



# City of Sunnyvale

## Agenda Item-No Attachments (PDF)

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### REPORT TO COUNCIL

#### SUBJECT

Receive and File the FY 2019/20 Budgetary Year-End Financial Report, Comprehensive Annual Financial Report (CAFR), the Sunnyvale Financing Authority Financial Report, Agreed Upon Procedure Reports, the Report to the City Council Issued by the Independent Auditors, Authorize the City Manager to Enter into Negotiations for a Forgivable Loan of up to \$1.5 million with Sunnyvale Community Services, Approve Budget Modification No. 12, and Find that these Actions are Exempt from CEQA Pursuant to CEQA Guidelines Section 15378(b)(4)

#### REPORT IN BRIEF

This report provides the year-end financial condition of the City of Sunnyvale on a budgetary basis for the fiscal year ended June 30, 2020 and recommends approval of Budget Modification No. 12. In addition, the City's audited Comprehensive Annual Financial Report (CAFR), Special Agreed Upon Procedure Reports (AUP) and Sunnyvale Financing Authority Financial Report for FY 2019/20 are being presented for Council and the Authority Board's information.

The City's CAFR and Sunnyvale Financing Authority Financial Report were independently audited by the firm of Macias Gini & O'Connell (MGO) who rendered unmodified opinions and found no material weaknesses during the financial audit of the City. Receiving an unmodified opinion is the optimal result from the independent audit.

In addition, MGO performed three agreed upon procedures (AUP) related to Fiscal Administration of Public Funds. No material findings were noted in these reports.

Overall, the General Fund ended FY 2019/20 in a positive fiscal position over the final position anticipated in the FY 2020/21 Budget, with a net impact of \$9.5 million better than planned when sale of property is excluded, and reserves are reconciled. General Fund revenues finished the year approximately \$3.2 million to the good. Higher than expected Sales Tax, and Transient Occupancy Tax represented positive variances. In addition, Construction Tax and Community Development Fees performed well reflecting the City's robust development activity. With a strong fiscal year until the COVID-19 impacts in the fourth quarter, Permits and Licenses as well as most Service Fees performed well. Permits associated with Hazardous Material, Fire Prevention, and Public Safety were higher than estimated along with Public Safety fees, such as abandoned vehicle fees and alarm permit fees. Recreation services were hit hardest by the pandemic and did not meet the revised revenue budget. General Fund expenditures ended the year favorably at approximately \$7.1 million below budgeted levels primarily due to savings related to vacancies and business interruption in the Department of Library and Recreation Services, as well as operating savings across all other departments. After reconciling to the 15% contingency reserve (\$0.8 million), \$9.5 million is available for re-appropriation (\$3.2 M revenue + \$7.1M savings - \$0.8 contingency).

A budgetary summary of the Sunnyvale Financing Authority is also included in this report as is a summary of approved Administrative Budget Modifications made in FY 2019/20.

Adjustments to General Fund revenue and reserves are recommended through Budget Modification No. 12. Additionally, due to the favorable position, staff is recommending the appropriation of \$0.8 million to the Contingency Reserve to reconcile to the 15% requirement, \$2.5 million payment from all major funds (\$1.6 million from the General Fund) to the City's Pension Trust, \$1.5 million as a loan to Sunnyvale Community Services for tenant improvements in the agency's new building, an appropriation of \$0.6 million to project 826350 (FY 18/19 Recruitment and Training for Sworn Officers) to fund the project to completion, and the remaining \$5.8 million to the Budget Stabilization Fund.

## **BACKGROUND**

Each year, staff provides a report to Council detailing the year-end financial condition of the City on a budgetary basis. The results are compared with the most recent projection. As part of development of the FY 2020/21 Recommended Budget, the revenue projections for FY 2019/20 were updated. Staff also reviews General Fund operating expenditures to date and estimates expenditure savings for FY 2019/20 in the General Fund twenty-year financial plan, if applicable, to provide the best estimate for the financial position of the fund. The Budget Modification included in the year-end budgetary report reconciles the Budget Stabilization Fund, the Contingency Reserve, and the Capital Improvement Projects Reserve positions based on actual FY 2019/20 performance compared to the level planned. This report also provides a brief update on the current economic environment.

Additionally, each year, staff coordinates and facilitates completion of the annual audit with the independent auditor. For the annual audit process, staff prepares a number of audit schedules and responds to audit queries while the auditor examines the City's financial transactions and reviews records. The independent auditor conducts the audit, according to the auditing standards generally accepted in the United States of America and the Governmental Auditing Standards issued by the Comptroller General of the United States. Along with completion of the audit, each year, staff prepares the City's CAFR and Sunnyvale Financing Authority Financial Report, which includes the auditor's opinion and audited financial statements. Staff also engaged with the independent auditor MGO to perform Agreed Upon Procedures (AUP) to evaluate the City's custody and control of the public funds.

## **EXISTING POLICY**

**City Charter Article XIII Fiscal Administration, Section 1305 (Budget Appropriations):** All appropriations shall lapse at the end of the fiscal year to the extent that they shall not have been expended or lawfully encumbered. However approved appropriations for Capital Improvement Projects shall not lapse at the end of the 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).

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

**City Charter Article XIII Fiscal Administration, Section 1318 (Independent Audit):** Requires that an independent audit be conducted of the City's financial transactions at the end of each fiscal year. A final audit and report shall be submitted by a Certified Public Accountant to the City Council.

**City Council Resolution No. 878-18, Section 5:** All appropriations shall lapse at the end of the fiscal year to the extent that they shall not have been expended or lawfully encumbered. Pursuant to Sunnyvale City Charter section 1305 approved appropriations for Capital Improvement Projects shall not lapse at the end of the 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. Unobligated Special Project appropriations in existence on June 30, 2020 shall carryover into FY 2020/21. The City Council shall be provided a complete listing of Special Project funds carried over in the FY 2019/20 Budgetary Year-End Report for City Council approval no later than December 31, 2020.

**Council Policy 7.1.1, Fiscal - Long Range Goals and Financial Policies G.1.7:** The City Council shall be provided with periodic summary financial reports, by fund, comparing actual revenues and expenditures to budgeted amounts.

### **ENVIRONMENTAL REVIEW**

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

### **DISCUSSION**

#### **Fiscal Year 2019/20 Year-End Financial Update**

Staff has reviewed the City's year-end financial results. The following is an analysis of the changes between the final budgetary amounts with the actual year end results.

## General Fund

## Revenues

Table 1 - FY 2019/2020 General Fund Revenue and Transfers In  
Final Budget vs. Actual

	<u>Final Budget*</u>	<u>Actual Revenue</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Percent Variance</u>
<b>Property Taxes</b>				
Property Tax Roll	85,495,426	85,495,611	185	0.0%
Property Tax Shift (Excess ERAF)	6,343,570	6,343,570	-	0.0%
<b>Total Property Tax</b>	<b>91,838,996</b>	<b>91,839,180</b>	<b>184</b>	<b>0.0%</b>
<b>Sales Taxes:</b>				
Sales and Use Tax - City	26,006,336	27,118,152	1,111,816	4.3%
Sales and Use Tax - Public Safety	1,691,495	1,715,008	23,513	1.4%
<b>Total Sales Tax</b>	<b>27,697,831</b>	<b>28,833,160</b>	<b>1,135,329</b>	<b>4.1%</b>
<b>Other Taxes:</b>				
Construction Tax	4,775,825	5,171,077	395,252	8.3%
Business License Tax	1,749,343	1,935,129	185,786	10.6%
Real Property Transfer Tax	1,949,035	1,815,234	(133,801)	(6.9%)
<b>Total Other Taxes</b>	<b>8,474,204</b>	<b>8,921,441</b>	<b>447,237</b>	<b>5.3%</b>
<b>Transient Occupancy Tax</b>	<b>15,093,335</b>	<b>15,929,808</b>	<b>836,473</b>	<b>5.5%</b>
<b>Utility Users Tax</b>	<b>8,354,190</b>	<b>8,258,540</b>	<b>(95,650)</b>	<b>(1.1%)</b>
<b>Franchises</b>	<b>7,317,101</b>	<b>7,179,493</b>	<b>(137,608)</b>	<b>(1.9%)</b>
<b>Rents &amp; Concessions</b>	<b>3,320,321</b>	<b>3,258,584</b>	<b>(61,736)</b>	<b>(1.9%)</b>
<b>Federal &amp; Intergovernmental Revenues</b>	<b>589,336</b>	<b>703,298</b>	<b>113,962</b>	<b>19.3%</b>
<b>State Revenues</b>	<b>878,514</b>	<b>621,005</b>	<b>(257,509)</b>	<b>(29.3%)</b>
<b>Permits &amp; Licenses</b>	<b>1,864,135</b>	<b>2,130,391</b>	<b>266,256</b>	<b>14.3%</b>
<b>Fines &amp; Forfeitures</b>	<b>946,880</b>	<b>1,103,988</b>	<b>157,108</b>	<b>16.6%</b>
<b>Service Fees:</b>				
Community Development Fees	1,522,068	1,668,587	146,518	9.6%
Library Fees	2,540	2,559	19	0.8%
Public Safety Fees	1,145,651	1,514,425	368,774	32.2%
Public Works Fees	270,884	293,113	22,229	8.2%
Recreation Fees	2,532,085	2,060,146	(471,939)	(18.6%)
<b>Total Service Fees</b>	<b>5,473,228</b>	<b>5,538,830</b>	<b>65,602</b>	<b>1.2%</b>
<b>Interest Income</b>	<b>2,234,854</b>	<b>3,458,413</b>	<b>1,223,558</b>	<b>54.8%</b>
<b>Other Revenues:</b>				
Sale of Property	9,000,000	-	(9,000,000)	0.0%
Interfund Revenues	5,434,132	5,434,132	-	0.0%
Miscellaneous Revenues	574,201	373,068	(201,133)	(35.0%)
Private Grants & Donations	125,975	156,407	30,432	0.0%
<b>Total Other Revenues</b>	<b>15,134,308</b>	<b>5,963,607</b>	<b>(9,170,701)</b>	<b>(60.6%)</b>
<b>Transfers In/In Lieu Fees</b>	<b>16,723,372</b>	<b>14,833,472</b>	<b>(1,889,900)</b>	<b>(11.3%)</b>
	<b>205,940,606</b>	<b>198,573,210</b>	<b>(7,367,395)</b>	<b>(3.6%)</b>
<b>Revenue Carryover</b>	<b>-</b>	<b>1,594,042</b>	<b>(1,594,042)</b>	<b>-</b>
<b>Revenue Total</b>	<b>205,940,606</b>	<b>200,167,252</b>	<b>(5,773,354)</b>	<b>(2.8%)</b>
<b>Revenue Total (Excluding Sale Property)</b>	<b>196,940,606</b>	<b>200,167,252</b>	<b>3,226,646</b>	<b>1.6%</b>

\* Final Budget includes budget modifications that occurred after adoption of the FY 2020/21 Budget

### Comparison with Prior Year

When sale of property is excluded, revenue of \$200.2 million was collected in the General Fund in FY 2019/20, which is \$3.2 million above the Final Budget. While the City budgeted \$9.0 million for the sale of property in FY 2019/20, the sale from the General Fund to the Housing Fund (Block 15 - Charles Street at Mathilda) did not occur during the fiscal year and is anticipated to take place in FY 2020/21. Given that revenue from the sale of property is one-time and, by policy, does not impact the Budget Stabilization Fund reserve, the revenue comparison excluding sale of property provides a more accurate revenue picture when comparing against the Revised Budget. To that end, the positive FY 2019/20 revenue variance is attributable primarily due to anticipated declines due to the economic impacts of COVID-19 not being as steep as projected. Notably, Sales Tax (\$1.1 million) and Transient Occupancy Tax (\$0.8 million), were above their revised estimates. Other revenues that performed favorably against the revised budget include Construction Tax and Business License Tax as well as Community Development and Public Safety Fees. Interest income also performed well against the revised projection by \$1.2 million. These positive performing revenue sources were offset by shortfalls against revised budgets for Utility Users Tax (UUT), Franchise Fees, Real Property Transfer Tax, and Recreation Fees. State and Miscellaneous Revenues also did not meet revised estimates.

Property Tax revenue in FY 2019/20 came in at budget. Overall, Property Tax revenue growth reflects increases in the assessed valuation in both the residential and commercial/industrial sectors across the City as well as change of ownership and new construction. The net change in roll growth was 7.0% when compared to FY 2018/19. Growth in Secured Property Tax revenue, the largest component of total property taxes, was \$3.6 million. Residential assessed value increased 9.3%, while commercial and industrial assessed value increased 5.6% from the prior year. Residential property accounts for 60.4% of secured assessed value on the Sunnyvale property tax roll, which has decreased from the peak of 64% in FY 2014/15, due to dramatic growth in the commercial/industrial category. The FY 2020/21 Budget projects that Secured Property Tax revenue will increase further in FY 2020/21 by 7.83%. However, based on reports received from the County Assessor's office, the increase is reflecting overall growth of 10.1%. A revised projection for the current year will be included in the FY 2021/22 Recommended Budget.

Though Property Tax continues to reflect updated assessment information and the high value of property in Sunnyvale, property tax is a lagging economic indicator and therefore the impacts of COVID-19 are expected starting in FY 2021/22 as the pandemic reached California in early 2020 after the roll for FY 2020/21 was closed. Accordingly, current roll growth for FY 2021/22 is projected conservatively with the 2.6% growth factor to reflect the anticipated slower sales and increase in appeals. Property tax estimates will be updated when the County finalizes its assessment roll and incorporated in the FY 2021/22 long-term financial plan.

Additionally, Real Property Transfer Tax did not meet projected revenue expectations by \$0.1 million as a result of slowing property sales due to the initial shutdown of non-essential businesses and economic uncertainty as a result of COVID-19. As a tax on the transfer of interests in real estate, it is driven by the rate of property turnover and changes in sales prices.

Sales and Use Tax revenue for FY 2019/20 ended the year at \$28.8 million - \$1.1 million above the \$27.7 million revised estimate. The original projection for sales tax revenue in the FY 2019/20 General Fund Long-Term Financial Plan considered the economic pressures associated with the trend towards a service-based economy and the increase in e-commerce. After the COVID-19 pandemic hit and the subsequent shelter-in-place orders and other business restrictions were imposed, the estimate (combined City Sales Tax and Public Sales Tax) for FY 2019/20 was decreased by about \$2.9 million in the FY 2020/21 Adopted Budget from \$30.6 million to \$27.7 million. However, during the shutdown, people were drawn to online shopping and continued to shop for essential goods. These better than expected results for the City are mainly related to the medical/biotech sector, though. Discretionary purchases, such as auto leases and purchases, also contributed to stronger than expected sales tax as customers sought to take advantage of the low interest rates and compelling sales offers. Restaurants and Hotels also did better than expected. In addition, more deferred sales tax payments were received from the previous quarter than estimated.

Transient Occupancy Tax (TOT) revenue reached its highest level in FY 2018/19, totaling \$21.2 million and this strong trend continued into the first three quarters of the FY 2019/20 fiscal year due to the voter-approved Measure K tax increase, which changed the TOT rate from 10.5% to 12.5% (effective midway through FY 2018/19) and strong occupancy rates and higher room rates associated with robust Sunnyvale business-related travel. After the initial COVID-19 restrictions of allowing only essential travel and then the ongoing COVID-19 public health concerns, the revised FY 2019/20 projection was reduced 30% from \$21.9 million to \$15.1 million. TOT dropped immediately and sharply the last quarter of the year with depressed room rates and occupancy rates, though not as sharply as anticipated, coming in \$0.8 million or 5.5% better than budget.

Construction Tax and Business License Tax both beat revised estimates for FY 2019/20. Construction Tax was revised slightly upward during development of the FY 2020/21 Budget from \$4.3 million to \$4.8 million to reflect the strong development activity and had a positive variance of \$0.4 million when compared to the Final Budget. Business License Tax had a positive variance of \$0.2 million against its revised projection as most renewals occurred prior to the pandemic and fourth quarter activity was stronger than expected.

Utility Users Tax (UUT) and Franchise Fees were also down as many large businesses closed as part of the COVID-19 response and then quickly shifted to work from home business models. Utility Users Tax (UUT) revenue came in under the FY 2019/20 revised projection by \$0.1 million. PG&E Gas and Electric, and Silicon Valley Clean Energy were below forecasts. Verizon and AT &T also fell short of projections. Sunnyvale voters approved an ordinance to modernize UUT in November 2016 and the methodology for estimating revenue for this category is still being refined as actual data is collected and the impact of the ordinance is better understood. Therefore, UUT revenue can be challenging to accurately forecast and long-term projections for UUT revenue remain cautious given the evolving nature of energy-efficiency and telecommunications technologies as well as tax credit incentive programs.

Franchise fees were also affected by the COVID-19 disrupting many of the large businesses that then started to work from home. Fees came in at \$7.2 million (\$0.2 million more than fees collected in the prior year) but, below the revised budget by \$0.1 million (1.9%).

Service Fees performed well with most service fee revenue received prior to COVID-19 business interruption. Community Development, Public Safety, and Public Works ended the year with revenue greater than revised estimates. Recreation was the most severely impacted as a result of the COVID-19 shelter-in-place orders and health restrictions as classes and scheduled activities had to be canceled. The original budget for Recreation fees was revised downward by \$1.0 million from \$3.5 million to \$2.5 million, but refunds also impacted final revenues and Recreation Fees missed the revised estimate by \$0.5 million. In addition, the pandemic restrictions impacted the City's facility rentals missing its revised estimate by \$0.06 million.

Federal and Intergovernmental revenues fund specific projects and revenue is typically received on a reimbursement basis. As such, current year budget may be carried over to the following fiscal year in conjunction with the unspent budgeted project expenditures. The assumption of the receipt of these revenues is assumed as part of the figures in Table 1. Federal and Intergovernmental revenue reflects grant funding exceeding projections by \$0.1 million and over 19.3%. State Revenue includes funds from Senate Bill 90, which reimburses local agencies for mandated costs as well as various grants. State Revenue fell short of its revised projection by almost \$0.3 million as well as Miscellaneous Revenue by \$0.2 million, due to the some of these grant projects crossing fiscal years.

Transfers In/In Lieu Fees also missed the revised projection by \$1.9 million. Most of this is related to transfers from Solid Waste to the General Fund for trash management activities that did not occur in the current year, but are included in the revenue carryover amount to be transferred during FY 2020/21. Additionally, \$0.5 million for the purchase of a vacuum truck in project 829081 - Storm System Trash Control Devices, was paid directly from the Fleet fund, so the revenue loss for this transfer is offset by the avoided cost of the purchase in the General Fund.

Interest income also ended the year more than projected by \$1.2 million due to the City's strong reserves and cash position as well as a positive return on investment. Finally, Table 1 includes Revenue Carryover, which includes grant revenue and delayed transfers that will be made from other City funds for their portion of specific General Fund projects and activities.

Expenditures

General Fund expenditures for the fiscal year ending June 30, 2020 are shown in Table 2.

**Table 2 - FY 2019/20 General Fund Expenditures and Transfers Out  
Final Budget vs. Actual**

Description	Final Budget *	Actual Expenditures	Variance to Final Budget Favorable (Unfavorable)	Percent Variance
<b>Equipment</b>	\$ 1,890,669	\$ 506,639	\$ 1,384,030	73.2 %
<b>Operations</b>	169,871,136	166,362,196	3,508,940	2.1 %
<b>Projects</b>	40,161,757	19,868,635	20,293,122	50.5 %
<b>Debt Service/Lease Payments</b>	1,239,238	1,239,946	(708)	(0.1)%
<b>Transfers</b>	33,638,589	12,888,921	20,749,668	61.7 %
<b>Total Expenditures</b>	<b>246,801,389</b>	<b>200,866,337</b>	<b>45,935,052</b>	<b>18.6 %</b>
Equipment Carryover	-	1,389,352	(1,389,352)	
Project Carryover	-	5,620,733	(5,620,733)	
Deferred Transfers	-	20,778,219	(20,778,219)	
<b>Budget Modification No. 12</b>				
Special & Outside Group Funding Projects				
Carryover	-	10,714,611	(10,714,611)	
Deferred Transfers Out (Special Projects)	-	340,000	(340,000)	
<b>Total Carryovers</b>	<b>-</b>	<b>38,842,916</b>	<b>(38,842,916)</b>	
<b>Grand Total</b>	<b>246,801,389</b>	<b>239,709,253</b>	<b>7,092,136</b>	<b>2.9 %</b>

\* Final Budget includes budget modifications that occurred after adoption of the FY 2020/21 Budget

The details of FY 2019/20 expenditures as compared to the budget are contained in Attachment 1 of this report, by fund. It is important to note that the budget values in Attachment 1 represent the Council-appropriated budget amounts for each fund and may not match the estimated amounts for FY 2019/20 assumed in the production of the FY 2020/21 Adopted Budget. To capture the most accurate financial position of each fund heading into the next fiscal year, updated expenditure estimates, such as projected salary or vacancy savings, were included in the General Fund Long Term Financial Plan. However, Council-appropriated budgets and individual programs are still held to those budgets as they were approved by Council, unless specifically amended by Council action.

Department operating expenditures finished the fiscal year favorably at \$5.8 million below budget. This was primarily the result of savings in the Department of Library and Recreation Services, though all departments ended the year favorably. Initial business interruption associated with the COVID-19 pandemic and then the informal hiring freeze put in place by the City Manager contributed to the savings as well. Similarly, Goods & Services spending is expected to end the year with a positive variance as some non-essential business activity slowed down in response to the pandemic as well as the City's conscientious efforts to spend only as necessary during the uncertain economic times presented. In addition, there was \$3.6 in savings associated with projects that were completed under budget or returned to fund for aligning project schedule with a more realistic timeframe across the twenty-year financial plan.



These savings were offset by unexpected costs incurred in response to the COVID-19 pandemic. The City used \$2.3 million in reserve funds for small business and non-profit financial assistance, purchased personal protection supplies, and re-routed personnel from regular duties to responding to the COVID-19 pandemic. While the City does not anticipate that all these costs will be reimbursed, the City received \$1.9 million in CARES Act Funding to offset these unanticipated expenditures that was appropriated with FY 2020/21 Budget Modification No. 8. The City will also seek reimbursement for eligible costs from the Federal Emergency Management Agency (FEMA) and revenue loss from other external funding sources, such as insurance.

The Department of Public Safety was under its departmental budget, though there was an overage in the Fire Services program. Backfill for staff vacancies drove overtime use in the Fire Services program that resulted in overspending of \$1.5 million. Much of this overspending took place in the first half of the fiscal year when the Department carried vacant positions in the Fire Services Program. When the Department was able to shift assignments such that vacant positions were not carried in Fire Services during the second half of the year, they were able to mitigate some of the need for backfill overtime. However, filling vacancies due to MOU-driven paid time off requirements still necessitates some need for backfill overtime in the program.

While the Department of Public Works was under budget as a Department, it exceeded its expenditure appropriation in the Neighborhood Parks and Open Space Management program by \$0.3 million due to utility costs and unanticipated repairs associated with the Multi-Modal Transit Station elevator. Multimodal Transit Station costs are offset by revenue from SamTrans as these expenses are reimbursed at 90%.

In addition to funding operations, the General Fund also provides funding for numerous capital, infrastructure, and special projects. Due to the long-term nature of these projects, unspent budget amounts are committed to the next fiscal year for those projects that are still in progress. Approximately \$38.8 million is being carried forward to FY 2020/21 to cover expenditures related to projects and equipment - \$17.7 million for projects and equipment directly charged in the General Fund and \$21.1 million for projects budgeted in other funds (Transfers Out of the General Fund).

Of the project carryover associated with projects directly charged to the General Fund, most of the carryover is associated with public safety recruitment projects. The City has appropriated significant funds over the last several years to recruit and train public safety officers and the Finance Department continues to work closely with the Department of Public Safety to anticipate attrition for effective budgeting and planning. When specific project savings are estimated, we're able to return funds to the Budget Stabilization Fund reserve. Accordingly, last fiscal year, it was anticipated that \$1.0 million would be available to return to fund in project 826350 (FY 18/19 Recruitment and Training for Sworn Officers), however, due to recruit injuries, training was interrupted for several recruits and \$0.6 million will need to be re-appropriated back to the project until the entire cohort completes the training. Additionally, \$7.4 million in current recruitment projects will carryover and future recruitment project funding is included across the 20-yr Financial Plan.

Other special project carryover includes \$0.4 million in Climate Action Plan project carryover, carryover associated with ongoing study issues, and a myriad of grants. Infrastructure and capital project carryover include \$2.6 million for the Public Safety Generator project, \$0.6 million for Replacement and Repair of Storm Drains, \$0.4 million for the Grade Separation at Mary Ave Study Issue, and \$0.3 million for the Green Stormwater Infrastructure project local match funding and various other projects.

In terms of transfer carryover, most of the funding being carried forward for transfers to other funds is to the Infrastructure Fund to fund the Pavement Rehabilitation and Sidewalk, Curb and Gutters projects. \$9.0 million is for the Civic Center Modernization project and the transfer from the General Fund CIP Reserve was deferred to FY 2020/21 to occur with the planned sale of property between the General Fund and Housing Mitigation Fund.

Overall, expenditures in the General Fund ended favorably at \$7.1 million under budget. Savings were mostly due to staff vacancies and business interruption in operating programs due to COVID-19 as well as projects that were completed with savings that were returned to fund balance. Thus, it is not anticipated that the savings will be ongoing.

#### Final Fund Results

The final position of the General Fund is a positive variance of \$9.5 million when sale of property is excluded. It is important to note that the Final Budget figures include all approved Council adjustments through June 30, 2020. Due to the timing of the production of the FY 2020/21 Adopted Budget, these figures differ from the estimates for FY 2019/20 assumed during the development of the budget.

Table 3 summarizes FY 2019/20 General Fund revenue and expenditure results:

**Table 3 - FY 2019/20 General Fund Financial Position  
Year End Results**

	<b>Final Budget*</b>	<b>Actual Results</b>	<b>Variance to Final Budget Favorable (Unfavorable)</b>
<b>Beginning Balance</b>	<b>\$ 123,189,020</b>	<b>\$ 123,187,847</b>	<b>\$ (1,173)</b>
<b>Revenue</b>			
Revenue and Transfers In	205,940,606	198,573,210	(7,367,396)
Revenue and Transfers In Carryover	-	1,594,042	1,594,042
<b>Total Revenue</b>	<b>205,940,606</b>	<b>200,167,252</b>	<b>(5,773,354)</b>
<b>Expenditures</b>			
Expenditures and Transfers Out	246,801,389	200,866,337	45,935,052
Expenditures and Transfers Out Carryover	-	38,842,916	(38,842,916)
<b>Total Expenditures</b>	<b>246,801,389</b>	<b>239,709,253</b>	<b>7,092,136</b>
<b>Reserves</b>			
Contingencies	23,558,898	24,954,329	1,395,431
Capital Improvement Projects	9,105,612	9,629,306	523,694
Budget Stabilization Fund	<b>49,092,300</b>	<b>49,062,211</b>	<b>(30,089)</b>
<b>Total Reserves</b>	<b>81,756,810</b>	<b>83,645,846</b>	<b>1,889,036</b>

\* Final Budget includes budget modifications that occurred after adoption of the FY 2020/21 Budget

The details in Table 4 summarize the impact on the available fund balance for re-appropriation:

**Table 4 - Summary of Impact on FY 2019/20 Available Fund Balance**

Higher than Estimated Revenue*	\$3,226,646
Lower than Estimated Expenditure	\$7,092,136
CAFR Adjustment/Reserve Recon	\$(824,004)
<b>Net Available FY 2019/20 Fund E</b>	<b>\$9,494,778</b>
(Budget Modification No. 12)	

\*Excludes Sale of Property

These positive year end results reflect reconciliation to the 15% Contingency Reserve requirement, and \$9.5 million of available fund balance for re-appropriation due to better than expected revenues and unanticipated savings as discussed above. This favorable year end position contributes to the City's overall resources to cover the volatility of the City's major revenue sources, especially given the economic uncertainty caused by the COVID-19 pandemic and the ongoing demands on service delivery and infrastructure requirements over the next twenty years. Consequently, the City will continue to approach budget development with a balance of resource availability and service delivery evaluation, strategic use of reserves, identifying additional revenue, and a disciplined approach in the allocation of resources over the short and long-term.

## **Other Funds**

In addition to the General Fund, other funds that warrant further discussion are highlighted below:

### Park Dedication, Gas Tax, Capital Projects, and Infrastructure Funds

The Park Dedication, Gas Tax, Capital Projects, and Infrastructure Funds are utilized for funding capital, infrastructure, and special projects as well as for the maintenance of capital assets throughout the City. These projects are usually long-term in nature and take several years to complete. Therefore, every year many of these projects have unspent appropriations that will be used in the following fiscal year. Revenues for these funds are either transfers into the fund from other funds or grants and contributions from developers. Many of the grant revenues budgeted for this year were not received as these funds are on a reimbursement basis and will only be available to the City once the expenditures have been incurred. The projected grant revenues, therefore, will also be received in the following year.

Ongoing projects in the Capital Projects Fund had unspent funds of approximately \$90.4 million, of which most is being carried forward to be spent in FY 2020/21. The major ongoing projects utilizing this carryover funding include the Lakewood Branch Library and Learning Center, Washington Community Swim Center, Fair Oaks Avenue Overhead Bridge project, and other various transportation projects.

In the Infrastructure Fund, there was \$76.7 million in unspent project funds being carried over, primarily associated with Civic Center Modernization (\$34.5 million), Fair Oaks Park Renovation project (\$11.1 million), \$3.8 million for the All Inclusive Playground, \$3.4 million for Playground Equipment Replacement and \$2.1 for the Park Buildings - Rehabilitation project. \$9.4 million in funding is also being carried over for the Pavement Rehabilitation project.

Ongoing projects funded by Park Dedication Fee revenues had unspent funds of approximately \$32.1 million that will be carried forward to be spent in future years. Most of the carryover funding is for the transfer of funds to the Capital and Infrastructure Funds for park projects such as those park projects listed above. The Park Dedication Fund also funded the acquisition of open space for a future park. Total budget for the land acquisition of 1142 Dhalia Court is approximately \$8 million and \$.3 million will be returned to fund after the acquisition came in lower than previously expected. Revenues in the Park Dedication Fund came in approximately \$1.3 million higher than the planned \$26.7 million at \$28.1 million. The unplanned revenue that was collected in FY 2019/20 is accounted for in fund balance as part of the two reserve accounts: Capital Projects Reserve and Land Acquisition Reserve accounts. Council policy sets aside 20% of the Park Dedication Fee revenue into a reserve specifically designated for land acquisition and these funds will be used to acquire land to construct parks, open space, trails, and other recreational facilities.

### Development Enterprise Fund

The Development Enterprise Fund was established in FY 2014/15 to account for the revenues and expenditures associated with supporting development activity throughout the City. The operating programs that support development activity span across multiple departments, with the largest programs in the Community Development and Public Works departments. FY 2019/20 continued with a high level of development activity in Sunnyvale. Revenue reached \$23.6 million (\$1.8 million over revised estimates) and expenses amounted to \$16.5 million (\$0.07 million over original budget). The net fiscal impact to the fund was an increase in the Development Enterprise Reserve of approximately \$1.2 million (after accounting for project carryover of \$0.6 million) when compared with the FY 2019/20 revised budget in the FY 2020/21 Long Term Financial Plan.

### Water Supply and Distribution Fund

The Water Supply and Distribution Fund accounts for the operations of the City's water system. This fund receives most of its revenue from user fees collected from the City's water customers, with the remainder coming from connection fees. Total water revenues were \$65.9 million, \$0.4 million lower than the revised projection. Revenues were less than anticipated because of lower than projected water sales. This is due to the impact of the COVID-19 pandemic on the City's commercial water customers, who used roughly 30% less water in the last three months of the fiscal year than in FY 2018/19.

As compared to budget, after accounting for unspent project funds to be carried forward, total expenses ended less than forecast by \$3.3 million. Based on current year revenues and expenditures (and excluding ongoing project costs), the net position of the fund increased by \$2.9 million with the reserve increasing from \$59.1 million to \$62.0.

### Solid Waste Management and SMaRT Station® Funds

The Solid Waste Management Fund accounts for the operation of the City's solid waste collection and disposal system. Revenues are received from user fees and from the sale of recyclable materials. This fund's expenses primarily consist of charges for the Sunnyvale Materials Recovery and Transfer (SMaRT) Station operations, disposal fees at Kirby Canyon Landfill, and the contractor payment to Bay Counties Waste Services (Specialty Solid Waste and Recycling) for collection of garbage, food waste, yard trimmings, and recyclable materials. Revenues in this fund are driven primarily by the volume of material collected, and to a lesser extent, curbside recyclables and recyclables diverted from the general waste stream. Fund expenses are driven partially by quantities of garbage but are largely fixed costs for the collection system and SMaRT Station equipment and infrastructure.

Overall, the Solid Waste Management Fund revenues finished FY 2019/20 at \$52.7 million, approximately \$1.2 million less than projected. The lower than anticipated revenue was driven by the COVID-19 pandemic, which halted many construction activities towards the end of the fiscal year. The pandemic prompted many existing businesses to downsize or temporarily suspend their service, further impacting solid waste revenues. Excluding ongoing project funds, the reserve balance for this fund decreased by 8.2% (or \$1.7 million) when compared to the Final Budget. Solid Waste Fund reserves remain strong at \$18.7 million as of fiscal year end.

The SMaRT Station fund accounts for revenues and expenses related to operation of the SMaRT Station by the three partner cities, Sunnyvale, Mountain View and Palo Alto. Each city makes quarterly contributions to the fund on a budgetary basis. At the end of the year, the fund is reconciled and each of the cities either owes more, or receives a refund based on each city's individual use of the facility. The SMaRT Station Operating Fund net position for the year ended as expected.

#### Wastewater Management Fund

The Wastewater Management Fund accounts for operations of the City's wastewater collection and treatment facilities. User fees account for the bulk of the revenues, with the remainder coming from connection fees and fees from the small area outside the City served by the wastewater system. Total revenues, excluding project-related transfers, were \$61.8 million, which was \$2.3 million less than anticipated. This is largely attributable to lower than projected sewer service charges. The COVID-19 pandemic impacted revenues towards the end of the year, as many businesses shut down or reduced operations due to the shelter-in-place order.

FY 2019/20 Wastewater Management Fund operating expenses ended \$4.1 million less than budgeted with cost savings in the Wastewater Management and Wastewater Collection Systems programs. Overall, the fund position remains in good fiscal condition; with the fund ending \$1.8 million higher than planned before accounting for ongoing project costs and any bond proceeds. However, there are significant capital projects that have started in this fund, including the replacement of the existing Water Pollution Control Plant (WPCP). Cost estimates for the WPCP project as well as anticipated draws on the State Revolving Fund Loan have been included in the Long-Term Financial Plan.

#### Golf and Tennis Operations Fund

The Golf and Tennis Operations Fund accounts for revenues and expenditures related to the two City-operated golf courses and the tennis center. During FY 2019/20, both Golf and Tennis operations were affected by the COVID-19 restrictions that resulted in business interruption. As a result, FY 2019/20 revenue expectations were moderated during FY 2020/21 budget development. Additionally, the City terminated its concession operator contract at the Sunnyvale Golf Course as slow business became no business when the County's COVID-19 shelter-in-place orders were implemented; exacerbating the restaurant's revenue losses. The City Council also authorized temporary rent reductions for concession operations at Sunken Gardens and the Tennis Center at Las Palmas park to offer some economic relief to the operators during these challenging financial times.

When the COVID-19 restrictions eased, there was an uptick in golf play as an acceptable socially distanced activity and operating revenues ended at approximately \$3.4 million, which is \$0.5 million over the revised projection of \$2.9 million when transfers are excluded. Operational expenditures of \$5.4 million were approximately \$0.3 million over budget as the cost to end the contract with the restaurant concession operator at the Sunnyvale Golf Course was more than anticipated. With better than expected golf revenue to offset some of these additional costs, the fund ended the year right at budget including the \$2.0 million planned transfer from the General Fund required to keep the fund solvent.

### General Services Fund

The General Services Fund accounts for the expenditures associated with the internal services provided by the City to user departments such as fleet management, building maintenance, technology/communication services, project administration, and the print shop. These activities are funded by charging rental rates to the operating programs that use the services. Overall, the General Services Fund finished in line with what was projected in the FY 2019/20 Adopted Budget.

### Employee Payroll & Benefits Fund and Liability and Property Insurance Fund

These two internal service funds provide a mechanism to cover expenditures related to pension costs, insurance plans, workers' compensation costs, leave time, and liability and property insurance while applying the principles of full-cost accounting. Revenues to the Employee Benefits Fund to cover the cost of employee benefits come from the operating departments in the form of a benefit rate that is charged to actual salary costs based on hours worked. The Employee Payroll & Benefits Fund ended FY 2019/20 with reserves of \$25.4 million, approximately \$4.4 million less than the \$29.8 projected with \$2 million set aside for the Executive Home Mortgage Program that will carryover into FY 2020/21 as the planned transaction did not occur in FY 2019/20.

It should be noted that year-over-year variances in collections, either over-collections or under-collections, are expected, and annual rate adjustments take this into account. Further, reserves in this fund are set to accommodate these year-over-year fluctuations.

In FY 2019/20, the Liability and Property Insurance Fund came in under budget by approximately \$0.4 million. Because there can be significant variances in claims expenses year-over-year, staff has budgeted the average with a sufficient reserve level to be drawn down and replenished on a year-to-year basis. The reserve was increased in FY 2019/20 and it ended the year with \$1.2 million versus the \$0.8 million reserve forecast.

### **Sunnyvale Financing Authority Budget Summary**

The Joint Exercise of Powers Agreement creating the Sunnyvale Financing Authority by and between the City of Sunnyvale and the former Redevelopment Agency of the City of Sunnyvale requires that the Sunnyvale Finance Authority Board review and approve the annual budget. The Sunnyvale Financing Authority receives lease payments from the City and makes debt service payments to the fiscal agent when due. The fiscal agent (trustee of the bond reserve funds) handles the transactions for the Sunnyvale Financing Authority. The 2009 Government Center Certificates of Participation is the only outstanding debt of the Sunnyvale Financing Authority. During FY 2019/20, all debt service payments were made as planned. At the end of FY 2019/20, an ending fund balance of \$1.2 million remained in the debt service fund. These funds are restricted for the purposes of meeting future debt service requirements. The outstanding debt of the Sunnyvale Financing Authority totals \$9.7 million.

### **Comprehensive Annual Financial Report**

City Charter Section 1318 requires that "At the end of each fiscal year, a final audit and report shall be submitted by [a Certified Public Accountant] to the City Council. The City's Comprehensive Annual Financial Report (CAFR) is prepared annually to meet this requirement and is submitted to Council as Attachment 7 to this report.

The CAFR, which is prepared in the format prescribed by the Governmental Accounting Standards Board (GASB), contains the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements with Notes and Required Supplementary Information, Supplementary Information, and the Statistical Section.

The City's independent audit was performed by the firm of Macias Gini & O'Connell (MGO) who rendered an unmodified opinion on the City's CAFR. Receiving an unmodified opinion is the optimal result from the independent audit.

Effective with the FY 2014/15, with the implementation of the GASB Statement No. 68, the City's net pension liability, representing unfunded pension obligations, is now presented as a liability on the statement of net position, previously the information was provided as part of the *Notes to the Basic Financial Statements* section of the CAFR. The Net Pension Liability line totaled \$379.3 million as of June 30, 2019, which increased by \$19.8 million from the prior fiscal year. The City, like most other local agencies, has had a significant unfunded pension liability for several years; however, the reporting of this liability does not require changes to the City's plans to fund its pension liability. Through the City's long-term financial planning process, Sunnyvale began to address the liability several years ago, with higher than required contributions to CalPERS and funding of a pension uncertainty reserve to continue to address the liability into the future. In addition, continuing to address the pension liabilities on a long-term basis, a Section 115 Pension Trust established in May 2018 is managed by investment professionals and owned by the City. The Trust received contributions in the amount of \$2.5 million during FY 2019/20, including an annual payment \$1 million and an additional \$1.5 million from the General fund budget savings resulting from higher tax revenue collections. The current twenty-year plan includes a contribution of \$1 million annually to the Trust through FY 2027/28 to accumulate monies to fund future pension liabilities. Pension costs are expected to peak in FY 2028/29, and we anticipate drawing down the Pension Trust funds to help cover these liabilities at that time.

The GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* went into effect in FY 2017/18. Consequently, the City began reporting its net OPEB liability on the Statement of Net Position. With the requirement to disclose the OPEB liability, the City began funding the OPEB Trust Fund in 2011. An audited stand-alone report of the Sunnyvale Retiree Healthcare Trust Plan was issued at the end of June 30, 2019. The Report had the OPEB Trust fund balance of \$105.1 million that was used in the calculation of the net OPEB liability. As of June 30, 2020, the outstanding balance of net OPEB liability was \$69.6 million, which decreased by \$2.6 million from last year. The OPEB liability reporting standard is parallel to the pension liability reporting standard (GASB Statement No. 68) and does not require changes to the City's plan to fund its OPEB liability. Nonetheless, the City continues to budget the full annual required contribution in the short term and over the long-term plan until the OPEB liability is fully funded, which is anticipated to occur at the end of the 20-year planning period.

### **Auditor's Report to the City Council**

As part of the City's annual external audit, MGO reviews and comments on the City's internal control over financial reporting for the purpose of the audit of the financial statements. The comments are intended to advise management of the existence of any material weaknesses in the City's internal controls. In addition, the report aids City staff in improving its records for operations and communicates other advisory information, such as future accounting and reporting requirements that may have an effect on the City.

No material weaknesses were noted by MGO in the City's internal control. A material weakness is a significant deficiency, or combination of deficiencies in internal controls such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. The report is provided as Attachment 6.



### **Agreed Upon Procedure Reports**

City Finance Staff engaged MGO to perform Agreed Upon Procedures (AUP) to evaluate internal control related to the fiscal administration of public funds. The AUP was conducted in accordance with attestation standards established by the American Institutes of Certified Public Accountants. Seven cash collection sites and three programs were selected for review in FY 2019/20. Accordingly, MGO issued three AUP reports (Attachments 3, 4 & 5). Surprise cash counts were also conducted on seven sites. No exceptions were noted for the surprise cash counts.

Three programs: 1) Sunnyvale Investment Reconciliations; 2) Sunnyvale General Checking Account Bank Reconciliation; and 3) Sunnyvale Utility Fee Cash Receipts were selected for review. MGO conducted the review based on the agreed upon procedures. No major exceptions were noted for these three programs. However, MGO recommends that the City document the preparer and reviewer names as well as the prepare and review dates on the reconciliation so that the City has a record of when and by whom these reconciliations were prepared and reviewed. City staff agreed with MGO's recommendations and will incorporate these changes into these programs.

### **Sunnyvale Financing Authority Report**

The Joint Exercise of Powers Agreement creating the Sunnyvale Financing Authority by and between the City of Sunnyvale and the former Redevelopment Agency of the City of Sunnyvale requires that "the Controller of the Authority shall either make, or contract with a certified public accountant or public accountant to make, an annual audit of the accounts and records of the Authority...a report thereof shall be filed as a public record with each of the Member Agencies." The Sunnyvale Financing Authority Report is prepared annually to meet this requirement and is submitted to Council as Attachment 8 to this report.

The Sunnyvale Financing Authority Report, which is prepared in the format prescribed by the Governmental Accounting Standards Board (GASB), contains the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, and the Notes to Basic Financial Statements.

### **Administrative Budget Modifications**

Administrative budget modifications are a set of specific budget modifications that do not need to be publicly approved and appropriated by City Council. The City Manager may appropriate grants up to \$100,000 that are also free of local match requirements and do not obligate the City to ongoing expenses not already planned in the City's Resource Allocation Plan. Attachment 2 summarizes the Administrative Budget Modifications approved by the City Manager in FY 2019/20, which totals \$240,572.

### **FISCAL IMPACT**

The fiscal impact of each fund's results is discussed in detail in the body of this report. As discussed, the General Fund finished FY 2019/20 more favorably than expected. The General Fund faces many pressures on both the revenue and expenditure side in the next several years and a rebalancing of the 20-Year Financial Plan, including FY 2020/21 actual performance, will be included in the upcoming FY 2021/22 Recommended Budget.

Budget Modification No. 12 has been prepared to restate the FY 2020/21 General Fund reserve balances based on FY 2019/20 actual results through Budget Modification No. 12. Final results reconcile to the 15% Contingency Reserve and available Capital Improvement Project reserve. In FY 2019/20, Council authorized use of the Contingency Reserve for unplanned COVID-19 relief expenditures. Since the Contingency Reserve must be paid back as soon as practical, this \$0.8 million appropriation reconciles and restores this reserve rather than paying the reserve back (at \$0.25 million) over four years as proposed in the FY 2020/21 General Fund Financial Plan.

Additionally, due to the favorable position, staff is recommending appropriation of \$2.5 million from all funds (\$1.6 million from the General Fund) to the City's Pension Trust. The current \$1 million planned is included in the City's FY 2020/21 personnel benefit rate and incorporated into the FY 2020/21 Employee Payroll & Benefits Financial Plan Pension Trust Subfund (640-500). This \$2.5 million would be an additional contribution directly to the Pension Trust from all major funds.

Staff is also proposing \$1.5 million as a forgivable loan to Sunnyvale Community Services (SCS) for tenant improvements in their new building. With the ongoing pandemic, SCS has been unable to perform traditional fundraising to raise the funds for these necessary improvements that will allow for uninterrupted service delivery to the community in their new building. Staff plans to return to Council with proposed terms of this Agreement and for authorization to enter into the Agreement and finalize the appropriation (i.e. why it is not included in the budget modification with this report) later in the fiscal year.

An additional appropriation of \$0.6 million to project 826350 (FY 18/19 Recruitment and Training for Sworn Officers) to fund the project to completion is also recommended. Due to recruit injuries, training was interrupted for several recruits and \$0.6 million will need to be re-appropriated back to the project until the entire cohort completes the training. \$11.5 million was initially appropriated to the project. In FY 2019/20, \$1 million was returned to fund in anticipation of project savings. Therefore, \$1.6 million carried over to FY 2020/21 though it is estimated that \$2.2 million will be needed for recruits of this class to finish training. This additional appropriation is offset by savings from project 826340 (FY 17/18 Recruitment and Training for Sworn Officers) that completed with \$0.6 million in savings that was returned to fund.

The remaining \$5.8 million will fall to the Budget Stabilization Fund. This will strengthen the General Fund's reserve position going into FY 2021/22 budget development with continued economic uncertainty due to the pandemic.

**Budget Modification No. 12  
FY 2020/21**

	<b>Current</b>	<b>Increase/ (Decrease)</b>	<b>Revised</b>
<hr/>			
<b>General Fund</b>			
<u>Expenditures</u>			
Transfer to Pension Trust	\$0	\$1,623,810	\$1,623,810

	Current	Increase/ (Decrease)	Revised
New Project - Sunnyvale Community Services Tenant Improvements	\$0	\$1,500,000	\$1,500,000
826350 (FY 18-19 Recruitment and Training for Sworn Officers)	\$1,612,598	\$597,131	\$2,209,729
<u>Reserves</u>			
Budget Stabilization Fund	\$45,712,797	\$5,773,837	\$51,486,634
Contingency Reserve	\$23,558,898	\$824,004	\$24,382,902
<b>Other Funds</b>			
<u>Expenditures</u>			
<b>Housing Fund</b>			
Transfer to Pension Trust	\$0	\$11,841	\$11,841
<b>Employment Development Fund</b>			
Transfer to Pension Trust	\$0	\$103,951	\$103,951
<b>Water Supply and Distribution Fund</b>			
Transfer to Pension Trust	\$0	\$89,439	\$89,439
<b>Wastewater Management Fund</b>			
Transfer to Pension Trust	\$0	\$208,343	\$208,343
<b>Solid Waste Management Fund</b>			
Transfer Pension Trust	\$0	\$24,040	\$24,040
<b>Development Enterprise Fund</b>			
Transfer to Pension Trust	\$0	\$160,346	\$160,346

	Current	Increase/ (Decrease)	Revised
<b>Golf and Tennis Operations Fund</b>			
Transfer to Pension Trust	\$0	\$49,786	\$49,786
<b>General Services Fund</b>			
Transfer to Pension Trust	\$0	\$228,444	\$228,444
<b>Total Transfers to Pension Trust</b>			<b>\$2,500,000</b>

### **PUBLIC CONTACT**

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

### **ALTERNATIVES**

City Council:

1. Receive and file the budgetary Year-End Financial Report, the audited Comprehensive Annual Financial Report, Agreed Upon Procedure Reports and the Report to the City Council issued by the independent auditors, and Approve Budget Modification No. 12 in the Amount of \$3,324,004.00, and Find that the Action are Exempt from the California Environmental Quality Act (CEQA) Pursuant to CEQA Guidelines Section 15378(b)(4)
2. Authorize the City Manager to Enter into Negotiations for a Forgivable Loan of up to \$1.5 million with Sunnyvale Community Services for tenant improvements in their new building
3. Other action as determined by Council

Sunnyvale Financing Authority:

1. Receive and file the Sunnyvale Financing Authority Financial Report and Find that this Action is Exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(4)
2. Other action as determined by the Authority Board

## **STAFF RECOMMENDATION**

### City Council:

1. Receive and file the budgetary Year-End Financial Report, the audited Comprehensive Annual Financial Report, Agreed Upon Procedure Reports, and the Report to the City Council issued by the independent auditors, and Approve Budget Modification No. 12 in the Amount of \$3.324,004.00, and Find that these Actions are Exempt from CEQA Pursuant to CEQA Guidelines 15378(b)(4)
2. Authorize the City Manager to Enter into Negotiations for a Forgivable Loan of up to \$1.5 million with Sunnyvale Community Services

### Sunnyvale Financing Authority:

1. Receive and file the Sunnyvale Financing Authority Financial Report

Prepared by: Felicia Silva, Budget Manager

Prepared by: Inderdeep Dhillon, Finance Manager

Reviewed by: Grace Zheng, Assistant Director of Finance

Reviewed by: Tim Kirby, Director of Finance

Approved by: Kent Steffens, City Manager

## **ATTACHMENTS**

1. Year-End Budgetary Report by Fund
2. Administrative Budget Modifications Summary
3. FY 2019/20 Sunnyvale Investment Reconciliation & Cash AUP
4. FY 2019/20 Sunnyvale General Checking Account Bank Reconciliation & Cash AUP
5. FY 2019/20 Sunnyvale Utility Fee Cash Receipts & Cash AUP
6. Auditor's Report to the City Council
7. Comprehensive Annual Financial Report
8. Sunnyvale Financing Authority Financial Report