



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

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Prepared by the Department of Finance
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City of SUNNYVALE

Department of Finance
650 West Olive Avenue
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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.

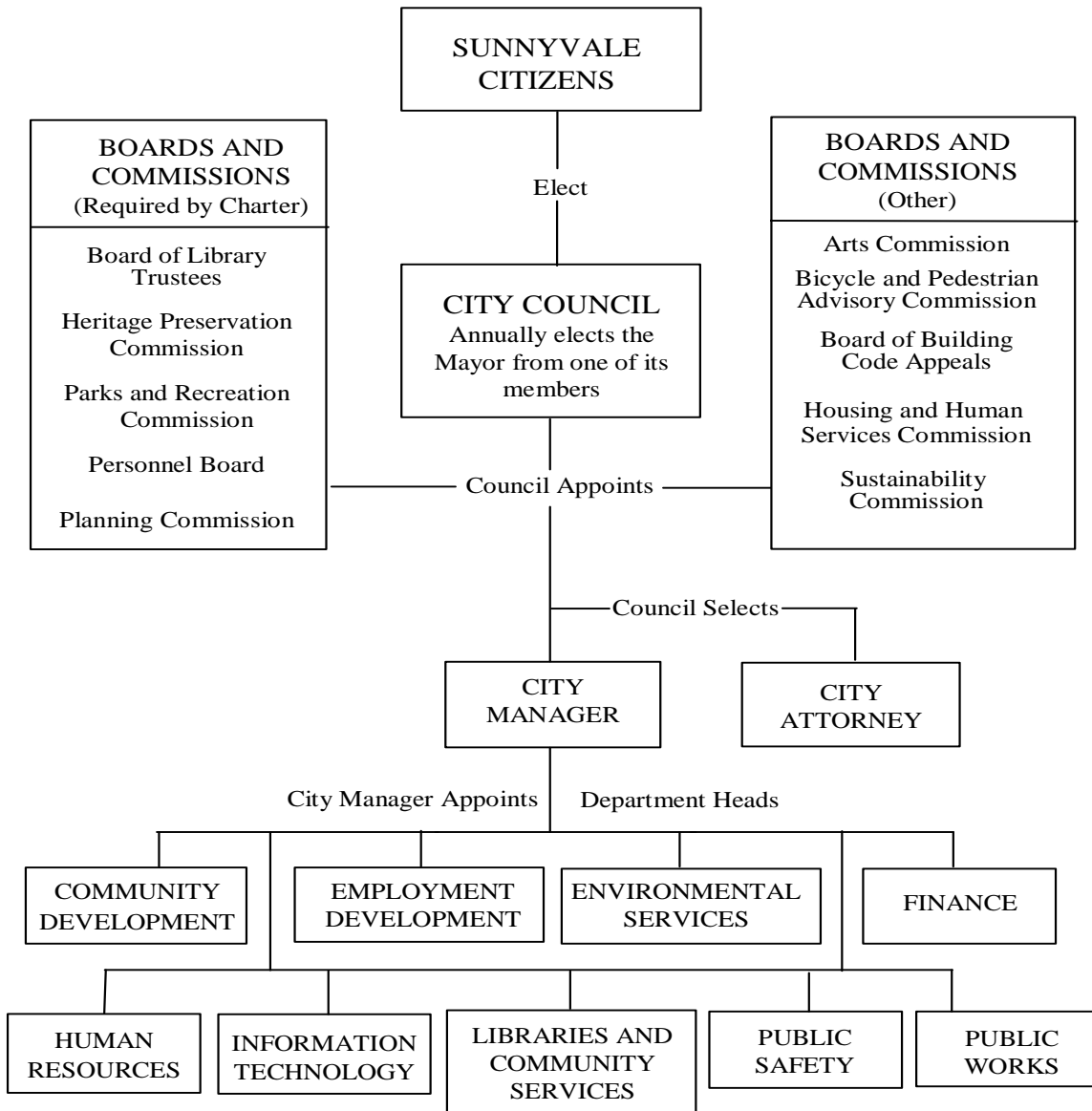
Respectfully submitted,



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	<u>\$ 687.8</u>	<u>\$ 629.4</u>	<u>\$ 128.4</u>	<u>\$ 98.6</u>	<u>\$ 816.2</u>	<u>\$ 728.0</u>	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):

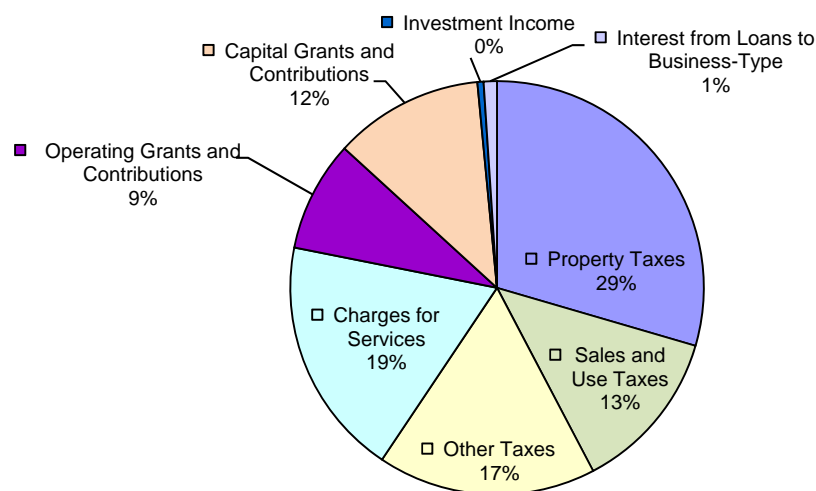
	Total Other Tax Revenues		Total % Change
	2017	2016	2017-2016
Transient Occupancy Tax (TOT)	\$ 16.6	\$ 16.3	1.8 %
Utility Users Tax	7.3	6.9	5.8 %
Construction & Real Property Transfer	6.5	5.3	22.6 %
Franchise Fees (based on gross receipts)	7.1	7.0	1.4 %
Business License Tax	1.8	1.9	(5.3)%
Total	<u>\$ 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:

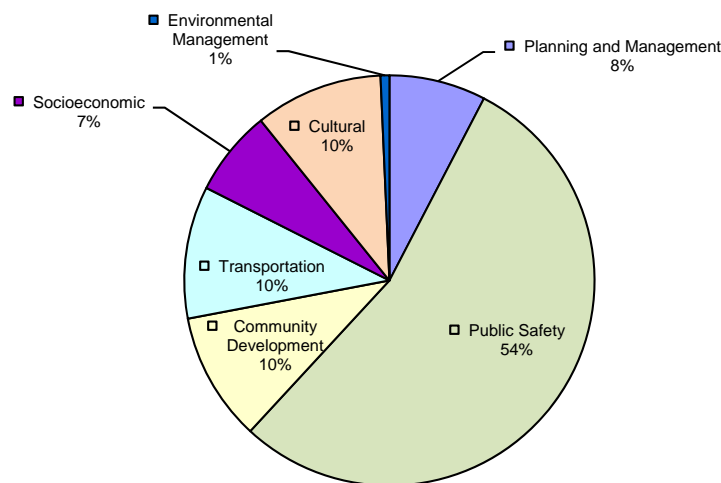
- Those who directly benefited from the governmental programs contributed \$43.1 million in charges for services.
- The City was able to fund some of its programs through operating grants and contributions from outside sources or other governments for a total amount of \$19.9 million.
- The capital grants 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.

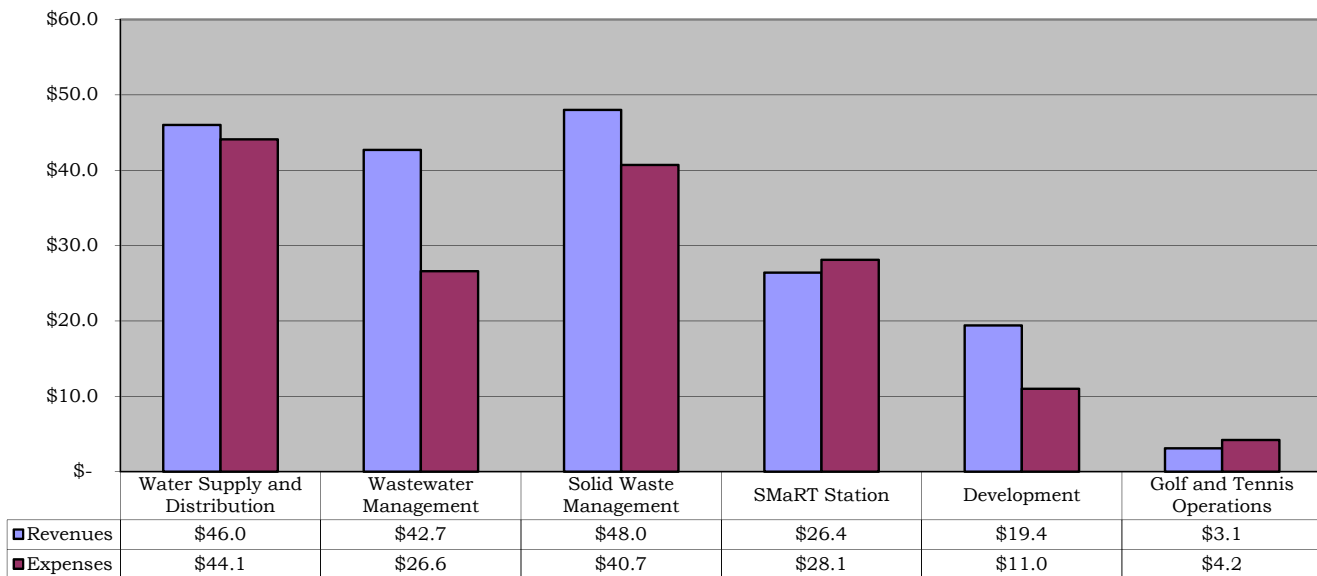
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2017

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			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
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	
Employment Development Special Revenue	City Projects	Other Governmental Funds	Total 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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**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

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	
SMaRT Station	Development	Golf and Tennis Operations	Total Enterprise Funds		Internal Service 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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CITY OF SUNNYVALE

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

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CITY OF SUNNYVALE

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Fiscal Year Ended June 30, 2017***

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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 Treasury Pool	\$ 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
Miscelloaneous 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 2017 ²	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 2017 ²	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



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.

CITY OF SUNNYVALE

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										
Nondisposable	\$ 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										
Nondisposable	\$ 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:

- 1 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.
- 2 Excludes depreciation expense.
- 3 Operating expense-related transfers.
- 4 Proportion of debt service shared by Cities of Mountain View and Palo Alto according to the Memorandum of Understanding.
- 5 The City paid off the Solid Waste Revenue Bonds during Fiscal Year 2015 with a new privately funded bank loan.
- 6 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.