenda items pending- to be scheduled

Tuesday, August 14, 2018 - City Council

Public Hearings/General Business

18-0021 Agenda items pending- to be scheduled

Tuesday, August 28, 2018 - City Council

Public Hearings/General Business

18-0022 Agenda items pending- to be scheduled

Tuesday, September 11, 2018 - City Council

Public Hearings/General Business

18-0023 Agenda items pending- to be scheduled

Tuesday, September 25, 2018 - City Council

Public Hearings/General Business

18-0024 Agenda items pending- to be scheduled

Tuesday, October 16, 2018 - City Council

Public Hearings/General Business

18-0025 Agenda items pending- to be scheduled

Tuesday, October 30, 2018 - City Council

Public Hearings/General Business

18-0026 Agenda items pending- to be scheduled

Tuesday, November 13, 2018 - City Council

Public Hearings/General Business

18-0027 Agenda items pending- to be scheduled

Tuesday, November 27, 2018 - City Council

Public Hearings/General Business

18-0028 Agenda items pending- to be scheduled

Tuesday, December 4, 2018 - City Council

Public Hearings/General Business

18-0029 Agenda items pending- to be scheduled

Tuesday, December 18, 2018 - City Council

Public Hearings/General Business

18-0030 Agenda items pending- to be scheduled

Tuesday, January 8, 2019 - City Council

Public Hearings/General Business

18-0031 Agenda items pending- to be scheduled

Tuesday, January 15, 2019 - City Council

Public Hearings/General Business

18-0032 Agenda items pending- to be scheduled

Tuesday, January 29, 2019 - City Council

Public Hearings/General Business

18-0033 Agenda items pending- to be scheduled

Tuesday, February 5, 2019 - City Council

Public Hearings/General Business

18-0034 Agenda items pending- to be scheduled

Tuesday, February 26, 2019 - City Council

Public Hearings/General Business

18-0035 Agenda items pending- to be scheduled

Date to be Determined - City Council

Public Hearings/General Business

17-0471 Eco-district Feasibility and Incentives (Study Issue)



City of Sunnyvale

Agenda Item

17-0855

Agenda Date: 12/12/2017

Information/Action Items

**2017 INFORMATION/ACTION ITEMS
COUNCIL DIRECTIONS TO STAFF**

No.	Date Assigned	Directive/Action Required	Dept	Due Date	Date Completed
1.	4/11/17	Prepare an Information Only Report to Council informing Council of potential ways the City could work to reduce the jobs/housing ratio in the future	CDD	12/19/17	
2.	6/20/17	How much would the City have to deposit on day one into the forthcoming Irrevocable Pension Trust that would cause a one-decade acceleration in the Bartel model on each of the two plans where assets equal liabilities	FIN	12/19/17	
3.	7/11/17	Agendize Minimum Wage Update for Council discussion (study session)	OCM	2/27/18	
4.	10/3/17	Revise Administrative Policy for Below Market Rate Alternative Compliance Plan recommendations to be presented to the Housing and Human Services Commission for a recommendation to the City Council.	CDD	1/31/18	
5.	10/17/17	Work with consultant to modify agreement for the Caltrain Grade Separation Feasibility Study to include additional option to be studied	DPW	1/23/18	
6.	11/7/17	Come back to Council in a reasonable period of time to discuss funding of the civic center for phase II and beyond	OCM	Mar 2018	

**NEW STUDY/BUDGET ISSUES
SPONSORED BY COUNCIL IN 2017**

No.	Date Requested	Study Issue Title	Requested By	Dept	Issue Paper Approved by City Manager
1.	11/28/17	Consider Requiring the Use of Story Poles, Modeling Technologies, and other Visual Aids for Proposed Development Projects	Griffith/ Melton	CDD	
2.	11/28/17	Prepare a study issue to study the impact of the City Charter on future garbage franchises	Griffith/ Klein	ESD	



City of Sunnyvale

Agenda Item

17-1099

Agenda Date: 12/12/2017

Board/Commission Meeting Minutes



City of Sunnyvale

Meeting Minutes - Final

Sustainability Commission

Monday, September 18, 2017

7:00 PM

West Conference Room, City Hall, 456 W.
Olive Ave., Sunnyvale, CA 94086

CALL TO ORDER

Chair Paton called the meeting to order at 7:00 p.m. in the West Conference Room.

SALUTE TO THE FLAG

Chair Paton led the salute to the flag.

ROLL CALL

Present: 7 - Chair Bruce Paton
Vice Chair Amit Srivastava
Commissioner Dan Hafeman
Commissioner Adriana Imbre
Commissioner Stephen Joesten
Commissioner Kristel Wickham
Commissioner Steven Zornetzer

Council Liaison – Jim Griffith (present)

ORAL COMMUNICATIONS

None.

CONSENT CALENDAR

- 1 [17-0930](#) Approve the Sustainability Commission Meeting Minutes of August 28, 2017

Commissioner Joesten moved, and Commissioner Zornetzer seconded, a motion to approve the consent calendar. The motion carried by the following vote:

Yes: 4 - Chair Paton
Commissioner Joesten
Commissioner Wickham
Commissioner Zornetzer

No: 0

Abstain: 3 - Vice Chair Srivastava
Commissioner Hafeman
Commissioner Imbre

Vice Chair Srivastava and Commissioners Hafeman and Imbre abstained as they were not present at the August meeting. (Commissioner Imbre's term did not commence until August 23, 2017).

PUBLIC HEARINGS/GENERAL BUSINESS

2 [17-0921](#) 2018 Sustainability Speaker Series Recommendations

The Ad Hoc Committee (Subcommittee), comprised of Commissioners Wickham and Zornetzer, presented a proposal for the 2018 Sustainability Speaker Series. The proposal focused on six topic areas within the theme of Climate Action. For each theme, the Subcommittee presented its rationale for topic selection and the proposed speakers. Staff noted that they would provide updated numbers for remaining funds from FY 2016-17 that would roll over to FY 2017-2018. Staff also noted that there would be a significant focus on Climate Action Plan (CAP 2.0) development and associated community engagement, which may limit staff ability to support additional events beyond the four approved as part of the Budget Supplement.

The Commission discussed the merits and concerns with the proposed topics and speakers, this included adjusting the Business Climate Action topic to focus more generally on businesses in Sunnyvale that have taken effective climate action by incorporating sustainability not only into their buildings but also into their products. To account for the diversity of opinions, Commissioner Joesten proposed a ranking exercise to help prioritize topics. Based on the written prioritization, each Commissioner prioritized the topics as follows:

Commissioner Hafeman: Building Design for Sustainability; Consumerism and the Environment; Climate Change Solutions; Food Choices and Food Waste; Home Energy; and Business Climate Action.

Commissioner Imbre: Building Design for Sustainability; Climate Change Solutions; Food Choices and Food Waste; Home Energy; Consumerism and the Environment; and Business Climate Action.

Commissioner Joesten: Food Choices and Food Waste; Climate Change Solutions; Consumerism and the Environment; Home Energy; Building Design for Sustainability; and Business Climate Action.

Chair Paton: Building Design for Sustainability; Business Climate Action; Climate Change Solutions; Consumerism and the Environment; Food Choices and Food Waste; and Home Energy.

Vice Chair Srivastava: Building Design for Sustainability; Climate Change Solutions; Food Choices and Food Waste; Home Energy; Consumerism and the Environment; and Business Climate Action.

Commissioner Wickham: Food Choices and Food Waste; Consumerism and the Environment; Climate Change Solutions; Building Design for Sustainability; Business Climate Action; and Home Energy.

Commissioner Zornetzer: Building Design for Sustainability; Climate Change Solutions; Consumerism and the Environment; Food Choices and Food Waste; Home Energy; and Business Climate Action.

Staff tabulated the prioritization and provided the following ranked list of topics:

1. Climate Change Solutions
2. Building Design for Sustainability
3. Food Choices and Food Waste
4. Consumerism and the Environment
5. Business Climate Action
6. Home Energy

Chair Paton moved, and Vice Chair Srivastava seconded, a motion to approve the 2018 Sustainability Speaker Series topics as prioritized, and to request the Subcommittee to work with staff to prepare a report to Council. The motion carried by the following vote:

Yes: 7 - Chair Paton
Vice Chair Srivastava
Commissioner Hafeman
Commissioner Imbre
Commissioner Joesten
Commissioner Wickham
Commissioner Zornetzer

No: 0

STANDING ITEM: CLIMATE ACTION PLAN (CAP 2.0) UPDATE

Chair Paton expressed an interest in ensuring that the CAP 2.0 included a plan to address adaptation.

Chair Paton moved, and Commissioner Imbre seconded, a motion to propose adding a topic to next month's agenda on whether climate adaptation can be incorporated into the CAP 2.0. The motion carried by the following vote:

Yes: 6 - Chair Paton
Vice Chair Srivastava
Commissioner Imbre
Commissioner Joesten
Commissioner Wickham
Commissioner Zornetzer

No: 0

Abstain: 1 - Commissioner Hafeman

Commissioner Hafeman abstained as he thought it might be too early in the CAP 2.0 process to discuss this topic.

STANDING ITEM: CONSIDERATION OF POTENTIAL STUDY ISSUES

3 [17-0742](#) Proposed Study Issue: Lower speed limits on all Arterials and El Camino Real to 30mph or less

Nupur Hiremath, Sustainability Coordinator, explained that staff had shared speed survey data (including 85th percentile) for El Camino Real and Mathilda Ave with the Commission the week before. She clarified that El Camino Real speed surveys were done by CalTrans, while Mathilda Ave speed surveys were done in segments along that street by the City. Commissioner Hafeman observed that if speeds were

determined based on the prevailing speed, they would need to be raised as most people drive much faster than the posted speed limit.

Commissioner Hafeman reviewed the edits that were made to the proposed Study Issue since the August meeting based on data provided by staff. These changes included: suggesting that the speed limit be set at 5 mph lower than the 85th percentile (instead of specifying the speed limit); and assessing the level of effort needed to work with CalTrans to change the speed limit to 35 mph on El Camino Real (as is the case in the cities of Mountain View and Santa Clara).

Commissioner Zornetzer suggested removing the reference to El Camino being one of the “most dangerous” streets unless it could be corroborated, and Commissioner Hafeman agreed to delete that statement.

Commissioner Hafeman moved, and Commissioner Wickham seconded, to approve the proposed Study Issue as amended:

Yes: 5 - Chair Paton
Vice Chair Srivastava
Commissioner Hafeman
Commissioner Wickham
Commissioner Zornetzer

No: 0

Abstain: 2 - Commissioner Imbre
Commissioner Joesten

Commissioners Joesten abstained as he felt that reducing the speed limits might not be as productive as focusing on improving bicycle lane safety through better design. Commissioner Imbre also abstained.

NON-AGENDA ITEMS & COMMENTS

-Commissioner Comments

Commissioner Zornetzer noted that a Mercury News article about the City's FoodCycle program stated that the pigs being fed with animal feed created from the City's residential food scraps would not be used human consumption, and asked staff to confirm if this was true. Elaine Marshall, Environmental Programs Manager, and Councilmember Griffith clarified that the animal feed was intended for

consumption by non-ruminant animals, including pigs, chicken, and fish, and that there was a helpful list of Frequently Asked Questions and responses on the City's website. Chair Paton requested a staff update on FoodCycle in the future.

Commissioner Hafeman recommended taking the resident surveys on the Sunnyvale Ave and Mary Ave Grade Separation project, which aims to separate the railway and the roadway for improved bicycle and pedestrian safety. He noted that the consultants had devised creative approaches that were both practical and affordable. As the Commission's representative on the El Camino Real Plan Advisory Committee (ECRPAC), he reported that Council recently voted for more residential development along El Camino Real. He also shared that the ECRPAC has discussed revising speed limits, addition of bicycle lanes, and modifying street parking availability as the most challenging issues.

Chair Paton noted that he and Commissioner Joesten had assisted staff in developing ideas for Sunnyvale's application for the 2017 Bloomberg Mayors Challenge, a nationwide funding competition to win \$5 million to solve the City's most pressing problem.

Commissioner Joesten shared that he had read an article about the molecular production of high-quality meat replacements and their positive sustainability impact.

Commissioner Wickham noted that the Subcommittee planning the 2018 Sustainability Speaker Series had room for one additional member, now that all Commission seats are filled. Chair Paton requested that this be added to the agenda for the following month's meeting.

-Staff Comments

Elaine Marshall announced changes in City staffing at the executive leadership level, including that Kent Steffens was appointed as Interim City Manager effective as of October 1, 2017; Melody Tovar was appointed as Interim Director of Environmental Services as of September 15, 2017; and Craig Mobeck was appointed as Interim Director of Public Works as of September 28, 2017.

Ms. Marshall also shared that the City is developing its application for the 2017 Bloomberg Mayors Challenge (due October 20, 2017) and is focusing on decarbonizing buildings as the "right-sized" problem that can be addressed within the timeline and funding provided by this Challenge. Staff is working with two focus groups – a group of developers, architects, and businesses, who have a stake in

building stock in Sunnyvale, and the newly formed Climate Action Plan (CAP 2.0) Advisory Committee – to solicit stakeholder input.

INFORMATION ONLY REPORTS/ITEMS

- 4 [17-0741](#) Draft Study Issue: Encouraging Heat Pump Water and Space Heating

ADJOURNMENT

The meeting was adjourned at 8:36 p.m.