

**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**



**FISCAL YEAR ENDED
JUNE 30, 2013**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013



**The
Mission City**

**CITY OF SANTA CLARA, CALIFORNIA
1500 WARBURTON AVENUE
SANTA CLARA, CA 95050-3796**

PREPARED BY DEPARTMENT OF FINANCE

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Introductory Section

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City of Santa Clara

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November 5, 2013

Citizens of the City of Santa Clara
The Honorable Mayor and City Council
City of Santa Clara
Santa Clara, CA 95050

Dear Citizens, Mayor and Members of the City Council:

It is our pleasure to submit for your information the Comprehensive Annual Financial Report (CAFR) of the City of Santa Clara (City) for the fiscal year ended June 30, 2013. The City compiles and prepares the annual financial report to provide interested parties with reliable information concerning the financial condition and results of operations for the City.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. Management of the City has established a comprehensive internal control framework that is designed to protect the government'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 Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Santa Clara's financial statements have been audited by Maze & Associates, a firm of licensed 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, 2013 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. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Santa Clara's financial statements for the fiscal year ended June 30, 2013 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.

The independent audit of the financial statements of the City of Santa Clara 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 that agencies expending more than \$500,000 in federal monies, are required to have the independent auditor report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

Management has provided a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The 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.

PROFILE OF THE CITY OF SANTA CLARA

The City is located in the County of Santa Clara, California, and is approximately 45 miles southeast of San Francisco and three miles west of downtown San Jose. It is situated in the northern part of the County and occupies approximately 19.3 square miles.

The City enjoys a diversified industrial and commercial base. Santa Clara is headquarters to some of the nation's leading electronics, telecommunications, computer, and semiconductor firms. The City is also home to a university, a community college, an adult learning center, and a general hospital.

The City's population continues to grow (120,284), indicating the City remains an attractive place both to live and work. The City is one of the most highly desirable areas to live because of the high quality services it provides to residents and its business friendly environment.

The City of Santa Clara, also known as the Mission City, is a charter city incorporated in 1852 under the laws of the State of California. The City's powers are exercised through a Council/Manager form of government. The City Council is made up of seven Council members serving as the legislative authority including a directly elected Mayor, all of whom serve "at large". The City Council appoints a City Manager who is responsible for the overall management and administration of the City. Within the administration, the Police Chief and the City Clerk are also publicly elected officials.

The City provides a full range of services. These services include police, fire protection and emergency dispatch; electric, water, and sanitary sewer services; the construction and maintenance of streets and infrastructure; parks and recreational activities and cultural events; planning and zoning; library; cemetery; and general administrative and support services.

LOCAL ECONOMY AND FINANCIAL OVERVIEW

For several years, the City of Santa Clara was severely impacted by what has been termed the "Great Recession". According to official records kept by the National Bureau of Economic Research, this recession began in December 2007 and ended in June 2009, making it the longest and deepest recession since the Great Depression. Despite the technical end to the recession and strong revenue growth in certain revenue categories, revenue collections are just now returning to pre-recession levels and it is expected that it will take several more years for the lingering effects of the housing bubble collapse and high unemployment to work their way through the economy. In addition to the recession, in December 2011, the California Supreme Court upheld AB1X 26 calling for the dissolution of all redevelopment agencies in the state (see Note 22). The elimination of the City's Redevelopment Agency (former RDA) is one of the most serious financial concerns facing the City now and over the next few years.

The City is projecting that the regional economic recovery will continue, leading to sustained revenue growth, although at a somewhat slower pace than experienced during the last two years. Over the last couple of years, Silicon Valley has seen job growth that has outpaced the rest of the state and nation. The City's unemployment rate decreased 1.8% from the prior year to 6.2%. This growth has led to rising housing prices and a significant increase in commercial and residential development activity.

Looking forward, the City is continuing the multi-year effort aimed at increasing revenues, reducing expenditures, and bringing ongoing expenditures into alignment with ongoing revenues.

FINANCIAL INFORMATION

Long-term Financial Planning

The City Council's adopted budget principles for fiscal year 2012-13 reflected the economic challenges that the City faced including recognition that sufficient reserves did not exist to balance projected future budget shortfalls, and that a multi-pronged strategy was needed to bring ongoing expenditures into alignment with ongoing revenues. The adopted principles included but were not limited to the following:

- Team-based approach to identify and implement cost savings measures including input and participation from all major stakeholders.
- Pursue economic development objectives and strategies to foster new public and private investment within Santa Clara, and to create employment opportunities.
- Any necessary reduction in permanent positions will be accomplished first through attrition and retirements, with layoffs used only as a last resort.
- Continue and possibly extend the implementation of a three-year strategy to bring ongoing revenues and expenditures into balance, recognizing that the City's General Fund has a structural deficit that has now been exacerbated by the dissolution of the City's former RDA and that the use of one-time monies is only a temporary solution.
- Although the City has proactively begun to address the structural deficit, it recognizes that the implementation of strategies to resolve the structural deficit may take time requiring short-term solutions until ongoing savings associated with structural changes are realized.
- With limited exceptions, establish fees based on full cost recovery where individuals/business rather than the community at-large are benefiting from City services. This preserves limited unrestricted resources for providing services that benefit the community as a whole.

The City developed a five-year Capital Improvement Plan detailing specific budgeted capital projects. Each of the projects are consistent with the overall goals and principles of the City. The fiscal year 2012-13 adopted Capital Improvement Project (CIP) Budget totaled \$52.7 million. The CIP included improvements to the City's infrastructure, replacements and upgrades to information technology equipment, improvements and upgrades to the City's utilities, and construction of the new Levi's Stadium.

In addition, the City of Santa Clara produces an annual Five-Year Financial Plan. This comprehensive report analyzes local, state, and federal economic conditions, short and long-term revenue and expense trends, expense challenges, revenue opportunities, and infrastructure needs. The plan is designed to highlight finance issues which the City can address proactively. Moreover, it is a tool that allows policymakers an opportunity to prioritize funding needs over time. The plan is one of the many tools and reports that the City uses for financial planning.

Internal Controls

The management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse, and that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the stated framework. City

management believes the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

As part of the City's internal controls, it maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annually appropriated budget approved by the City Council. Activities of the majority of the City funds are included in the annual budget. In addition, each year a Capital Improvement Project Budget is adopted and a Five-Year Financial Plan is updated and accepted by the City Council. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the object category level. The City Manager may transfer appropriations from one program to another within the same fund and the object category of a department without approval from the City Council. All other transfers must be approved by the City Council. The City also maintains an encumbrance accounting system as one technique for accomplishing budgetary control. Encumbrances outstanding at year-end are included within the specific fund balance category of the underlying resource.

Independent Audit

The City Charter and State of California statutes require the City to have an annual audit by an independent certified public accountant. The City goes to the market with a formal Request For Proposal for audit services every five years. The accounting firm of Maze & Associates, Certified Public Accountants, was selected by the City Council in 2012, and is in the second year as the City's independent auditor. In addition to meeting the requirements set forth in City Charter and State statutes, the audit is designed to meet the requirements of the federal Single Audit Act of 1984, as amended in 1996, and related OMB Circular A-133. The auditors' report on the basic financial statements and the supplementary combining statements and schedules are included in the financial section of this report. The auditors' reports related specifically to the single audit are included in a separately issued single audit document on file with the City Clerk's Office.

MAJOR INITIATIVES

San Francisco 49ers Stadium: On June 8, 2010, residents of Santa Clara voted to adopt Measure J, the Santa Clara Stadium Taxpayer Protection and Economic Progress Act, resulting in the approval to construct a new 68,500-seat football stadium (the Stadium) to be leased to the San Francisco 49ers (49ers). In addition, Measure J called for the creation of the Santa Clara Stadium Authority to own, develop, construct, operate, and maintain the Stadium project.

The Stadium is currently under construction and will be owned by the Stadium Authority; certain tenant improvement components will be owned by Forty Niners SC Stadium Company LLC (StadCo). Construction on the Stadium began in April 2012 and is expected to be completed by August 2014, in time for the 2014 National Football League (NFL) season.

Electric Utility: The Electric Utility collaborated with the Public Works Department on the installation of a 200 kW solar system on the top level of the new Tasman Garage. The system will serve as a new renewable energy source for the Utility. In addition, the Electric Utility collaborated with the Finance department and completed the sale of 2013 Electric Refunding Bonds to refinance the Series 2003A Electric Revenue Bonds. This refunding saved the Electric Utility an average of \$1.1 million per year through final maturity in 2028.

Certificates of Participation: The Finance department completed the sale of 2013 Refunding Certificates of Participation which refinanced the Series 2002A Certificates of Participation related

to the Central Park Library. This sale saved the General Fund an average of about \$225,000 per year through final maturity in 2031.

FINANCIAL POLICIES

The City of Santa Clara has adopted a comprehensive set of financial policies. These policies address items such as cash management, risk management, reserves, and debt management. The policies are included with the annual operating budget, and are reviewed annually in conjunction with the adoption of the annual operating budget.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Excellence in Financial Reporting to the City of Santa Clara for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports and is valid for a period of one year only. The City has received this prestigious award for the past twenty-one consecutive years.

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 accounting principles generally accepted in the United States of America and applicable legal requirements.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We wish to thank all City departments for their assistance in providing the data necessary to prepare this report. Credit and thanks are also due to the Mayor and City Councilmembers for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Santa Clara's finances.

Respectfully submitted,



Julio J. Fuentes
City Manager



Gary Ameling
Director of Finance

**CITY OF SANTA CLARA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2013**

ROSTER OF COUNCIL AND COMMISSION MEMBERS

CITY COUNCIL

Mayor	Jamie L. Matthews
Vice Mayor	Pat Kolstad
Councilmember	Debi Davis
Councilmember	Lisa M. Gillmor
Councilmember	Patricia M. Mahan
Councilmember	Jerry Marsalli
Councilmember	Teresa O'Neill

BOARD OF LIBRARY TRUSTEES

Barbara E. Vance, Ashish Mangla,
Elizabeth A. "Betsy" Megas,
Kathleen "Kathy" Watanabe, Peter Yoon

CIVIL SERVICE COMMISSION

Brian Doyle, Andrew Kristalyn,
Beverly Lynne Silva, Fran A. Palacio,
Mario Bouza, Beverly Lynne Silva

CULTURAL ADVISORY COMMISSION

Dave Leon, Carolyn Schuk, Loretta Beavers
Fatima Fagundes, Kent Neal,
Estella Ross Lockwood, Eversley Forte,
Kathleen Ryan, Barbara Stahl

HISTORICAL & LANDMARKS COMMISSION

Brian Johns, Regina "Jeannie" Mahan, Gerald
"Jerry" McKee, Kris Motyka, Michael Hyams
J.L. Spike Standifer, Robert W. Luckinbill

HOUSING REHABILITATION LOAN COMMITTEE

Carmen Pascual, Bianca Placencia,
Councilmember Teresa O'Neill,
Ken Wright

INTERNATIONAL EXCHANGE COMMISSION

Loretta Beavers, Barbara Stahl
(Four Vacancies)

PARKS AND RECREATION COMMISSION

Raymond G. Gamma, Charles "Chuck" Blair,
Michael E. O'Halloran, George Guerra, Tino Silva,
Roseann Alderete LaCoursiere, Kevan Michael Walke

PLANNING COMMISSION

Ian Champeny, Deborah Costa, Keith Stattenfield,
Raj Chahal, Yuki Ikezi, Steve Kelly, Joe Sweeney

SENIOR ADVISORY COMMISSION

Dwight Collins, Frank E. Kadlecek,
ArLyne Diamond Ph.D., Samuel Orme,
Alice Pivacek, Barbara A "Bobbie" Estrada,
Wanda Buck

YOUTH COMMISSION

Karla Cisneros, Ajaipal Chahal, Samia Abbasi,
DeVeena Das, Jeffrey Hara, Vyvy Nguyen
Rafal Saeed, Michelle Vo, Ryan Winter,
Sheryl Ratnam, Andrew Raushhuber, Emily Packer,
Hannah Villalpando, Ashley Wong,
Shana Vu

**CITY OF SANTA CLARA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2013**

EXECUTIVE MANAGEMENT TEAM

CITY MANAGER

Julio J. Fuentes

CITY CLERK/CITY AUDITOR

Rod Diridon, Jr.

ASSISTANT CITY MANAGER

Alan Kurotori

CITY ATTORNEY

Richard E. Nosky, Jr.

ECONOMIC DEVELOPMENT OFFICER

Ruth Shikada

CHIEF OF POLICE

Michael J. Sellers

DIRECTOR OF PUBLIC WORKS /

CITY ENGINEER

Rajeev Batra

FIRE CHIEF

William G. Kelly

DIRECTOR OF PLANNING & INSPECTION

Kevin L. Riley

DIRECTOR OF ELECTRIC UTILITY

John Roukema

DIRECTOR OF FINANCE

Gary Ameling

DIRECTOR OF WATER &

SEWER UTILITIES

Christopher L. de Groot

DIRECTOR OF HUMAN RESOURCES

Elizabeth Brown

ACTING ASSISTANT DIRECTORS OF STREETS &

AUTOMOTIVE SERVICES

Mark Gervacio

Dave Staub (Rotating)

CITY LIBRARIAN

Julie Passalacqua

DIRECTOR OF PARKS & RECREATION

James F. Teixeira

DIRECTOR OF INFORMATION TECHNOLOGY/CIO

Gaurav Garg

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Santa Clara
California**

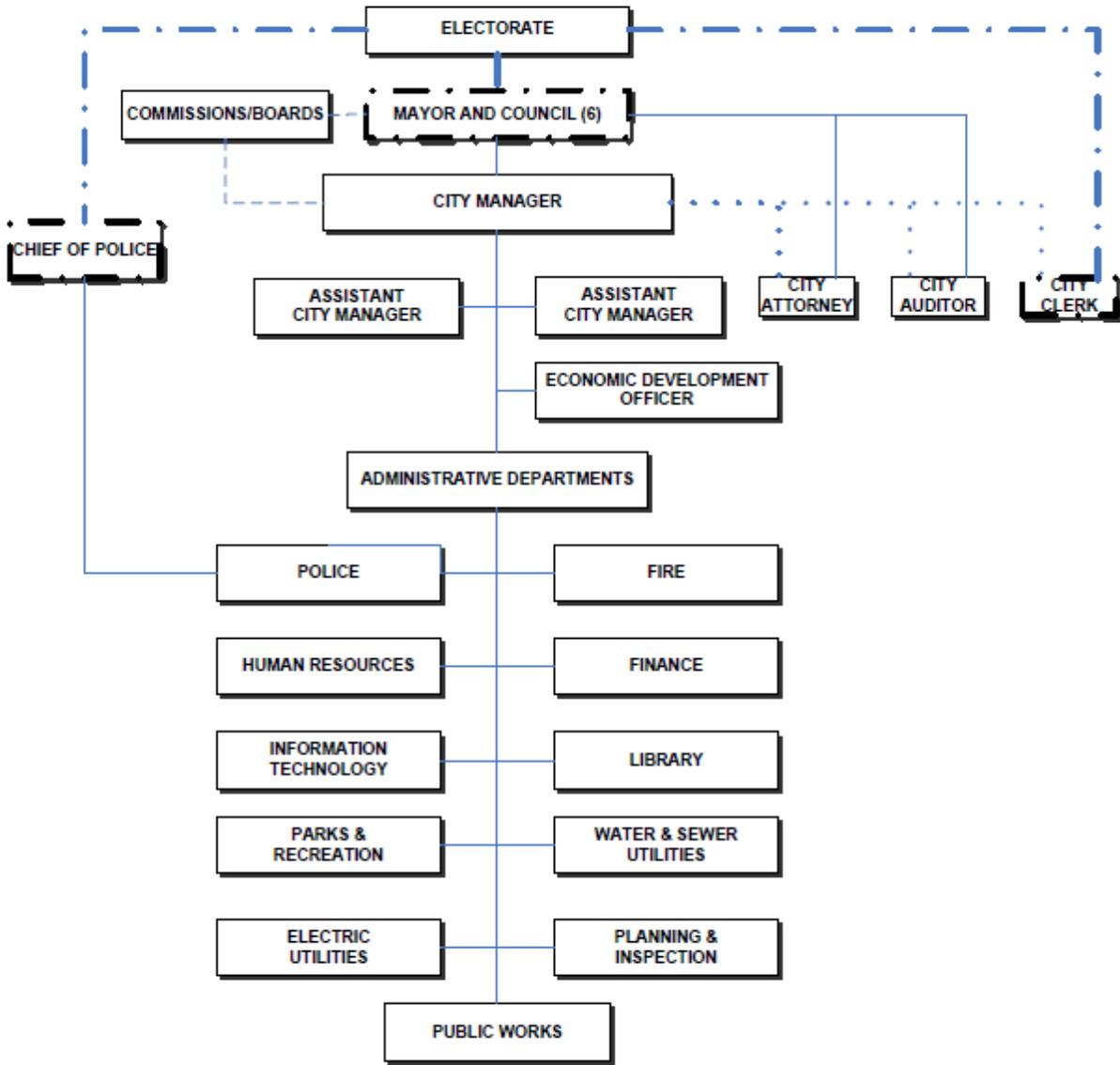
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive style with a prominent "J" and "E".

Executive Director/CEO

CITY OF SANTA CLARA ORGANIZATION CHART



(Reference: City Code, Chapter 2 Administration)
 Elected position indicated by the - - - - - line.

City Manager serves as ex officio member of and liaison to all boards and commissions as indicated by the - - - - - line.

Mayor and Council appoint City Manager, City Attorney and City Auditor. City Attorney and City Auditor report into the City Manager as indicated by the * * * * * line. City Manager is the appointing authority for all other employees, except elected positions.

Financial Section

***Independent Auditor's Report
on Basic Financial Statements***

Management's Discussion and Analysis

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the
City Council of the City of Santa Clara, California

Report on 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 Santa Clara, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents. We did not audit the financial statements of the Santa Clara Stadium Authority as of and for the period ended March 31, 2013. Those component unit financial statements were audited by other auditors whose reports have been furnished to us.

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 the 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 did not audit the component unit financial statements of the Santa Clara Stadium Authority Fund as of and for the period ended March 31, 2013, which is both a major fund and represents 32.4%, -0.7%, 0.0% and 2.5% of the assets, net position, revenues and expenses respectively, of the business-type activities. Those component unit financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Santa Clara Stadium Authority, is based solely on the report of the other auditors.

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 City'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 City'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, based on our audit and the reports of the other auditors, 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 and of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 22, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the former Santa Clara Redevelopment Agency was dissolved and its assets turned over to and liabilities assumed by a Housing Successor and a Successor Agency effective January 31, 2012. Certain transactions undertaken by the former Redevelopment Agency prior to the date of dissolution were subjected to a review by the State. Also, pursuant to Health and Safety Code Section 34179.5, the Successor Agency was required to employ a licensed accountant, approved by the County Auditor-Controller for the County of Santa Clara, to conduct a due diligence review (DDR) of Housing funds and non-housing funds and to determine the unobligated balances for transfer to taxing entities.

Superior Court Lawsuit: County of Santa Clara, the Santa Clara Unified School District, and the Santa Clara County Office of Education vs. Successor Agency to the Redevelopment Agency of the City of Santa Clara, City of Santa Clara, Housing Authority of the City of Santa Clara, Santa Clara Stadium Authority and the Sports & Open Space Authority of the City of Santa Clara

On February 8, 2013, a lawsuit was filed by the County of Santa Clara, the Santa Clara Unified School District, and the Santa Clara County Office of Education. The lawsuit challenges the validity of certain actions taken by the former RDA prior to dissolution and requests the return of the property and funds transferred by the former RDA to the City, the SOSA, the Housing Authority and the Stadium Authority. The County moved for a preliminary injunction to prohibit the City, the Housing Authority and the SOSA from selling, encumbering or otherwise transferring any property received from the former RDA after January 1, 2011 as well as prohibiting the City from spending certain cash, bond proceeds and rent revenues received from properties formerly owned by the former RDA. On July 26, 2013 a temporary injunction order was granted by the Court restraining the City, the Housing Authority and SOSA from spending, encumbering and transferring the assets at issue in the lawsuit. A hearing on the merits of the lawsuit is scheduled in the Sacramento Superior Court on February 14, 2014. The City and the Successor Agency has not recorded the potential impacts in the financial statements as of June 30, 2013.

State Controller's Office Asset Transfer Review

On July 27, 2012, the State Controller's Office completed the asset transfer review. On September 10, 2013, the State Controller's Office issued the final report and deemed the transfers of assets totaling \$273 million to be unauthorized and unallowable. The exception from this amount is a \$5.9 million short-term, no interest cash flow loan agreement the State determined to be allowable. The City asserts that the State Controller's Office has no authority to order the Successor Agency and /or the Oversight Board to take any specific action on the disposition of the assets or related agreements. The City also asserts that scope of the State Controller's authority and type of assets that can be ordered returned is an unsettled area of law. The order amount includes unencumbered cash balances that are covered under the authority of the DOF upon completion of the DDR process. Of the amount noted in the State Controller's review are Housing Assets that on September 23, 2013, the Oversight Board authorized to be transferred to the City as the Housing

Successor. These assets are reflected on the Santa Clara Housing Authority's balance sheet as land held for development and loans receivable. The City disputes the order as an area of unsettled law. The activities of the former RDA and the Successor Agency are subject to further examination by the State of California. The Successor Agency submitted an Oversight Board approved Other Funds and Accounts (OFA) DDR to DOF on June 17, 2013. DOF issued a determination letter on August 29, 2013 and made no adjustments to the OFA balance available for distribution to the affected taxing entities of \$26,730,410. The meet and confer session between DOF and the Successor Agency was held on September 18, 2013 and the outcome is unknown at this time, however the Successor Agency is continuing to work collaboratively with DOF on a resolution. The City and the Successor Agency has not recorded the potential impact of the review in the financial statements as of June 30, 2013.

Due Diligence Review: Housing Successor

Pursuant to Health and Safety Code Section 34179.5, the Successor Agency is required to employ a licensed accountant, approved by the County Auditor-Controller for the County of Santa Clara, to conduct a due diligence review (DDR) of Housing funds and to determine the unobligated balances for the dissolved former RDA's low and moderate income housing fund held by the Housing Successor available for transfer to taxing entities. The DDR was completed on December 19, 2012. Once completed it was presented to the Oversight Board for approval and submitted to the DOF on February 19, 2013. A determination letter was issued by DOF on March 15, 2013 and was later superseded by a new determination letter on April 19, 2013. The original meet and confer session between the Successor Agency and DOF was held on April 3, 2013. DOF and the Successor Agency are working collaboratively to develop a payment plan. The Successor Agency has recorded a liability due to the taxing agencies in the amount of \$63.2 million in accordance with the DOF determination. The Successor Agency has recorded a due from the Housing Successor in the amount of \$32 million, due from City in the amount of \$13.4 million and intergovernmental receivable of \$17.7 million as of June 30, 2013. The payment plan consists of \$32 million to be paid from Housing Successor cash, the \$5.9 million payment credit for the short-term loan from the OFA DDR and \$7.6 million to be covered in installment payments from residual payments that are scheduled distributions made to the taxing entities from the RPTTF. This represents the City's share of the distribution as a taxing entity. The remaining \$17.7 million are valid housing enforceable obligations that will be under review by DOF through the ROPS 13-14B process per DOF letter dated September 23, 2013 to the Oversight Board, and is recorded as a receivable on the Successor Agency's balance sheet.

Due Diligence Review: Agency Successor

Pursuant to Health and Safety code Section 34179.5, the Successor Agency is required to employ a licensed accountant, approved by the County Auditor-Controller for the County of Santa Clara, to conduct a due diligence review of non-housing funds and to determine the unobligated balances for the dissolved former RDA's non-housing funds held by the Successor Agency available for transfer to taxing entities. The Successor Agency submitted an Oversight Board approved Other Funds and Accounts (OFA) DDR to DOF on June 17, 2013. DOF issued a determination letter on August 29, 2013 and made no adjustments to the OFA balance available for distribution to the affected taxing entities of \$26.7 million. The meet and confer session between DOF and the Successor Agency was held on September 18, 2013. On October 4, 2013 the DOF notified the Successor Agency that no adjustments were being made to the OFA DDR balance. The Successor Agency is continuing to work collaboratively with DOF on a resolution.

The City's position on these above matters is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. No provision for liabilities resulting from the outcome of these uncertain matters has been recorded in the accompanying financial statements.

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective and required a format change in certain financial statements and certain nomenclature revisions in the footnotes accompanying the financial statements:

Statement 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. See Note 2 to the financial statements for relevant disclosures.

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, budgetary comparison information for the General Fund and Schedule of Funding Progress for Other Post Retirement Benefits Plan 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 and other auditors 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 as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Supplemental Information is 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 November 5, 2013, 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 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 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.

Mare & Associates.

Pleasant Hill, California
November 5, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of the City of Santa Clara's (City) Comprehensive Annual Financial Report (CAFR) provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should review the discussion and analysis in conjunction with the basic financial statements, as well as the notes to the financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Financial highlights for fiscal year June 30, 2013 are as follows:

- The assets of the City, as a whole, exceeded its liabilities by \$1,780 million in fiscal year 2012-13. Of this amount, \$467 million represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$11 million primarily due to Santa Clara Stadium Authority (Stadium Authority) related activities.
- As of June 30, 2013, the City of Santa Clara's governmental funds reported combined fund balances of \$278 million, a decrease of \$27 million from the prior year. Approximately 14% of this amount, or \$39 million, is unassigned fund balance and available for spending at the City's discretion.
- At the close of fiscal year 2012-13, the General Fund had assets of \$164 million and a fund balance of \$150 million. This represents an increase in fund balance of \$3 million, or 2% from prior fiscal year. Of the total fund balance, \$130 million was unrestricted (the total of committed, assigned, and unassigned components of fund balance).
- A one-time extraordinary item of \$30 million was recorded as part of the former Redevelopment Agency's (RDA's) dissolution.
- In November 2012, the Santa Clara Stadium Authority (Stadium Authority) elected to adjust its fiscal year to April 1 through March 31 to conform with the fiscal year of Stadium Funding Trust (FinanceCo). This report covers the nine month period from July 1, 2012 through March 31, 2013. As of March 31, 2013, construction in progress equaled \$425 million and the liabilities of the Stadium Authority exceeded its assets by \$6 million.
- The City's total outstanding long-term debt increased by \$248 million during the current fiscal year primarily due to an increase in Stadium Authority debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City as a whole. This report consists of six parts – introductory section, financial/MD&A section, basic financial statements, required supplementary information, supplementary information, and statistical section.

The basic financial statements include two types of statements that present different views of the City:

- The *Government-wide Financial Statements* provide both long-term and short-term information about the City's overall financial status.
- The *Fund Financial Statements* focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

Government-wide Financial Statements

Government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. They include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the government's assets, deferred outflow of resources, liabilities and deferred inflow of resources. Over time, increases or decreases in the City's net position may serve as an indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities provides information about the City's revenues and expenses, regardless of the timing of related cash flows. The Statement of Activities explains in detail the change in net position for the fiscal year.

The Government-wide Financial Statements are divided into two categories:

- *Governmental Activities*—all of the City's basic services are considered to be governmental activities. Included in basic services are the City Council, City Manager, City Clerk, City Attorney, Information Technology, Human Resources, Finance, Parks and Recreation, Library, Planning and Inspection, Public Works, Police, and Fire. These services are principally supported by taxes and intergovernmental revenues.
- *Business-Type Activities*—unlike governmental services, these services are intended to recover all or a significant portion of their costs through user fees and charges. All of the City's enterprise activities are reported as business-type activities, including the Major funds (Electric, Water, Sewer, Water Recycling utilities, Sports and Open Space Authority, and Stadium Authority) and Non-Major funds (Solid Waste, Cemetery, Santa Clara Golf & Tennis Club, and Santa Clara Convention Center).

The City is the primary government in this report. These financial statements include four entities that, although legally separate, are important because they are blended component units of the City. These component units are the Stadium Authority, the Successor Agency to the Redevelopment Agency of the City of Santa Clara, the Santa Clara Housing Authority, and the City of Santa Clara Public Facilities Financing Corporation. These component units have been included as an integral part of the City (that is, they have been "blended" with those of the City) and they are not reported as separate discrete component units in these financial statements.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by Governmental Accounting Standards Board (GASB) Statement No. 34 and replaced the concept of combining like funds and presenting them in total. Therefore, each major fund is presented individually, with all non-major funds combined in a single column on each fund statement. The non-major fund statements are presented in the Supplementary Information section of

this report. Major funds present the primary activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Most of the City's basic services are included in Governmental Funds which focus on how money flows into and out of these funds and the balance left at fiscal year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. 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 funds 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 government'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.

Proprietary Funds: Enterprise and Internal Service Fund Financial Statements are prepared on the full accrual basis of accounting, similar to that used by private sector companies. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position. The City's Proprietary Funds are the same as the business-type activities reported in the Government-wide Statements but provide more detail and additional information, such as cash flows.

Since the City's Internal Service Funds provide goods and services only to the City's governmental and business-type activities, their activities are only reported at the fund level. Internal Service Funds cannot be considered major funds because their revenues are derived from other City funds. Revenues between funds are eliminated in the Government-wide Financial Statements and any related profits or losses are returned to the activities in which they were created, along with any residual net position of the Internal Service Funds.

Fiduciary Funds: Fiduciary Funds are prepared on the full accrual basis, similar to the Proprietary Funds. The City has two types of Fiduciary Funds: the Agency Funds (which includes Employee Benefit and Liability Clearing, Special Assessments, and Deposits) and the Private Purpose Trust Funds (which includes the Charitable Trust and Successor Agency). The City's fiduciary activities are reported separately in the Statement of Fiduciary Net Position and the Statement of Changes in Assets and Liabilities. These activities are excluded from the City's Financial Statements because the City cannot use these assets to finance its own operations.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the Government-wide and Fund Financial Statements. The Notes to the Financial Statements follow the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. This information includes budgetary comparison schedules and

the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found immediately following the Notes to the Financial Statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS ANALYSIS

Citywide Financial Statements

This section focuses on the City's net position and changes in net position of its governmental and business-type activities for the fiscal year ending June 30, 2013. As noted earlier, the City's total assets exceed total liabilities by \$1,780 million at the end of the fiscal year, a decrease in net position of \$11 million.

Table 1
Governmental And Business-Type Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Cash and investments	\$ 295	\$ 295	\$ 334	\$ 364	\$ 629	\$ 659
Other assets	167	162	307	165	474	327
Capital assets	557	560	1,049	765	1,606	1,325
Total Assets	1,019	1,017	1,690	1,294	2,709	2,311
Deferred outflows on derivative instruments (Note 11D)	-	-	11	15	11	15
Total Deferred Outflow of Resources	-	-	11	15	11	15
Long-term liabilities outstanding	35	40	607	358	642	398
Other liabilities	104	71	194	66	298	137
Total Liabilities	139	111	801	424	940	535
Net investment in capital assets ⁽¹⁾	522	521	471	446	993	967
Restricted	230	213	90	8	320	221
Unrestricted ⁽¹⁾	128	172	339	431	467	603
Total Net Position	\$ 880	\$ 906	\$ 900	\$ 885	\$ 1,780	\$ 1,791

(1) Certain amounts in the prior year have been reclassified in order to be consistent with current year financial statements.

The largest portion of the City's net position of \$993 million (56%) is its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide services to its residents and other stakeholders. Accordingly, these assets are not available for future spending. 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.

The restricted portion of the City's net position of \$320 million (18%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$467 million

(26%) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position except for the Stadium Authority, which is due to the ongoing construction of Levi's Stadium. The same situation was true for the prior fiscal year. However, as mentioned previously, the City's overall net position decreased by \$11 million from the prior fiscal year.

Table 2
Governmental and Business-Type Changes in Net Position
(in millions)

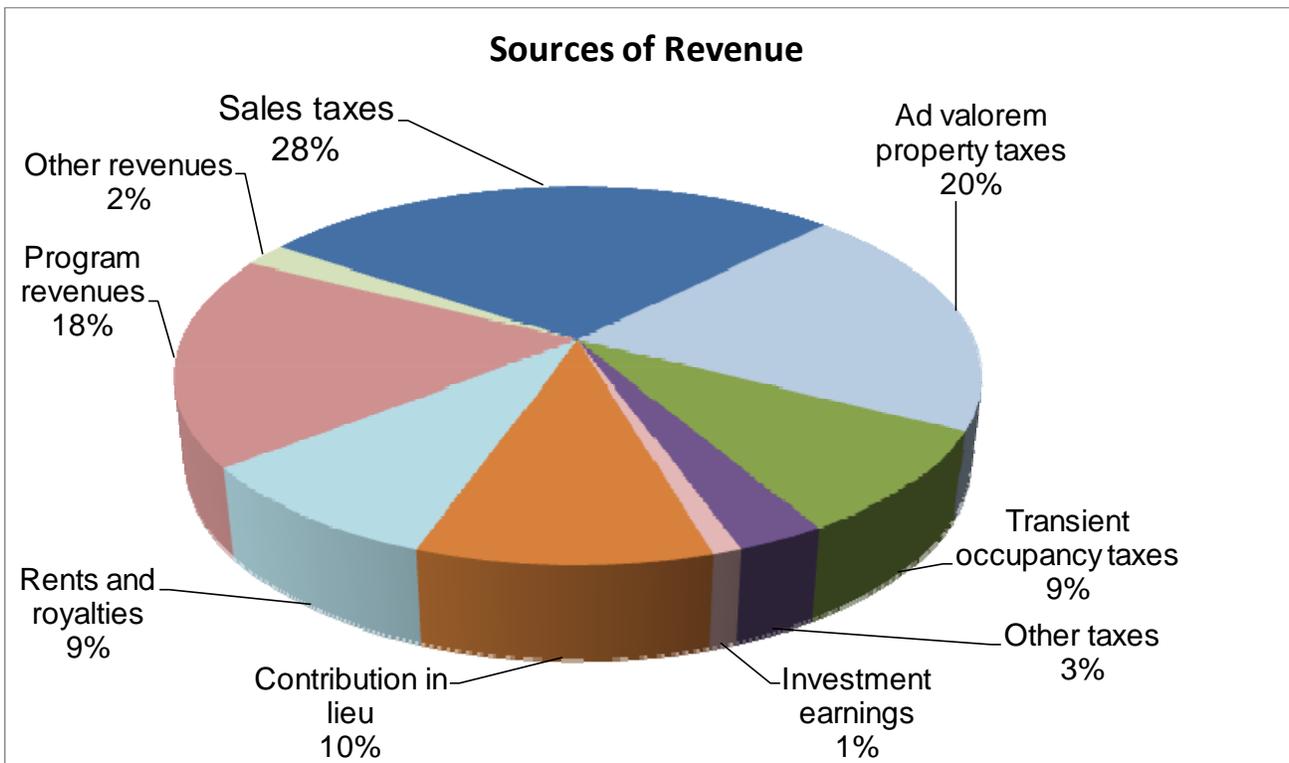
	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 20	\$ 26	\$ 440	\$ 446	\$ 460	\$ 472
Operating grants and contributions	4	4	-	-	4	4
Capital grants and contributions	4	5	-	2	4	7
General revenues:						
Taxes:						
Sales	44	41	-	-	44	41
Ad valorem property	32	44	-	-	32	44
Transient occupancy	14	12	-	-	14	12
Other	4	3	-	-	4	3
Contribution in lieu of taxes	15	15	-	-	15	15
Investment earnings	6	8	4	6	10	14
Net increase (decrease) in fair value of investments	(4)	(1)	(4)	-	(8)	(1)
Equity in income (losses) of joint ventures	-	-	2	(6)	2	(6)
Rents and royalties	14	13	-	-	14	13
Gain on sale of assets	-	-	-	72	-	72
Other	4	4	-	-	4	4
Total revenues	157	174	442	520	599	694
Expenses:						
General Administration	15	9	-	-	15	9
Finance	1	2	-	-	1	2
Public Works	30	29	-	-	30	29
Parks and Recreation	16	15	-	-	16	15
Public Safety:						
Police	46	44	-	-	46	44
Fire	33	32	-	-	33	32
Planning and Inspection	6	6	-	-	6	6
Library	8	8	-	-	8	8
Interest on long-term debt	2	7	-	-	2	7
Pass Through Payments	-	1	-	-	-	1
Utilities						
Electric-						
Retail	-	-	313	283	313	283
Wholesale	-	-	25	32	25	32
Water	-	-	27	25	27	25
Sewer	-	-	16	15	16	15
Water Recycling	-	-	2	4	2	4
Solid Waste	-	-	19	17	19	17
Cemetery	-	-	1	1	1	1
Santa Clara Golf and Tennis Club	-	-	3	3	3	3
Santa Clara Convention Center	-	-	8	8	8	8
Santa Clara Stadium Authority	-	-	9	5	9	5
Total expenses	157	153	423	393	580	546
Increase (decrease) in net position before transfers	-	21	19	127	19	148
Transfers in (out)	4	77	(4)	(77)	-	-
Increase (decrease) in net position before extraordinary	4	98	15	50	19	148
Extraordinary item	(30)	107	-	-	(30)	107
Net position - July 1, as restated (Note 19E)	906	701	885	835	1,791	1,536
Net position - June 30	<u>\$ 880</u>	<u>\$ 906</u>	<u>\$ 900</u>	<u>\$ 885</u>	<u>\$ 1,780</u>	<u>\$ 1,791</u>

Governmental Activities - governmental activities decreased the City's net position by \$26 million. This is primarily due to recording an extraordinary item of \$30 million as part of the former RDA dissolution.

Business-type Activities – business-type activities increased the City's net position by \$15 million. This increase is due to rate increases in the Water, Sewer, and Water Recycling utility services and increases in the capital assets in the Electric utility and Stadium Authority.

Governmental Activities

The chart below presents revenues by source for Governmental Activities. General revenues are composed of taxes and other revenues not specifically generated by, or restricted to, individual activities. All tax revenues and investment earnings are included in general revenues.



The following analysis presents a comparison of fiscal year 2012-13 and fiscal year 2011-12 by the total cost and net cost of each of the City's largest programs. Net cost is defined as total program cost less the revenues generated by those specific activities. It is common to see Governmental Activities as net cost generators, wherein costs of governmental activities are greater than the revenues they generate.

Table 3
Governmental Activities
(in millions)

	Cost Of Services (Net of Allocation)		Net Cost Of Services	
	2013	2012	2013	2012
General Administration	\$ 15	\$ 9	\$ 15	\$ 9
Finance	1	2	-	1
Public Works	30	29	20	19
Parks and Recreation	16	15	13	13
Public Safety:				
Police	46	44	43	41
Fire	33	32	30	28
Planning & Inspection	6	6	(1)	(8)
Library	8	8	7	7
Interest on long-term debt	2	7	2	7
Pass Through Payments	-	1	-	1
Totals	<u>\$ 157</u>	<u>\$ 153</u>	<u>\$ 129</u>	<u>\$ 118</u>

In fiscal year 2012-13, total costs of services increased \$4 million and net costs increased \$11 million. The increased net cost for Governmental Activities was primarily due to a decrease in housing related deferred revenue compared to the prior year.

Business-type Activities

The following analysis provides the total costs and net costs of each of the City's enterprise funds. Net cost is defined as total program cost less the revenues generated by each enterprise fund.

Table 4
Business-Type Activities
(in millions)

	Total Cost Of Services		Net Cost Of Services	
	2013	2012	2013	2012
Utilities:				
Electric -				
Retail	\$ 313	\$ 283	\$ (10)	\$ (46)
Wholesale	25	32	2	3
Water	27	25	(3)	(3)
Sewer	16	15	(16)	(12)
Water Recycling	2	4	(1)	(1)
Solid Waste	19	17	-	(1)
Cemetery	1	1	-	-
Sports and Open Space Authority	-	-	-	(2)
Santa Clara Golf and Tennis Club	3	3	-	-
Santa Clara Convention Center	8	8	2	2
Santa Clara Stadium Authority	9	5	9	5
Totals	<u>\$ 423</u>	<u>\$ 393</u>	<u>\$ (17)</u>	<u>\$ (55)</u>

The City's business-type total costs of services increased \$30 million and net costs of services increased by \$38 million as of June 30, 2013. In Fiscal Year 2012-13, retail net costs of services for the Electric Utility were negative \$10 million, an increase of \$36 million from the prior year. This cost increase can be attributed to lower retail sales and higher expenses than the prior year.

FUND FINANCIAL STATEMENTS

Financial Analysis of Governmental Funds

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

At June 30, 2013, the City's governmental funds reported a combined fund balance of \$278 million, a decrease of \$27 million in comparison with the prior fiscal year. Approximately 14%, or \$39 million, constitutes unassigned fund balance, which is available for spending at the government'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 (\$13 million), 2) restricted for particular purposes (\$113 million), 3) committed for particular purposes (\$108 million), or 4) assigned for particular purposes (\$5 million).

Governmental fund revenues decreased \$21 million, or 11%, from prior year to \$170 million. The majority of the decrease, \$15 million, is due to the former RDA dissolution. The General Fund decreased by approximately \$5 million when compared to the prior year due to a decrease in permit revenue related to the Stadium and a decrease in the fair market value of investments. Non-major Governmental funds and the Santa Clara Housing Authority fund also experienced a decrease of \$1 million combined.

Governmental fund expenditures were \$191 million, a decrease of \$22 million from the prior year. The majority of the decrease, \$42 million, is due to the former RDA dissolution. The General Fund increased by \$3 million due to a reduction in employee furloughs, while Non-major Governmental funds increased by approximately \$23 million due to retirement of debt. The Santa Clara Housing Authority decreased by \$6 million due to a decrease in loan activity.

General Fund

Revenues

The City's General Fund revenues totaled \$158 million in fiscal year 2012-13. This represents a decrease of \$5 million, or 3%, compared to the prior year.

Sales tax revenue is the largest revenue source for the City's General Fund and accounts for approximately 28% of direct General Fund revenues. Sales tax revenue increased by \$3 million, or 7%, over the prior year for a total of \$44 million.

Property tax revenues for fiscal year 2012-13 were \$32 million, an increase of \$3 million from the prior year. This increase is primarily due to the rise in median home sale prices in the City of Santa Clara.

Transient occupancy taxes were \$14 million in fiscal year 2012-13 compared with \$12 million in fiscal year 2011-12, an increase of 16%. This was due to a combination of higher occupancy levels during the year and an increase in the average daily rate for hotel rooms.

Licenses, permits, fines and penalties revenue were \$7 million in fiscal year 2012-13 compared with \$9 million in fiscal year 2011-12. This was due to a decrease in Stadium related permits.

Charges for services totaled \$25 million in fiscal year 2012-13 compared to \$31 million in the prior fiscal year. This decrease can be largely attributed to a decrease Stadium related fees.

Contribution in-lieu of taxes was approximately \$15 million in fiscal year 2012-13. Contribution in-lieu of taxes remained steady for the current fiscal year and did not experience a significant change.

Interest and rent revenues were \$19 million in fiscal year 2012-13 compared to \$20 million in fiscal year 2011-12. This decrease is primarily due to lower interest rates received on investments.

Expenditures

General Fund expenditures totaled \$141 million for fiscal year 2012-13 compared to \$137 million in the prior year. This amount excludes encumbrances and re-appropriations.

Salary and benefits expenditures were \$111 million in fiscal year 2012-13 compared with \$108 million in fiscal year 2011-12, an increase of \$3 million. This increase is primarily due to a reduction in negotiated unpaid furloughs compared to the prior year.

Other operating expenditures, including materials, services, and supplies, internal service fund charges and minor capital outlays, were \$29 million in fiscal year 2012-13.

Transfers out for fiscal year 2012-13 were \$11 million compared to \$9 million in the prior year. This increase of \$2 million was primarily due to higher transfers to the various capital projects. Transfers in to the General Fund were \$4 million, down \$76 million from the prior year. This decrease is due to a sale of land for \$73 million recorded in the prior fiscal year.

Fund Balance

As of June 30, 2013, total fund balance in the General Fund was \$150 million, up \$2 million from fiscal year 2011-12. Table 5A shows the breakdown of various components from the prior fiscal year.

Table 5A
General Fund Balance for the Fiscal Year Ended June 30, 2013
(in millions)

	2013	2012	Net Change
Nonspendable	\$ 13	\$ 13	\$ -
Restricted	7	11	(4)
Committed	87	87	-
Assigned	5	4	1
Unassigned	38	33	5
Total General Fund Balance	\$ 150	\$ 148	\$ 2

General Fund Budgetary Highlights

The City's budget is a flexible-spending plan, which commits resources to the accomplishment of City Council goals and objectives. During the fiscal year, the City Council took action to amend the adopted General Fund budget. A summary of the budgetary comparison schedule for the General Fund, located in the required supplementary information following the notes to the financial statements, is shown on the following page:

Original Budget Compared to Final Budget

**Table 5B
General Fund Budget for the Fiscal Year Ended June 30, 2013
(in millions)**

	Original Budgeted Amount	Final Budgeted Amount	Net Change
Revenues	\$ 150	\$ 150	\$ -
Expenditures	\$ 145	\$ 147	\$ 2
Other financing sources (uses)	\$ (8)	\$ (8)	\$ -

Adjustments to the original budget were based on the following:

- The appropriation increases include budget amendments for salary and benefit adjustments.

Final Budget Versus Actual

**Table 5C
General Fund Final Budget Versus Actual for the Fiscal Year Ended June 30, 2013
(in millions)**

	Final Budgeted Amount	Actual Amount	Variance
Revenues	\$ 150	\$ 160	\$ 10
Expenditures	\$ 147	\$ 141	\$ (6)
Other financing sources (uses)	\$ (8)	\$ (7)	\$ 1

The most significant differences between final budgeted and actual amounts are explained as follows:

- The final budgeted revenues resulted in a \$10 million positive variance mainly due to increases in sales, property and transient occupancy taxes.
- Actual expenditures were \$6 million lower than the final budget as a result of lower departmental costs (see pages 136 to 138 for additional details).
- The decrease of \$1 million in Other Financing Sources is primarily due to unbudgeted transfers in from the Santa Clara Convention Center.

Santa Clara Housing Authority

On February 22, 2011, the City established the Santa Clara Housing Authority (SCHA) in accordance with the California Health and Safety Code Section 34240, et seq, which states that a city may, by resolution declare that there is a need for a housing authority to ensure the provision of safe and sanitary housing for persons of low income. Establishing the City-based housing authority positioned the City to continue local control of housing funds generated by the former RDA.

The SCHA's revenues were approximately \$1 million in fiscal year 2012-13, this was not a significant change from the prior year. Expenditures were \$1 million, a decrease of \$7 million from the prior year. This decrease was due to the former RDA dissolution.

Project Area CIP

The Project Area CIP was created on March 8, 2011 to account for all capital assets that were transferred to the City per the Property Conveyance Agreement between the City and the former RDA. The agreements conveyed the properties and assigned leasehold interest in the properties to the City. The Project Area CIP Fund incurred capital outlay expenditures of \$8 million during the fiscal year.

Non-Major Governmental Funds

These funds are not presented separately in the Basic Financial statements but are individually presented in the Supplemental Information section of this report.

Financial Analysis of Enterprise Funds

Enterprise Fund net position totaled \$900 million at the end of fiscal year 2012-13, an increase of \$15 million or 2% over the prior fiscal year. Enterprise operating revenues were \$392 million, up \$9 million from last year's revenues, due to increased utility rates in Water, Sewer, and Water Recycling Enterprise funds. Enterprise Fund operating expenses were \$381 million, up \$37 million from the prior year. The increase can be largely attributed to increases in materials, supplies and services in the Electric Utility because of the increased cost of purchased power and increases in general administrative expenses by the Stadium Authority.

Non-operating revenues were \$54 million, down \$89 million from the prior year due primarily to a gain on sale of assets and new renewable energy credits received in the prior fiscal year. Non-operating expenses were \$46 million, down \$11 million from the prior year due primarily to a decline in wholesale power purchases.

Electric Utility

This fund accounts for the operation of the City's electric utility services. Retail operating revenues were \$299 million in fiscal year 2012-13 compared with \$298 million in fiscal year 2011-12. The main reason for this increase was due to higher power consumption by the industrial sector.

Retail operating expenses were \$296 million in fiscal year 2012-13 compared with \$268 million in fiscal year 2011-12, an increase of \$28 million or 10%. Operating expenses were higher primarily due to increases in salaries and benefits, materials, supplies and services, and depreciation expenses.

Revenues of wholesale power operations decreased to \$22 million in the current fiscal year, down from \$29 million in fiscal year 2011-12. The cost of wholesale power purchases decreased as well from \$32 million in fiscal year 2011-12 to \$25 million in the current fiscal year. The wholesale power market has stabilized in recent years compared to the peak year of the power crisis experienced by California in 2001, resulting in a lower level of wholesale power transactions.

Interest revenues were \$3 million in fiscal year 2012-13, a \$2 million decrease from fiscal year 2011-12 due primarily to a lower interest rate environment. Interest expense was \$11 million for both the current and prior fiscal year.

The Electric Utility Fund had a net position of \$655 million at June 30, 2013, an increase of \$12 million from the prior fiscal year. Of this amount, \$351 million was net investment in capital assets and \$304 million was unrestricted. The Electric Utility Fund is a participant in a number of joint ventures including Northern California Power Agency (NCPA), the Transmission Agency of Northern California (TANC), M-S-R Public Power Agency (MSR PPA), and M-S-R Energy Authority (MSR EA).

Water Utility

This fund accounts for the operation of the City's water utility services. Operating revenues were \$30 million in fiscal year 2012-13 and \$28 million in fiscal year 2011-12. The increase can be attributed to a water rate increase that became effective on July 1, 2012.

Operating expenses were \$27 million in fiscal year 2012-13 compared to \$25 million in fiscal year 2011-12. The increase is primarily due to an increase in materials, services and supplies compared to the prior year. The Water Utility Fund's net position at June 30, 2013 was \$59 million, an increase of \$4 million over net position from the prior fiscal year.

Sewer Utility

This fund accounts for the maintenance of the City's sewer lines and related facilities. Operating revenues of the Sewer Utility increased to \$31 million in fiscal year 2012-13, up from \$25 million in fiscal year 2011-12, an increase of 24%. The increase was primarily due to a 10% sewer rate increase effective on January 1, 2012 and an additional 15% sewer rate increase effective on July 1, 2012.

Operating expenses were \$16 million in fiscal year 2012-13 compared with \$15 million in fiscal year 2011-12. The majority of this increase is due to an increase in materials, services and supplies.

The Sewer Utility Fund had a net position of \$146 million at June 30, 2013, an increase of \$12 million from the prior fiscal year. Of this amount, \$12 million was net investment in capital assets, and \$134 million was unrestricted. The Sewer Utility, together with the City of San Jose, owns the San Jose/Santa Clara (SJSC) Water Pollution Control Plant (WPCP), which is administered by the City of San Jose. The Utility's ownership share is approximately 17.77% of the assets, capital and operating costs. In fiscal year 2011-12, the City of San Jose reported that the loss of the Utility's equity in the Plant was \$1 million (fiscal year 2012-13 amounts were not available at the time of this report).

Water Recycling

This fund accounts for the ongoing maintenance and operations of the City's waste water reclamation system. Operating revenues and expenses remained the same as the prior year at approximately \$2 million. As a result, the net position as of June 30, 2013 remained at \$4 million as of June 30, 2013.

Solid Waste

This fund accounts for the administration of the City's garbage and rubbish collection service. Operating revenues increased from \$18 million in fiscal year 2011-12 to \$20 million in the current year. The increased revenue can be attributed to a 5% rate increase that became effective on July 1, 2012. Operating expenses were \$19 million in fiscal year 2012-13, an increase of \$2 million from fiscal year 2011-12, mainly due to increases in materials, services and supplies. Net position at June 30, 2013 was \$2 million.

Cemetery

This fund accounts for the Mission City Memorial Park's operations. Operating revenues were up 22% while operating expenses remained relatively unchanged from the prior year. As such, net position (deficit) at June 30, 2013 was (\$1) million. This fund has frequently run a deficit in its operation and capital activities, which has been covered by an advance from General Fund reserves.

Sports and Open Space Authority (SOSA)

This fund accounts for the acquisition and preservation of open space within the City and the development of local sports activities. Both operating revenues and expenses were down by approximately \$2 million in fiscal year 2012-13 compared to the prior year. This decrease is a result of recognizing a gain on sale of assets in the prior year. In fiscal year 2011-12, Interland Capital, Inc. exercised its lease option with SOSA to purchase two parcels of property. The Bella Vista Apartments and the Carlyle Apartments parcels were sold for \$73 million on April 26, 2012, and SOSA recognized a gain on the sale of the asset. Subsequently, the SOSA fund transferred the land sale proceeds received from the sale transaction to the General Fund Land Sale Reserve account to preserve the capital balance of the land proceeds. Net position at June 30, 2013 was \$3 million.

Santa Clara Golf and Tennis Club

This fund accounts for the operations of the City's public golf course. Operating revenues were \$3 million in fiscal year 2012-13 unchanged from the prior fiscal year. Operating expenses remained at \$3 million the same as the previous fiscal year. Net position at June 30, 2013 was \$1 million.

Santa Clara Convention Center

This fund accounts for the operations of the Santa Clara Convention Center. Operating revenues were \$7 million in fiscal year 2012-13, a \$1 million increase from the prior fiscal year. Operating expenses increased to \$9 million, compared to \$8 million in fiscal year 2011-12. Net position at June 30, 2013 was \$37 million.

Santa Clara Stadium Authority (Stadium Authority)

This fund accounts for the development and operation of Levi's Stadium. In fiscal year 2011-12, the City started the construction work for the stadium. As of March 31, 2013, the Stadium Authority incurred approximately \$9 million in operating expenses. Net position at June 30, 2013 was a deficit of (\$6) million. The Stadium Authority had no operating revenues to offset the operating expenses causing a deficit net position. Once Levi's Stadium is completed and operational the Stadium Authority will begin recognizing operating revenues.

CAPITAL ASSETS

At June 30, 2013, the City's capital assets totaled \$557 million in Governmental Activities, and \$1,049 million, in Business-Type Activities, net of depreciation. They were invested in a broad range of categories, as shown in Table 6.

Table 6
Capital Assets at June 30, 2013
(in millions)

	2013	2012	Net Change
Governmental Activities:			
Land	\$ 112	\$ 112	\$ -
Construction in progress	54	45	9
Land improvements	20	20	-
Buildings	165	164	1
Infrastructure	454	449	5
Machinery and equipment	63	73	(10)
Less accumulated depreciation	(311)	(303)	(8)
Totals	<u>\$ 557</u>	<u>\$ 560</u>	<u>\$ (3)</u>
Business-Type Activities:			
Land	\$ 19	\$ 19	\$ -
Construction in progress	449	186	263
Land improvements	24	24	-
Buildings	91	91	-
Infrastructure	907	862	45
Machinery and equipment	20	20	-
Less accumulated depreciation	(461)	(437)	(24)
Totals	<u>\$ 1,049</u>	<u>\$ 765</u>	<u>\$ 284</u>

The decrease of \$3 million in the Governmental Funds asset base was due primarily to the retirement of fully depreciated technology related assets. The \$9 million construction in progress increase was mainly due to the construction of the Tasman Drive Parking Structure of \$7 million.

The \$284 million increase in Enterprise Funds total assets was primarily due to the planning and construction of the 49ers football stadium, and the increase in infrastructure work. The \$263 million increase in construction in progress was due to the construction of Levi's Stadium that started in fiscal year 2011-12. Infrastructure increased by \$45 million due to various electric projects, which included the Mission substation and Kenneth substation projects.

The Capital Improvement Project Budget for fiscal year 2012-13 and Five-Year Financial Plan for fiscal year 2012-13 through fiscal year 2017-18 contain more detailed discussions of Capital Projects planned for the City of Santa Clara. See Note 10 to the financial statements for additional details on fiscal year 2012-13 capital assets.

DEBT ADMINISTRATION

Each of the City's debt issues is discussed in detail in Note 11 to the financial statements. At June 30, 2013 the City's debt was comprised of the following:

Table 7
Outstanding Debt at June 30, 2013
(in millions)

	Balance June 30, 2013	Balance June 30, 2012	Net Change
Governmental Activity Debt:			
Certificates of Participation 2002A	\$ -	\$ 20	\$ (20)
Refunding Certificates of Participation, Series 2002B	7	10	(3)
Refunding Certificates of Participation, Series 2013	20	-	20
Lease Agreement Between City of Santa Clara and City of Santa Clara Public Facilities Financing Corporation	8	9	(1)
Business-Type Debt:			
Electric Utility Revenue Bonds, net of unamortized discount	200	211	(11)
StadCo Subordinated Loan	237	102	135
StadCo Agency Advance	32	31	1
Authority Construction Loan	127	-	127
Total Debt	\$ 631	\$ 383	\$ 248

SUCCESSOR AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (AB 26) that provided for the dissolution of all redevelopment agencies in the State of California. On February 1, 2012 all redevelopment agencies in California were effectively dissolved. The Successor Agency for the Santa Clara Redevelopment Agency is currently in the process of winding down the affairs of the former Redevelopment Agency.

Pursuant to AB 26, the State Controller's Office is to review any asset transfers that occurred between a redevelopment agency and any other public agency after January 1, 2011 and if the assets have not been contractually committed to a third party and to the extent allowed by State and Federal law, the Controller, after completing its review, is to order the return of the assets to the Successor Agency. The State Controller's Office issued the final asset transfer review on September 10, 2013 and deemed the transfers of assets totaling \$273 million to be unauthorized and unallowable.

On February 8, 2013, a lawsuit was filed by the County of Santa Clara, the Santa Clara Unified School District, and the Santa Clara County Office of Education. The lawsuit challenges the validity of certain actions taken by the former RDA prior to dissolution and requests the return of the property and funds transferred by the former RDA to the City, the SOSA, the Housing Authority and the Stadium Authority. A hearing on the merits of the lawsuit is scheduled in the Sacramento Superior Court on February 14, 2014.

Pursuant to Health and Safety Code Section 34179.5, the Successor Agency is required to employ a licensed accountant, approved by the County Auditor-Controller for the County of Santa Clara, to conduct a due diligence review (DDR) of Housing funds and to determine the unobligated balances for the dissolved former RDA's low and moderate income housing fund held by the Housing Successor available for transfer to taxing entities. The DDR was completed on December 19, 2012

and a determination letter was issued by DOF on March 15, 2013 and was later superseded by a new determination letter on April 19, 2013. The Successor Agency has recorded a liability due to the taxing agencies in the amount of \$63.2 million in accordance with the DOF determination.

Also, pursuant to Health and Safety code Section 34179.5, the Successor Agency is required to employ a licensed accountant, approved by the County Auditor-Controller for the County of Santa Clara, to conduct a due diligence review of non-housing funds and to determine the unobligated balances for the dissolved former RDA's non-housing funds held by the Successor Agency available for transfer to taxing entities. The Successor Agency submitted the Other Funds and Accounts (OFA) DDR to DOF on June 17, 2013. The DOF issued a determination letter on August 29, 2013 and made no adjustments to the OFA balance available for distribution to the affected taxing entities of \$26.7 million. The Successor Agency is working collaboratively with DOF on a resolution.

(See Note 22 for further information on the Redevelopment Agency dissolution and Successor Agency activities)

ECONOMIC OUTLOOK

The economy of the City is discussed in the accompanying Transmittal letter.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. A separate Annual Financial Report for Silicon Valley Power component unit is available upon request. Questions about this Report should be directed to the City of Santa Clara Finance Department, at 1500 Warburton Avenue, Santa Clara, California, 95050, telephone (408) 615-2340.

Basic Financial Statements

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CITY OF SANTA CLARA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and deferred outflows of resources and all its liabilities and deferred inflows of resources, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Position reports the excess of the City's total assets and deferred outflows of resources over the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position presents similar information to the balance sheet format, but presents it in a way that focuses the reader on the composition of the City's net position, by subtracting total liabilities from total assets.

The Statement of Net Position summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Debt Service, Capital Projects and Permanent Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating interfund transactions and balances. The City's Business-Type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The format of the Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net (expense) revenue of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-Type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City, the Santa Clara Housing Authority, the Santa Clara Stadium Authority, the City of Santa Clara Sports and Open Space Authority, and the City of Santa Clara Public Facilities Financing Corporation, which are legally separate but are component units of the City.

CITY OF SANTA CLARA
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and investments (Note 8):			
Pooled cash and investments	\$ 249,100,156	\$ 305,929,844	\$ 555,030,000
Investments with fiscal agent	23,581	3,733,523	3,757,104
Receivables (net of allowance for uncollectible):			
Accounts	4,062,679	151,028,642	155,091,321
Interest	460,262	614,068	1,074,330
Intergovernmental	18,296,204	-	18,296,204
Internal balances (Note 9D)	(917,749)	928,284	10,535
Materials, supplies and prepaid	407,560	14,340,785	14,748,345
Land held for development (Note 2I)	24,718,866	-	24,718,866
Total Current Assets	296,151,559	476,575,146	772,726,705
Noncurrent Assets			
Cash for construction (Note 8)	41,964,262	2,550,214	44,514,476
Investment with fiscal agent (Note 8)	4,074,721	14,178,392	18,253,113
Deposits (Note 8)	-	7,968,435	7,968,435
Internal balances (Note 9D)	8,347,596	(8,347,596)	-
Long term loans, net (Note 2AC)	106,030,370	-	106,030,370
Capital assets (Note 10):			
Land and construction in progress	166,164,413	467,927,320	634,091,733
Capital assets being depreciated, net	390,794,286	581,368,725	972,163,011
Investment in joint ventures (Note 13)	4,896,110	123,630,095	128,526,205
Other	537,236	24,201,103	24,738,339
Total Noncurrent Assets	722,808,994	1,213,476,688	1,936,285,682
Total Assets	1,018,960,553	1,690,051,834	2,709,012,387
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on derivative instruments (Note 11D)	-	10,590,344	10,590,344
Total Deferred Outflows of Resources	\$ -	\$ 10,590,344	\$ 10,590,344

CITY OF SANTA CLARA
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Accrued liabilities	\$ 12,363,325	\$ 64,447,721	\$ 76,811,046
Interest payable	442,086	2,287,941	2,730,027
Accrued compensated absences (Note 2L)	1,681,072	527,898	2,208,970
Payable to Successor Agency (Note 22)	45,463,101	-	45,463,101
Unearned revenue	14,871,850	98,460,495	113,332,345
Landfill closure liability (Note 12)	-	441,000	441,000
Long-term debt-due within one year (Note 11)	8,520,000	3,550,000	12,070,000
Total Current Liabilities	<u>83,341,434</u>	<u>169,715,055</u>	<u>253,056,489</u>
Noncurrent Liabilities			
Long-term portion estimated claims (Note 20)	18,525,901	-	18,525,901
Accrued compensated absences (Note 2L)	10,204,579	3,374,780	13,579,359
Landfill closure liabilities (Note 12)	-	1,773,251	1,773,251
Retentions payable	-	23,094,152	23,094,152
Derivative financial instruments (Note 11D)	-	10,590,344	10,590,344
Long-term debt-due after one year (Note 11)	26,264,066	592,266,387	618,530,453
Total Noncurrent Liabilities	<u>54,994,546</u>	<u>631,098,914</u>	<u>686,093,460</u>
Total Liabilities	<u>138,335,980</u>	<u>800,813,969</u>	<u>939,149,949</u>
NET POSITION (Note 19)			
Net investment in capital assets	522,174,633	471,379,284	993,553,917
Restricted for:			
Capital projects	73,861,726	90,437,120	164,298,846
Debt service	6,162,677	-	6,162,677
Housing activities	130,872,800	-	130,872,800
Special revenue funds and other	19,647,692	-	19,647,692
Total Restricted Net Position	<u>230,544,895</u>	<u>90,437,120</u>	<u>320,982,015</u>
Unrestricted Net Position	<u>127,905,045</u>	<u>338,011,805</u>	<u>465,916,850</u>
Total Net Position	<u>\$ 880,624,573</u>	<u>\$ 899,828,209</u>	<u>\$ 1,780,452,782</u>

CITY OF SANTA CLARA
STATEMENT OF ACTIVITIES
For the year ended June 30, 2013

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:					
General Administration	\$ 17,799,142	\$ (2,515,428)	\$ 561,902	\$ -	\$ 268,483
City Clerk	984,349	(595,561)	-	-	-
City Attorney	1,263,991	(1,164,417)	813	-	-
Human Resources	2,099,934	(1,733,413)	-	-	-
Finance	8,095,719	(6,825,464)	1,082,189	-	-
Public Works	29,336,541	-	3,103,791	1,917,002	4,221,386
Parks and Recreation	15,857,815	-	2,824,901	186,919	-
Public Safety:					
Police	45,120,433	-	1,888,561	491,435	-
Fire	33,162,414	-	3,069,813	175,627	-
Planning & Inspection	6,382,960	-	6,871,845	1,074,365	-
Library	7,711,868	-	206,714	76,403	-
Interest on long term debt	2,106,933	-	-	-	-
Total Governmental Activities	169,922,099	(12,834,283)	19,610,529	3,921,751	4,489,869
Business-type Activities:					
Utilities:					
Electric -					
Retail	305,185,307	7,519,976	322,749,488	-	-
Wholesale	24,716,822	-	22,295,534	-	-
Equity in income of joint ventures	-	-	6,111,186	-	-
Water	24,620,447	2,063,167	30,177,020	-	-
Sewer	14,972,556	1,080,909	32,090,364	-	-
Equity in losses of joint ventures	-	-	(3,654,233)	-	-
Water Recycling	1,872,217	106,884	2,639,375	-	134,668
Solid Waste	17,702,579	1,518,971	19,574,854	-	-
Cemetery	900,155	90,953	631,994	-	-
Sports and Open Space Authority	10,014	34,483	420,126	-	-
Santa Clara Golf and Tennis Club	2,661,805	-	2,928,552	-	-
Santa Clara Convention Center	8,552,657	-	6,829,154	-	104,460
Santa Clara Stadium Authority	8,960,478	418,940	-	-	-
Total Business-type Activities	410,155,037	12,834,283	442,793,414	-	239,128
Total	\$ 580,077,136	\$ -	\$ 462,403,943	\$ 3,921,751	\$ 4,728,997

General Revenues:

Taxes:

Sales

Ad valorem property

Transient occupancy

Other

Intergovernmental, unrestricted:

Motor vehicle in-lieu

Contribution in lieu of taxes

Investment earnings

Net (decrease) in the fair value of investments

Equity in losses of joint ventures

Rents and royalties

Gain (loss) on retirement of assets

Other

Transfers (Note 9A)

Extraordinary Item (Note 22)

Total General Revenues, Extraordinary Items and Transfers

Change in net position

Net Position - Beginning

Net Position - Ending

CITY OF SANTA CLARA
STATEMENT OF ACTIVITIES
For the year ended June 30, 2013

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (14,453,329)	\$ -	\$ (14,453,329)
(388,788)	-	(388,788)
(98,761)	-	(98,761)
(366,521)	-	(366,521)
(188,066)	-	(188,066)
(20,094,362)	-	(20,094,362)
(12,845,995)	-	(12,845,995)
(42,740,437)	-	(42,740,437)
(29,916,974)	-	(29,916,974)
1,563,250	-	1,563,250
(7,428,751)	-	(7,428,751)
(2,106,933)	-	(2,106,933)
<u>(129,065,667)</u>	<u>-</u>	<u>(129,065,667)</u>
-	10,044,205	10,044,205
-	(2,421,288)	(2,421,288)
-	6,111,186	6,111,186
-	3,493,406	3,493,406
-	16,036,899	16,036,899
-	(3,654,233)	(3,654,233)
-	794,942	794,942
-	353,304	353,304
-	(359,114)	(359,114)
-	375,629	375,629
-	266,747	266,747
-	(1,619,043)	(1,619,043)
-	(9,379,418)	(9,379,418)
-	<u>20,043,222</u>	<u>20,043,222</u>
<u>(129,065,667)</u>	<u>20,043,222</u>	<u>(109,022,445)</u>
44,159,627	-	44,159,627
31,650,941	-	31,650,941
13,673,128	-	13,673,128
4,332,931	-	4,332,931
51,030	-	51,030
15,218,781	-	15,218,781
6,058,321	3,403,100	9,461,421
(3,567,015)	(4,694,937)	(8,261,952)
(286,006)	-	(286,006)
13,658,225	-	13,658,225
-	(2,232)	(2,232)
4,433,714	-	4,433,714
3,462,455	(3,462,455)	-
(29,563,101)	-	(29,563,101)
<u>103,283,031</u>	<u>(4,756,524)</u>	<u>98,526,507</u>
(25,782,636)	15,286,698	(10,495,938)
906,407,209	884,541,511	1,790,948,720
<u>\$ 880,624,573</u>	<u>\$ 899,828,209</u>	<u>\$ 1,780,452,782</u>

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**CITY OF SANTA CLARA
FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUNDS**

The funds described below were determined to be Major Funds by the City in fiscal year 2012-13. Individual non-major funds may be found in the Supplementary section.

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund accounts for resources and services traditionally associated with government. The General Fund provides administrative, financial, police protection, fire protection, community development, recreation, and maintenance services to the community and other funds. The General Fund accounts for revenues that have unrestricted uses and are not required legally or by contractual agreement to be accounted for in another fund.

SANTA CLARA HOUSING AUTHORITY FUND

On February 22, 2011, the Santa Clara Housing Authority (SCHA), a special revenue fund, was established to account for housing loans to assist in eliminating blight. On March 8, 2011, the City, former RDA, and the SCHA executed an assignment and assumption agreement whereby the SCHA assumed responsibility for housing loans for qualifying individuals and groups. Loans assigned were made under various programs; substantially all are long-term in nature.

PROJECT AREA CIP FUND

The Project Area CIP Fund accounts for capital assets transferred by the former RDA to the City per the Property Conveyance Agreement and Cooperation Agreements executed between the City and former RDA on March 8, 2011. These assets include land and improvements discussed in detail in Notes 4 and 5.

**CITY OF SANTA CLARA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2013**

	<u>General Fund</u>	<u>Santa Clara Housing Authority</u>	<u>Project Area CIP</u>
ASSETS			
Cash and investments (Note 8):			
Pooled cash and investments	\$ 142,852,110	\$ 32,308,180	\$ 9,457,004
Investments with fiscal agent - current	-	-	-
Cash restricted for construction	-	-	38,262,105
Receivables (net of allowance for uncollectibles):			
Accounts	3,472,513	-	170,201
Interest	400,596	59,660	-
Loans	-	87,530,081	-
Intergovernmental	7,245,576	5,900,000	-
Due from other funds (Note 9B)	1,978,205	-	-
Materials, supplies and prepaids	11,802	-	-
Land held for development (Note 21)	-	24,718,866	-
Investments with fiscal agent - noncurrent (Note 8)	-	-	-
Advances to other funds (Note 9C)	8,393,121	-	-
Other	22,680	-	-
Total Assets	\$ 164,376,603	\$ 150,516,787	\$ 47,889,310
LIABILITIES			
Accrued liabilities	\$ 5,781,451	\$ 52,475	\$ 6,074
Due to other funds (Note 9B)	-	-	-
Payable to Successor Agency (Note 22)	7,563,101	32,000,000	5,900,000
Unearned revenue	79,167	-	-
Advances from other funds (Note 9C)	45,525	-	-
Total Liabilities	13,469,244	32,052,475	5,906,074
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - HUD administration fee	114,242	-	-
Unavailable revenue - Lease revenues	418,997	-	-
Unavailable revenue - Loans	-	79,504,718	-
Unavailable revenue - Grants	-	8,025,363	-
Total Deferred Inflows of Resources	533,239	87,530,081	-
FUND BALANCES			
Nonspendable	12,785,195	-	-
Restricted	7,191,079	21,057,407	41,868,736
Committed	86,948,285	9,876,824	114,500
Assigned	4,927,257	-	-
Unassigned	38,522,304	-	-
Total Fund Balances	150,374,120	30,934,231	41,983,236
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 164,376,603	\$ 150,516,787	\$ 47,889,310

**CITY OF SANTA CLARA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2013**

Non-Major Governmental Funds	Total Governmental Funds
\$ 46,435,131 23,581 3,702,157 73,064 6 23,343,681 5,150,628 22,473 - - 4,074,721 - -	\$ 231,052,425 23,581 41,964,262 3,715,778 460,262 110,873,762 18,296,204 2,000,678 11,802 24,718,866 4,074,721 8,393,121 22,680
\$ 82,825,442	\$ 445,608,142
\$ 1,824,728 114,242 - - -	\$ 7,664,728 114,242 45,463,101 79,167 45,525
1,938,970	53,366,763
- - 23,320,068 3,347,864	114,242 418,997 102,824,786 11,373,227
26,667,932	114,731,252
- 42,858,375 11,360,165 - -	12,785,195 112,975,597 108,299,774 4,927,257 38,522,304
54,218,540	277,510,127
\$ 82,825,442	\$ 445,608,142

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CITY OF SANTA CLARA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET POSITION
June 30, 2013

Total Governmental Fund Balance \$ 277,510,127

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

CURRENT LIABILITIES

The assets and liabilities below are due and payable in less than one year and more than 90 days and therefore are not reported in the Funds:

Current portion of accrued compensated absences
excluding Internal Service Funds (1,650,968)

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and, therefore, are not reported in the Governmental Funds. 556,958,699

INVESTMENT IN NON-BUSINESS TYPE JOINT VENTURE 4,896,110

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal Service Funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance, to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position:

Cash and investments	18,047,731
Accounts receivable	346,901
Materials, supplies and prepaid	395,758
Accrued liabilities	(4,698,597)
Long-term portion of estimated claims	(18,525,901)
Compensated absences - current	(30,104)
Compensated absences - long-term	(204,416)
Internal balances	(2,804,185)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Unearned revenues recorded in governmental funds financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in Government-Wide Financial Statements. 99,938,569

LONG TERM LIABILITIES

The assets and liabilities below are not due and payable in the current period and, therefore, are not reported in the Funds:

Reserve against conditional grant balances	(4,843,392)
Long-term debt	(34,784,066)
Interest payable	(442,086)
Bond issuance cost	514,556
Non-current portion of accrued compensated absences excluding Internal Service Funds	(10,000,163)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 880,624,573

**CITY OF SANTA CLARA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2013**

	<u>General Fund</u>	<u>Santa Clara Housing Authority</u>	<u>Project Area CIP</u>
REVENUES			
Taxes:			
Sales	\$ 44,159,627	\$ -	\$ -
Ad valorem	31,650,941	-	-
Transient occupancy	13,673,128	-	-
Other	4,332,451	-	-
Licenses, permits, fines, and penalties	6,523,325	-	-
Intergovernmental	432,178	-	-
Charges for services	25,486,409	9,000	-
Contributions in-lieu of taxes	15,218,781	-	-
Interest and rents	18,903,370	760,996	84,718
Net increase (decrease) in the fair value of investments	(2,966,732)	(600,283)	-
Other	518,900	1,328,158	-
Total Revenues	157,932,378	1,497,871	84,718
EXPENDITURES			
Current:			
General Administration	12,784,168	1,399,709	17,213
City Clerk	970,069	-	-
City Attorney	1,226,301	-	-
Human Resources	2,054,518	-	-
Finance	7,875,976	-	-
Public Works	14,249,550	-	-
Parks and Recreation	13,760,561	-	-
Public Safety:			
Police	42,677,863	-	-
Fire	32,207,685	-	-
Planning & Inspection	6,267,937	-	-
Library	6,435,552	-	-
Capital outlay	4,107	-	7,676,933
Debt service (Note 11):			
Principal payments	-	-	-
Interest and fiscal fees	-	-	-
Bond issuance cost	-	-	-
Total Expenditures	140,514,287	1,399,709	7,694,146
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17,418,091	98,162	(7,609,428)
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issuance	-	-	-
Transfers in (Note 9A)	4,153,882	-	-
Transfers (out) (Note 9A)	(11,391,158)	-	-
Total Other Financing Sources (Uses)	(7,237,276)	-	-
CHANGE IN NET POSITION BEFORE EXTRAORDINARY ITEM	10,180,815	98,162	(7,609,428)
Extraordinary item (Note 22)	(7,563,101)	(16,100,000)	(5,900,000)
NET CHANGE IN FUND BALANCE	2,617,714	(16,001,838)	(13,509,428)
Fund balances - beginning	147,756,406	46,936,069	55,492,664
Fund balances - ending	\$ 150,374,120	\$ 30,934,231	\$ 41,983,236

**CITY OF SANTA CLARA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2013**

<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 44,159,627
-	31,650,941
-	13,673,128
480	4,332,931
-	6,523,325
6,405,446	6,837,624
1,125,986	26,621,395
-	15,218,781
277,216	20,026,300
-	(3,567,015)
2,779,858	4,626,916
<u>10,588,986</u>	<u>170,103,953</u>
3,414,420	17,615,510
-	970,069
-	1,226,301
-	2,054,518
-	7,875,976
2,515,653	16,765,203
302,410	14,062,971
313,604	42,991,467
162,246	32,369,931
-	6,267,937
128,849	6,564,401
7,378,749	15,059,789
24,302,000	24,302,000
2,008,719	2,008,719
410,533	410,533
<u>40,937,183</u>	<u>190,545,325</u>
<u>(30,348,197)</u>	<u>(20,441,372)</u>
19,571,640	19,571,640
13,371,148	17,525,030
<u>(3,054,409)</u>	<u>(14,445,567)</u>
<u>29,888,379</u>	<u>22,651,103</u>
(459,818)	2,209,731
-	<u>(29,563,101)</u>
(459,818)	(27,353,370)
54,678,358	304,863,497
<u>\$ 54,218,540</u>	<u>\$ 277,510,127</u>

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CITY OF SANTA CLARA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the year ended June 30, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (27,353,370)**

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

ACCRUAL OF CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of financial resources over 90 days and therefore are not reported as revenue or expenditures in governmental funds (net change):

Current portion of accrued compensated absences (202,846)

CAPITAL ASSET TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are therefore added back to fund balance 15,059,789

Depreciation expense is deducted from the fund balance

(Depreciation expense is net of internal service fund depreciation of \$1,473,516 which has already been allocated to serviced funds.) (19,452,116)

Retirements and transfers of capital assets (net of Internal Service Fund retirements of \$40,193) (19,467)

Contributions of infrastructure improvements by developers and equipment are capitalized in the Statement of Activities, but are not recorded in the Governmental Fund Statements because no cash changed hands. 1,518,934

JOINT VENTURES - LOSS FROM EQUITY (286,006)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Bond proceeds (19,571,640)

Bond issuance costs 390,813

Repayment of debt principal is added back to fund balance 24,302,000

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Provision for reserve of conditional grants (656,614)

Non-current portion of accrued compensated absences 1,084,366

Interest payable 312,319

Unavailable revenue 989,506

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds.

The portion of the net revenue (expense) of these Internal Service Funds, arising out of their transactions with Governmental Funds, is reported with governmental activities, because they service those activities.

Change in Net Position - All Internal Service Funds, net (2,046,299)

Change in Net Position of Internal Service Funds reported with Business-Type Activities 147,995

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (25,782,636)**

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<p style="text-align: center;">CITY OF SANTA CLARA MAJOR PROPRIETARY FUNDS</p>

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges. Individual non-major Proprietary funds may be found in the Supplementary section.

The City has identified the funds below as major proprietary funds in fiscal year 2012-13.

GASB No. 34 does not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds.

ELECTRIC UTILITY FUND

This fund accounts for the operation of the City's electric utility, a self-supporting activity that provides services on a user charge basis to residences and businesses.

WATER UTILITY FUND

This fund accounts for the operation of the City's water utility, a self-supporting activity that provides services on a user charge basis to residences and businesses.

SEWER UTILITY FUND

The sewer utility fund accounts for the maintenance of the City's sewer lines and related facilities. It is a self-supporting activity that provides services on a user charge basis to residences and businesses.

WATER RECYCLING UTILITY FUND

This fund accounts for the ongoing maintenance and operations of the City's waste water reclamation system. It is a self-supporting activity that provides services on a user charge basis from the sale of non-potable water for irrigation and landscaping.

SPORTS AND OPEN SPACE AUTHORITY FUND (SOSA)

SOSA was created by the City Council in 1974 for the acquisition and development of open space within the City and the development of local sports activities.

SANTA CLARA STADIUM AUTHORITY FUND

The Santa Clara Stadium Authority Fund was established in 2011 to provide for development and operation of the Santa Clara Stadium (future home of the NFL's San Francisco 49ers). In November 2012, the Santa Clara Stadium Authority changed its fiscal year ending date from June 30th to March 31st to conform with the fiscal year of Stadium Funding Trust.

**CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2013**

	Business-type Activities-Enterprise Funds			
	Electric Utility	Water Utility	Sewer Utility	Water Recycling Utility
ASSETS				
Current assets:				
Cash and investments (Note 8):				
Pooled cash and investments	\$ 228,127,987	\$ 22,933,281	\$ 40,451,162	\$ 4,664,736
Investments with fiscal agent	3,733,523	-	-	-
Receivables (net of allowance for uncollectible):				
Accounts	43,793,384	3,860,586	3,349,869	77,175
Interest	501,496	41,237	63,407	7,928
Due from other funds (Note 9B)	2,132,363	230,407	245,434	-
Materials, supplies and prepaids	13,575,657	699,967	-	-
Total current assets	<u>291,864,410</u>	<u>27,765,478</u>	<u>44,109,872</u>	<u>4,749,839</u>
Noncurrent assets:				
Cash for construction (Note 8)	-	303,090	1,507,553	-
Investment with fiscal agent (Note 8)	14,178,392	-	-	-
Deposits (Note 8)	7,968,435	-	-	-
Capital assets (Note 10):				
Land	14,379,593	661,268	725,328	-
Buildings, infrastructure and land improvements	823,646,406	67,455,146	27,310,745	-
Equipment	10,859,821	3,983,575	2,184,127	-
Construction in progress	22,907,498	100,740	1,021,006	12,289
	<u>871,793,318</u>	<u>72,200,729</u>	<u>31,241,206</u>	<u>12,289</u>
Less Accumulated depreciation	338,908,599	39,199,169	18,976,394	-
	<u>532,884,719</u>	<u>33,001,560</u>	<u>12,264,812</u>	<u>12,289</u>
Investment in joint ventures (Note 13)	35,086,342	-	88,543,753	-
Advances to other funds (Note 9C)	45,525	-	-	-
Other assets	1,363,730	23,404	15,425	-
Total noncurrent assets	<u>591,527,143</u>	<u>33,328,054</u>	<u>102,331,543</u>	<u>12,289</u>
Total assets	<u>883,391,553</u>	<u>61,093,532</u>	<u>146,441,415</u>	<u>4,762,128</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on derivative instruments (Note 11D)	10,590,344	-	-	-
Total deferred outflows of resources	<u>10,590,344</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accrued liabilities	22,718,189	1,722,166	93,714	386,472
Interest payable	2,177,213	-	-	-
Accrued compensated absences (Note 2L)	403,352	62,833	23,811	-
Due to other funds (Note 9B)	-	-	-	-
Unearned revenue	514,757	-	-	-
Current portion of landfill closure liability (Note 12)	-	-	-	-
Current portion of long-term debt (Note 11)	3,550,000	-	-	-
Total current liabilities	<u>29,363,511</u>	<u>1,784,999</u>	<u>117,525</u>	<u>386,472</u>
Noncurrent liabilities:				
Advance from other funds (Note 9C)	-	-	-	-
Unearned revenue	-	-	-	-
Landfill closure liability (Note 12)	-	-	-	-
Retentions payable	-	-	-	-
Long-term portion estimated claims	-	-	-	-
Long-term comp absences (Note 2L)	2,588,079	403,897	170,270	-
Long-term derivative financial instrument (Note 11D)	10,590,344	-	-	-
Long-term debt (Note 11)	196,125,769	-	-	-
Total noncurrent liabilities	<u>209,304,192</u>	<u>403,897</u>	<u>170,270</u>	<u>-</u>
Total liabilities	<u>238,667,703</u>	<u>2,188,896</u>	<u>287,795</u>	<u>386,472</u>
NET POSITION				
Net investment in capital assets	351,120,865	33,001,560	12,264,812	-
Restricted	-	-	88,543,753	-
Unrestricted	304,193,329	25,903,076	45,345,055	4,375,656
Total net position	<u>\$ 655,314,194</u>	<u>\$ 58,904,636</u>	<u>\$ 146,153,620</u>	<u>\$ 4,375,656</u>

Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time.

Net position of business-type activities

**CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2013**

Business-type Activities-Enterprise Funds				
Sports and Open Space Authority	Santa Clara Stadium Authority (as of March 31, 2013)	Non-Major Enterprise Funds	TOTAL	Internal Service Funds (Note 2B)
\$ 169,375	\$ 2,908,128	\$ 7,422,523	\$ 306,677,192	\$ 17,300,383
-	-	-	3,733,523	-
-	97,223,757	2,723,871	151,028,642	346,901
-	-	-	614,068	-
-	-	176,031	2,784,235	99,701
-	-	65,161	14,340,785	395,758
169,375	100,131,885	10,387,586	479,178,445	18,142,743
-	-	739,571	2,550,214	-
-	-	-	14,178,392	-
-	-	-	7,968,435	-
2,424,481	-	1,164,646	19,355,316	-
-	-	103,846,520	1,022,258,817	-
-	-	2,289,866	19,317,389	24,171,053
-	424,530,471	-	448,572,004	-
2,424,481	424,530,471	107,301,032	1,509,503,526	24,171,053
-	-	63,123,319	460,207,481	20,039,633
2,424,481	424,530,471	44,177,713	1,049,296,045	4,131,420
-	-	-	123,630,095	-
-	-	-	45,525	-
-	22,782,708	15,836	24,201,103	-
2,424,481	447,313,179	44,933,120	1,221,869,809	4,131,420
2,593,856	547,445,064	55,320,706	1,701,048,254	22,274,163
-	-	-	10,590,344	-
-	-	-	10,590,344	-
19,564	37,204,878	2,302,738	64,447,721	4,698,597
-	110,728	-	2,287,941	-
-	-	37,902	527,898	30,104
-	106,070	1,749,881	1,855,951	2,903,886
4,500	-	742,481	1,261,738	-
-	-	441,000	441,000	-
-	-	-	3,550,000	-
24,064	37,421,676	5,274,002	74,372,249	7,632,587
-	-	8,393,121	8,393,121	-
-	97,198,757	-	97,198,757	-
-	-	1,773,251	1,773,251	-
-	23,094,152	-	23,094,152	-
-	-	-	-	18,525,901
-	-	212,534	3,374,780	204,416
-	-	-	10,590,344	-
-	396,140,618	-	592,266,387	-
-	516,433,527	10,378,906	736,690,792	18,730,317
24,064	553,855,203	15,652,908	811,063,041	26,362,904
2,424,481	28,389,853	44,177,713	471,379,284	4,131,420
-	-	1,893,367	90,437,120	-
145,311	(34,799,992)	(6,403,282)	338,759,153	(8,220,161)
\$ 2,569,792	\$ (6,410,139)	\$ 39,667,798	900,575,557	\$ (4,088,741)
			(747,348)	
			\$ 899,828,209	

**CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For the year ended June 30, 2013**

Business-type Activities-Enterprise Funds

	Electric Utility	Water Utility	Sewer Utility	Water Recycling Utility
Operating revenues:				
Charges for services	\$ 298,751,325	\$ 29,598,560	\$ 30,943,153	\$ 2,639,375
Rents and royalties	-	-	-	-
Insurance refunds and other	-	-	-	-
Other	-	-	-	-
Total operating revenues	<u>298,751,325</u>	<u>29,598,560</u>	<u>30,943,153</u>	<u>2,639,375</u>
Operating expenses:				
Salaries and benefits	21,294,179	4,870,350	1,918,723	248,168
Materials, services and supplies	255,077,493	20,622,084	13,615,712	1,642,681
General and administrative	-	-	-	-
Amortization	371,802	19,588	12,913	-
Depreciation	19,030,402	1,085,516	478,083	-
Total operating expenses	<u>295,773,876</u>	<u>26,597,538</u>	<u>16,025,431</u>	<u>1,890,849</u>
Operating income (loss)	<u>2,977,449</u>	<u>3,001,022</u>	<u>14,917,722</u>	<u>748,526</u>
Nonoperating revenues (expenses):				
Interest revenue	2,710,253	230,140	380,148	45,037
Net (increase) in the fair value of investments	(3,853,023)	(324,512)	(456,293)	(61,109)
Rents and royalties	2,932,611	-	-	-
Joint project contribution	-	-	-	133,604
Joint project expenses	-	-	-	1,064
Other revenue	14,239,851	578,460	1,147,211	-
Interest expense	(11,074,673)	-	-	-
Other expense	(5,092,643)	-	-	(83,435)
Equity in income (losses) of joint ventures	6,111,186	-	(3,654,233)	-
Gain (loss) on retirement of assets	(1,196)	(1,036)	-	-
Renewable energy credits	6,825,701	-	-	-
Wholesale power sales	22,295,534	-	-	-
Wholesale power purchases	(24,716,822)	-	-	-
Total nonoperating revenues	<u>10,376,779</u>	<u>483,052</u>	<u>(2,583,167)</u>	<u>35,161</u>
Income (loss) before contributions and transfers	13,354,228	3,484,074	12,334,555	783,687
Contributions	-	-	-	-
Transfers in (Note 9A)	-	700,000	-	-
Transfers (out) (Note 9A)	(850,981)	(120,946)	(63,745)	(700,621)
Change in net position	<u>12,503,247</u>	<u>4,063,128</u>	<u>12,270,810</u>	<u>83,066</u>
Total net position - beginning	642,810,947	54,841,508	133,882,810	4,292,590
Total net position - ending	<u>\$ 655,314,194</u>	<u>\$ 58,904,636</u>	<u>\$ 146,153,620</u>	<u>\$ 4,375,656</u>

Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.

Change in net position of business-type activities

**CITY OF SANTA CLARA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 For the year ended June 30, 2013**

Business-type Activities-Enterprise Funds				
Sports and Open Space Authority	Santa Clara Stadium Authority (as of March 31, 2013)	Non-Major Enterprise Funds	Total	Internal Service Funds
\$ -	\$ -	\$ 29,504,841	\$ 391,437,254	\$ 11,025,877
420,126	-	-	420,126	-
-	-	-	-	474,568
-	-	441,175	441,175	-
420,126	-	29,946,016	392,298,555	11,500,445
4,980	-	1,572,954	29,909,354	2,291,276
39,517	-	26,225,788	317,223,275	2,381,374
-	9,379,418	-	9,379,418	8,761,881
-	-	13,250	417,553	-
-	-	3,602,803	24,196,804	1,473,516
44,497	9,379,418	31,414,795	381,126,404	14,908,047
375,629	(9,379,418)	(1,468,779)	11,172,151	(3,407,602)
4,968	-	32,554	3,403,100	-
-	-	-	(4,694,937)	-
-	-	18,516	2,951,127	-
-	-	-	133,604	-
-	-	-	1,064	-
-	-	22	15,965,544	271,156
-	-	-	(11,074,673)	-
-	-	-	(5,176,078)	-
-	-	-	2,456,953	-
-	-	-	(2,232)	(40,193)
-	-	-	6,825,701	-
-	-	-	22,295,534	-
-	-	-	(24,716,822)	-
4,968	-	51,092	8,367,885	230,963
380,597	(9,379,418)	(1,417,687)	19,540,036	(3,176,639)
-	-	104,460	104,460	-
978,538	-	113,280	1,791,818	485,000
(1,398,664)	-	(2,119,316)	(5,254,273)	(102,008)
(39,529)	(9,379,418)	(3,319,263)	16,182,041	(2,793,647)
2,609,321	2,969,279	42,987,061		(1,295,094)
\$ 2,569,792	\$ (6,410,139)	\$ 39,667,798		\$ (4,088,741)
			(895,343)	
			\$ 15,286,698	

**CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the year ended June 30, 2013**

Business-type Activities-Enterprise Funds

	Electric Utility	Water Utility	Sewer Utility	Water Recycling Utility
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 292,367,595	\$ 28,864,724	\$ 29,984,645	\$ 2,773,050
Payments to suppliers	(259,282,309)	(20,548,307)	(13,611,064)	(1,556,383)
Payments to employees	(21,372,491)	(4,830,816)	(2,014,155)	(248,168)
Internal activity - payments to other funds	-	-	-	-
Claims paid	-	-	-	-
Rents and royalties received	3,194,654	-	-	-
Other receipts	10,307,253	578,460	1,147,211	1,064
Net cash provided (used) by operating activities	<u>25,214,702</u>	<u>4,064,061</u>	<u>15,506,637</u>	<u>969,563</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Renewable energy credits	6,825,701	-	-	-
Wholesale resource sales	22,295,534	-	-	-
Wholesale resource purchases	(24,716,822)	-	-	-
Wholesale trading escrow deposit	(339,918)	-	-	-
Charges for joint project contribution	-	-	(1,007,213)	133,604
Disbursements for joint project	-	-	-	(84,885)
(Increase) decrease in due from other funds	(70,307)	(102,753)	(52,780)	-
Increase (decrease) in due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Transfers in	-	700,000	-	-
Transfers (out)	(850,981)	(120,946)	(63,745)	(700,621)
Cash Flows from Noncapital Financing Activities	<u>3,143,207</u>	<u>476,301</u>	<u>(1,123,738)</u>	<u>(651,902)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets, net	(47,320,521)	(1,763,448)	(1,076,267)	(12,289)
Proceeds from debt	-	-	-	-
Landfill closure payment	-	-	-	-
Principal payments on capital debt	(19,265,000)	-	-	-
Interest paid on capital debt	(3,759,343)	-	-	-
Cash Flows from Capital and Related Financing Activities	<u>(70,344,864)</u>	<u>(1,763,448)</u>	<u>(1,076,267)</u>	<u>(12,289)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net increase in the fair value of investments	(3,853,023)	(324,512)	(456,293)	(61,109)
Interest and dividends	8,183,909	257,631	396,138	49,533
Payments made by fiscal agent	13,483,893	-	-	-
Deposits made with fiscal agent	(7,934,703)	-	-	-
Cash Flows from Investing Activities	<u>9,880,076</u>	<u>(66,881)</u>	<u>(60,155)</u>	<u>(11,576)</u>
Net increase (decrease) in cash and cash equivalents	(32,106,879)	2,710,033	13,246,477	293,796
Cash and cash equivalents at beginning of period	260,234,866	20,526,338	28,712,238	4,370,940
Cash and cash equivalents at end of period	<u>\$ 228,127,987</u>	<u>\$ 23,236,371</u>	<u>\$ 41,958,715</u>	<u>\$ 4,664,736</u>
Cash and cash equivalents:				
Pooled cash and investments	\$ 228,127,987	\$ 22,933,281	\$ 40,451,162	\$ 4,664,736
Cash designated for construction	-	303,090	1,507,553	-
Total cash and cash equivalents	<u>\$ 228,127,987</u>	<u>\$ 23,236,371</u>	<u>\$ 41,958,715</u>	<u>\$ 4,664,736</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$2,977,449	\$3,001,022	\$14,917,722	\$748,526
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Amortization	371,802	19,588	12,913	-
Depreciation	19,030,402	1,085,516	478,083	-
Change in assets and liabilities:				
Receivables, net	(10,450,020)	(743,650)	(958,508)	133,676
Inventory	(5,930,670)	(34,337)	-	-
Accrued liabilities	6,951,504	117,928	4,648	86,297
Long-term portion estimated claims	-	-	-	-
Compensated absences	(78,312)	39,534	(95,432)	-
Unearned revenue	262,728	-	-	-
Other receipts	17,172,462	578,460	1,147,211	1,064
Other expenses	(5,092,643)	-	-	-
Net cash provided (used) by operating activities	<u>\$25,214,702</u>	<u>\$4,064,061</u>	<u>\$15,506,637</u>	<u>\$969,563</u>
NONCASH TRANSACTIONS:				
Joint Ventures				
Nonoperating income (loss)	\$ 6,111,186.00	\$ -	\$ (3,654,233.00)	\$ -
Capital Contribution	\$ -	\$ -	\$ -	\$ -

**CITY OF SANTA CLARA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the year ended June 30, 2013**

Business-type Activities-Enterprise Funds

Sports and Open Space Authority	Santa Clara Stadium Authority (as of March 31, 2013)	Non-Major Enterprise Funds	Totals	Internal Service Funds
\$ 402,664	\$ -	\$ 29,073,078	\$ 383,465,756	\$ 10,987,325
(39,517)	(9,379,418)	(25,372,167)	(329,789,165)	(2,285,010)
(4,980)	-	(1,538,504)	(30,009,114)	(2,267,502)
-	-	-	-	(139,110)
-	-	-	-	(5,238,532)
-	-	18,516	3,213,170	-
3,160	-	438,519	12,475,667	271,156
<u>361,327</u>	<u>(9,379,418)</u>	<u>2,619,442</u>	<u>39,356,314</u>	<u>1,328,327</u>
-	-	-	6,825,701	-
-	-	-	22,295,534	-
-	-	-	(24,716,822)	-
-	-	-	(339,918)	-
-	-	-	(873,609)	-
-	-	-	(84,885)	-
-	60,210	29,698	(135,932)	129,096
-	(1,296,149)	296,732	(999,417)	79,236
-	-	319,697	319,697	-
978,538	-	113,280	1,791,818	485,000
(1,398,664)	-	(2,119,316)	(5,254,273)	(102,008)
<u>(420,126)</u>	<u>(1,235,939)</u>	<u>(1,359,909)</u>	<u>(1,172,106)</u>	<u>591,324</u>
-	(256,161,014)	-	(306,333,539)	(938,332)
-	263,510,542	-	263,510,542	-
-	-	(406,872)	(406,872)	-
-	-	-	(19,265,000)	-
-	-	-	(3,759,343)	-
-	<u>7,349,528</u>	<u>(406,872)</u>	<u>(66,254,212)</u>	<u>(938,332)</u>
-	-	-	(4,694,937)	-
4,968	-	32,554	8,924,733	-
-	-	-	13,483,893	-
-	-	-	(7,934,703)	-
<u>4,968</u>	<u>-</u>	<u>32,554</u>	<u>9,778,986</u>	<u>-</u>
(53,831)	(3,265,829)	885,215	(18,291,018)	981,319
<u>223,206</u>	<u>6,173,957</u>	<u>7,276,879</u>	<u>327,518,424</u>	<u>16,319,064</u>
<u>\$ 169,375</u>	<u>\$ 2,908,128</u>	<u>\$ 8,162,094</u>	<u>\$ 309,227,406</u>	<u>\$ 17,300,383</u>
\$ 169,375	\$ 2,908,128	\$ 7,422,523	\$ 306,677,192	\$ 17,300,383
-	-	739,571	2,550,214	-
<u>\$ 169,375</u>	<u>\$ 2,908,128</u>	<u>\$ 8,162,094</u>	<u>\$ 309,227,406</u>	<u>\$ 17,300,383</u>
\$375,629	(\$9,379,418)	\$ (1,468,779)	\$ 11,172,151	\$ (3,407,602)
-	-	13,250	417,553	-
-	-	3,602,803	24,196,804	1,473,516
-	-	(414,663)	(12,433,165)	(38,552)
-	-	(2,656)	(5,967,663)	(21,894)
-	-	853,621	8,013,998	109,647
-	-	-	-	2,918,282
-	-	34,450	(99,760)	23,774
(17,462)	-	(17,122)	228,144	-
3,160	-	18,538	18,920,895	271,156
-	-	-	(5,092,643)	-
<u>\$361,327</u>	<u>(\$9,379,418)</u>	<u>\$2,619,442</u>	<u>\$39,356,314</u>	<u>\$1,328,327</u>
\$ -	\$ -	\$ -	\$ 2,456,953.00	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,460.00</u>	<u>\$ 104,460.00</u>	<u>\$ -</u>

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CITY OF SANTA CLARA FIDUCIARY FUNDS
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TRUST FUNDS

PRIVATE PURPOSE TRUST FUNDS

These funds are used to report resources of all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

AGENCY FUNDS

Agency funds are used to account for assets held by the City in trust for community or private organizations, or as an agent for its employees or for assessment districts. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements. Individual non-major Agency funds may be found in the Supplementary section.

**CITY OF SANTA CLARA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2013**

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Pooled cash and investments (Note 8)	\$ 3,297,227	\$ 13,353,412
Investments with fiscal agent - current (Note 8)	12,439,964	2
Receivables (net of allowance for uncollectibles):		
Interest	20,344	-
Due from Housing Successor (Note 22E)	32,000,000	-
Due from City (Note 22E)	13,463,101	-
Due from Other Agencies (Note 22)	17,716,867	-
Investments with fiscal agent - noncurrent (Note 8)	2,711,241	-
Other	364,932	-
Total Assets	<u>82,013,676</u>	<u>13,353,414</u>
LIABILITIES		
Accrued liabilities	19,433	5,831,353
Interest payable	459,926	-
Due to bondholders	-	2,320,630
Due to Other Agencies (Note 22B)	63,179,968	-
Due to Housing Successor (Note 22D)	5,900,000	-
Due to City (Note 22)	4,333,605	-
Long-term debt - due within one year (Note 11)	8,476,130	-
Long-term debt - due after one year (Note 11)	115,880,749	-
Refundable deposits	-	5,201,431
Total Liabilities	<u>198,249,811</u>	<u>\$ 13,353,414</u>
NET POSITION		
Held in trust for private purpose	<u>(116,236,135)</u>	
Total Net Position	<u>\$ (116,236,135)</u>	

**CITY OF SANTA CLARA
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2013**

	Private Purpose Trust Funds
Additions	
Redevelopment property tax trust fund	\$ 13,365,522
Investment income:	
Interest	71,478
Net change in fair value of plan investments	85,551
Other	51
Total additions	13,522,602
Deductions	
General and administrative	1,048,431
Interest and Fees	5,935,253
Total deductions	6,983,684
Change in net position before extraordinary item	6,538,918
Extraordinary item (Note 22)	(15,900,000)
Change in net position	(9,361,082)
Net position held in trust for private purpose:	
Beginning of year	(106,875,053)
End of year	\$ (116,236,135)

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CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 1 – DEFINITION OF THE REPORTING ENTITY

The City of Santa Clara (City), also known as the Mission City, is a charter city incorporated in 1852 under the laws of the State of California. The City Charter establishes the Council/Manager form of government. The City's citizens elect a City Council of seven citizens, six councilpersons and a Mayor elected at-large, who serve a term of four years each, and who, in turn, appoint a City Manager.

The City is located in the County of Santa Clara, California, approximately 45 miles southeast of San Francisco and 3 miles north of downtown San Jose. It is situated in the northern part of the County and occupies approximately 19.3 square miles. The City's population of 120,284 accounts for 6.6% of the total Santa Clara County estimated population of 1.8 million.

The City provides a full range of municipal services, including police and fire, library, recreation, community services, public works, parks, sanitation, planning and community development, public improvements, electric, water and sewer services.

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units. Although they are separate legal 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 all blended.

A. City of Santa Clara Sports and Open Space Authority

The City of Santa Clara Sports and Open Space Authority (SOSA) was created by the City Council in 1974 for the acquisition and development of open space within the City. The members of the City Council are also members of SOSA's Board of Directors and, as such, are authorized to transact business and exercise power to purchase, lease or otherwise obtain and dispose of real and personal property, to acquire, construct, maintain, repair, manage and operate real and personal property, including leasing to private operators for commercial purposes, surplus space which is not economical to use for open space planning. The City performs all accounting and administrative functions of SOSA. The operations of SOSA have been included in the accompanying basic financial statements in the Sports and Open Space Authority Fund.

B. City of Santa Clara Public Facilities Financing Corporation

The City of Santa Clara Public Facilities Financing Corporation (PFFC) was formed in 1997 for the purpose of issuing Certificates of Participation (COPs) to provide financing for the construction of the major City facilities. Members of the City Council are also members of the PFFC Board. Debt service on the COPs is secured by lease payments made by the City's General Fund to the PFFC for the use of the constructed facilities for public purposes. In accordance with lease agreements, the PFFC assigns lease payments received from the City to the trustee for payment to the certificate holders. The operations of PFFC have been included in the accompanying basic financial statements in the Non-Major Debt Service Fund. The individual COPs and the related facilities are described in Note 11B.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 1 – DEFINITION OF THE REPORTING ENTITY (continued)

C. Santa Clara Housing Authority

The Santa Clara Housing Authority (SCHA) was established by the City Council in 2011 to assume the responsibility of housing projects for the former Redevelopment Agency (former RDA). SCHA also assumes the responsibility for housing loans, which are long-term and were made under various programs, for qualifying individuals and groups. The members of the City Council are also members of SCHA's Board of Directors and, as such, are authorized to transact business and exercise power to plan, engineer, and implement development projects. The City performs all accounting and administrative functions of SCHA. The financial activities of SCHA have been reported in the accompanying basic financial statements in the Santa Clara Housing Authority Fund.

D. Santa Clara Stadium Authority

The Santa Clara Stadium Authority (SCSA) was established by the City Council in 2011 to provide for development and operation of the proposed stadium while ensuring that the stadium serves the City's goals, which are to reduce physical and economic blight in the Bayshore North Project Area. The members of the City Council are also members of SCSA's Board of Directors and, as such, are authorized to manage the stadium, transact business and exercise power to plan, engineer, and construct the stadium. The City performs all accounting and administrative functions of SCSA. The financial activities of SCSA have been reported in the accompanying basic financial statements in the Santa Clara Stadium Authority Fund.

On November 13, 2012, an amendment was made to the JPA Agreement to change SCSA's fiscal year end date from June 30th to March 31st. As such, the financial activities reported for SCSA are as of fiscal year ended March 31, 2013. In addition, the annual financial report was audited by KPMG, an independent auditing firm, and a copy of the report can be found on the City's website.

E. Bayshore North Project Enhancement Authority

The Bayshore North Project Enhancement Authority (BNPEA) was established by the City Council in 2011 to act on and expand opportunities for economic development within the City's Bayshore North Area. The members of the City Council are also members of BNPEA's Board of Directors and, as such, are authorized to transact business and exercise power to plan, engineer, and implement development projects. The City performs all accounting and administrative functions of BNPEA. As of June 30, 2013, there were no financial activities.

NOTE 2 - FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Basic Financial Statements

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 2 – FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

The significant accounting policies are described below:

Government-wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Interfund Services provided and used are allocated to governmental and business-type activities, as appropriate. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental, proprietary, and fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds, except for fiduciary funds.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for services. Operating expenses for the City's enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

B. Major Funds

Major funds are defined as funds that have either assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues or expenditures/expenses equal to 10% of corresponding totals for all governmental or enterprise funds and at least 5% of the aggregate amount to all governmental and enterprise fund for the same item. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

The City reported the following major governmental funds in the accompanying financial statements:

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 2 – FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Santa Clara Housing Authority (SCHA) Fund - This special revenue fund was created on February 22, 2011 in accordance with Housing Authorities Law. On March 8, 2011 the City, former RDA, and SCHA executed an assignment and assumption agreement whereby the SCHA assumed responsibility for housing projects.

Project Area CIP Fund - This capital projects fund was created on March 8, 2011 to account for all capital assets that were transferred to the City per the Property Conveyance Agreement and Cooperation Agreements between the City and the former RDA. The agreements conveyed the properties and assigned leasehold interest in the properties to the City.

The City reported the following enterprise funds as major funds in the accompanying financial statements:

Electric Utility Fund - This fund accounts for the operation of the City's electric utility, a self-supporting activity that provides services on a user charge basis to residences and businesses.

Water Utility Fund - This fund accounts for the operation of the City's water utility, a self-supporting activity that provides services on a user charge basis to residences and businesses.

Sewer Utility Fund - This fund accounts for the maintenance of the City's sewer lines and related facilities. It is a self-supporting activity that provides services on a user charge basis to residences and businesses.

Water Recycling Utility Fund - This fund accounts for the ongoing maintenance and operations of the City's waste water reclamation system. It is a self-supporting activity that provides services on a user charge basis from the sale of non-potable water for irrigation and landscaping.

Sports and Open Space Authority Fund - This fund was created to account for the acquisition and development of open space within the City and the development of local sports activities.

Santa Clara Stadium Authority Fund - The Stadium Authority was established to provide for development and operation of the stadium.

The City also reports the following fund types:

Internal Service Funds - These funds account for maintenance of vehicles and communication equipment, general liability and workers' compensation claims, all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds - These funds account for assets held by the City in trust for community or private organizations, or as an agent for its employees or for assessment districts without city commitment. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 2 – FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

The Successor Agency to the Redevelopment Agency of the City of Santa Clara (Successor Agency) was created to serve as a custodian for the assets and to wind down the affairs of the former RDA. The Successor Agency is a separate public entity from the City, subject to the direction of an Oversight Board. The Oversight Board is comprised of seven-member representatives from local government bodies: two County of Santa Clara (County) representatives; the Mayor of the City of Santa Clara; the County Superintendent of Education; the Chancellor of California Community Colleges; one Santa Clara Valley Water District representative; and one former RDA employee appointed by the Mayor. The City performs all accounting and administrative functions of the Successor Agency. The financial activities of the Successor Agency have been reported in the accompanying basic financial statements in the Private Purpose Trust Fund. See Note 22 for information regarding the Successor Agency.

C. Basis of Accounting

The government-wide financial statements and the fund category, proprietary, and fiduciary fund category financial statements are reported using the *economic resources measurement* focus and the *full accrual* basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place. Agency Funds have no measurement focus.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

The City allocates certain indirect expenses incurred by the General Government activity to those activities that benefit from services received.

During the year ended June 30, 2013, the City implemented the following GASB Statements:

The GASB issued Statement No. 60 "*Accounting and Financial Reporting for Service Concession Arrangements*" which relates to the disclosure of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments for Service Concession Arrangements. This statement becomes effective for periods beginning after December 15, 2011. This standard was adopted for fiscal year ended June 30, 2013. The adoption of this standard does not have an impact to the City's financial statements.

The GASB issued Statement No. 61 "*The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*" which modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units as if they were part of the primary government in certain circumstances, and clarifies the reporting of equity interests in legally separate organizations. This statement becomes effective for periods

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 2 – FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

beginning after June 15, 2012. This standard was adopted for fiscal year ended June 30, 2013. The adoption of this standard does not have an impact to the City's financial statements.

The GASB issued Statement No. 62 "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*". The objective of the statement is to incorporate certain FASB and AICPA pronouncements into the GASB authoritative literature on or before November 30, 1989. This statement becomes effective for periods beginning after December 15, 2011. This standard was adopted for fiscal year ended June 30, 2013. The adoption of this standard does not have an impact to the City's financial statements..

The GASB issued Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The objective of the statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. This statement becomes effective for periods beginning after December 15, 2011. This standard was adopted for fiscal year ended June 30, 2013. The adoption of this standard reclassified Net Assets to Net Position, and identified two new elements to make up a Statement of Net Position. Please refer to the financial statements for more information.

The City is analyzing the effects of the following pronouncements and plans to adopt them by the effective dates:

The GASB issued Statement No. 65 "*Items Previously Reported as Assets and Liabilities*". The objective of the statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement becomes effective for periods beginning after December 15, 2012. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 66 "*Technical Corrections-2012-An Amendment of GASB Statements No. 10 and No. 62*" which resolves conflicts from Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" and Statement No. 62 "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*". This statement becomes effective for periods beginning after December 15, 2012. The City does not anticipate a material financial impact with the adoption of this standard.

The GASB issued Statement No. 67 "*Financial Reporting For Pension Plans-An Amendment of GASB Statement No. 25.*" which will revise existing guidelines for the financial reports of most pension plans. This statement becomes effective for periods beginning after June 15, 2013. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 68 "*Accounting and Financial Reporting For Pension Plans-An Amendment of GASB Statement No. 27.*" which will revise and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. This statement becomes effective for periods beginning after June 15, 2014. The City is currently evaluating the impact on the financial statements.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 2 – FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

The GASB issued Statement No. 69 " *Government Combinations and Disposals of Government Operations.*" This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement becomes effective for periods beginning after December 15, 2013. The City is currently evaluation the impact on the financial statements.

The GASB issued Statement No. 70 " *Accounting and Financial Reporting for Nonexchange Financial Guarantees.*" The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement becomes effective for periods beginning after June 15, 2013. The City is currently evaluating the impact on the financial statements.

D. Change of Year End for the Stadium Authority

An amendment was made to the JPA Agreement on November 13, 2012 in part to change the fiscal year of the Stadium Authority from a July 1 through June 30 fiscal year to an April 1 through March 31 fiscal year to conform with the fiscal year of Stadium Funding Trust. Accordingly, these financial statements included the nine months period of activity.

E. Cash and Investments

While maintaining safety and liquidity, the City maximizes investment return by pooling its available cash for investment purposes. Unless there are specific legal or contractual requirements to do otherwise, interest earnings are apportioned among funds according to average monthly cash and investment balances. It is generally the City's intention to hold investments until maturity. City investments are stated at fair value (see Note 8).

Cash and cash equivalents for purposes of the statement of cash flows include pooled cash and investments and cash designated for construction. Transactions with City-wide cash management pools are similar to those with external investment pools; therefore, since pooled cash and investments have the same characteristics as demand deposits in that the City's individual funds and component units may withdraw additional monies at any time without prior notice or penalty, pooled cash and investments are considered essentially demand deposit accounts.

Cash and investments with fiscal agent, a bond reserve investment pool, and amounts classified as deposits are not considered cash and cash equivalents.

F. Interfund Transactions and Balances

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The related receivables and payables are classified as "due from other funds," and "due to other funds" in the fund financial statements. Long-term interfund receivables and payables are recorded as Advances to/from other funds in the fund financial statements.

Transactions constituting reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are generally recorded as expenditures/expenses in the reimbursing fund and as revenue in the fund that is reimbursed.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 2 – FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Internal balances represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities, and are reported only in the government-wide financial statements.

G. Inventory of Materials and Supplies

Inventory of materials and supplies is accounted for using the consumption method and is stated at average cost. Inventory consists of expendable supplies held for consumption by all departments of the City. The cost is recorded as an expenditure or expense in the appropriate fund at the time individual inventory items are withdrawn for use. The General Fund inventory amount is equally offset by a fund balance reserve, which indicates that it does not constitute available expendable resources.

H. Restricted Assets

Restricted assets are monies or other resources, the use of which is restricted by legal or contractual requirements.

I. Land Held for Redevelopment

The Santa Clara Housing Authority, through execution of an assignment and assumption agreement with the City and the former RDA has assumed responsibility for housing projects and parcels of land purchased to develop or redevelop blighted properties within the Redevelopment areas. Such land parcels are accounted for as investments on the balance sheet at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

Individual parcels which have experienced an other than temporary market value decline are written down to estimated current market value. No appreciation is recorded if the current market value of an individual parcel exceeds cost.

J. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City's policy is to capitalize equipment with costs exceeding \$1,000 and buildings, improvements and infrastructure with costs exceeding \$20,000.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Public domain (infrastructure) assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and traffic signals, have been capitalized and reported in the government-wide financial statements. Depreciation has been calculated on all capital assets, including infrastructure, on a straight-line basis over the estimated useful lives of the assets.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 2 – FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

	Useful Lives Years	Capitalization Threshold
Buildings	20-50	\$ 20,000
Improvements	20-50	20,000
Equipment	3-25	1,000
Infrastructure	10-50	20,000

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets and the related obligations acquired under lease/purchase agreements are capitalized and accounted for in accordance with current accounting standards.

K. Joint Ventures

The City participates in several joint ventures. In accordance with GASB Statement No. 14 investments in these joint ventures are accounted for on the equity method (see Note 13). If the City's equity in net losses of joint ventures exceeds its investment, use of the equity method is suspended except to the extent that the City is obligated to provide further financial support or has guaranteed obligations of the joint ventures.

The City advances funds to certain of its joint ventures in the form of refundable advances, project advances and operating and maintenance advances. Refundable advances accrue interest at rates stated in the related agreements. Operating, maintenance and project advances are charged to operations when incurred.

Capitalized project costs are charged to operations in the event that a project is determined to be not economically feasible.

L. Compensated Absences

Amounts of vested or accumulated vacation leave and certain benefits that are not expected to be liquidated with expendable available financial resources are reported in the Governmental Activities portion of the government-wide financial statements only. Vested or accumulated vacation leave and benefits of proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees. Vacation time is earned based on length of service in amounts ranging between 10 and 24 days per year. City employees are allowed to carry over unused vacation earned. The maximum amount of time that can be carried over varies, depending on the employee's rate of accrual, with an upper limit of 400 hours for most all employees. Employees are paid for unused vacation and certain benefits upon termination of employment.

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, a liability for sick leave and benefits is accrued using the vesting method. The vesting method provides that a governmental entity estimates its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 2 – FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments. Amounts of sick leave payments that are not expected to be liquidated with expendable available financial resources are reported in the Governmental Activities portion of the government-wide financial statements only. No expenditure is reported for these amounts in the governmental fund financial statements.

That portion of compensated absences that is unused reimbursable leave still outstanding following an employee's resignation or retirement at year end, is an expense and current liability to the respective fund(s) that an employee charges their time to.

In January 2011, the City of Santa Clara implemented furloughs for most bargaining units. The financial impact of the furloughs is included in the table below. The accrual for compensated absences comprised the following at June 30, 2013. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$ 12,889,266	\$ 4,002,438	\$ 16,891,704
Additions	1,515,801	338,681	1,854,482
Payments	2,519,416	438,441	2,957,857
Ending Balance	<u>\$ 11,885,651</u>	<u>\$ 3,902,678</u>	<u>\$ 15,788,329</u>
Current Portions	<u>\$ 1,681,072</u>	<u>\$ 527,898</u>	<u>\$ 2,208,970</u>

M. Risk Management

The City is self-insured up to \$5 million to provide general liability protection. In addition to the City's self-insurance, the City has additional \$20 million combined coverage with Starr Indemnity & Liability Company.

The City is also self-insured up to \$500,000 per claim for Workers' Compensation Claims. These self-insurance programs are administered by outside agencies. The City also maintains excess workers' compensation insurance for workers' compensation claims over \$500,000 per claim with coverage up to \$5 million with CSAC Excess Insurance Authority.

The City maintains property damage coverage through the Public Entity Property Insurance Program (PEPIP), which has a plan limit of \$1 billion. The City maintains boiler and machinery property coverage with Lexington Insurance Co., CNA Insurance Co., and Foreign Excess Insurance Companies of \$100 million per occurrence in excess of self-insured amounts varying from \$2,500 to \$500,000 per occurrence. No claims settlement amount exceeded the City's insurance coverage in the past three fiscal years.

The City also maintains a Faithful Performance, Crime Coverage Bond with a plan limit of \$10 million through CSAC Excess Insurance Authority.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 2 – FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Long-Term Obligations

Long-term obligations are reported in the Governmental Activities portion of the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

O. Accounting for Encumbrances

The City utilizes an encumbrance system of accounting wherein encumbrances outstanding at year end, for which the goods or services have not been received, are not reported as expenditures, but are reported as a component of the fund balance category available for subsequent year expenditures based on the encumbered appropriation authority carried over to the next fiscal year. The City Charter requires recording encumbrances as a charge against appropriations in the accounting period in which a purchase order is issued, rather than in the accounting period when goods or services are received.

Under the modified accrual basis of accounting, in accordance with GAAP, expenditures are recorded when the goods or services are received. Adjustments to convert expenditures from the modified accrual basis to the budgetary basis are reflected in the schedule of revenues, expenditures, and changes in fund balances - budget and actual (non-GAAP legal basis) (see Note 3 and Required Supplementary Information).

P. Contributed Assets

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, 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 financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, 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.

R. Net Position and Fund Balance Equity

The City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions in June 2011. Fund balances and net position are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. For governmental fund reporting, the City considers restricted fund balance to have been spent first when an expenditure

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 2 – FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

is incurred, followed by committed, assigned and unassigned fund balances (in order of spending). For government-wide reporting, the City considers restricted net position to have been spent first when an expenditure is incurred, followed by unrestricted net position.

S. Bond Discounts/Issuance Costs

In governmental funds, bond discounts and issuance costs and governmental activities in the entity wide financial statement are recognized in the current period. Bond discounts and issuance costs for proprietary funds are deferred and amortized over the term of the bonds using the straight-line method of accounting. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

T. Property Taxes

The State of California Constitution Article XIII A provides that the combined maximum tax rate on any given property may not exceed 1% of its assessed value except for voter approved incremental property taxes adopted prior to the passage of Article XIII A and any additional amount for general obligation debt approved by voters subsequent to the passage of Article XIII A.

Assessed value is calculated at 100% of market value as defined by Article XIII A and may be increased by no more than 2% per year unless there is a new construction on the property or the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from the 1% tax levy among the counties, cities, school districts and other districts.

Santa Clara County (County) assesses properties and bills and collects property taxes on behalf of the City as follows:

	Secured	Unsecured
Valuation dates	January 1	January 1
Lien/levy dates	January 1	January 1
Due dates	50% on November 1, 50% on February 1	Upon receipt of billing
Delinquent as of	December 10 (for November), April 10 (for February)	August 31

The term "unsecured" refers to taxes on property not secured by liens on real property and generally includes business use personal property.

The City participates in the Teeter Plan offered by the County whereby cities receive 100% of secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes.

Property taxes levied are recorded as revenue when received from the County. Property taxes expected to be collected within 60 days of the end of the fiscal year are recorded as revenue.

The City's net assessed valuation for the year ended June 30, 2013, was \$25.2 billion, an increase of 6.19% compared to the previous year. The average tax rate was 1.16% per \$100 of assessed valuation.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 2 – FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Contribution In-Lieu of Taxes

Contribution in lieu of taxes is a general revenue of the governmental funds. It is levied on receipts of the City-owned and operated Electric Utility (Silicon Valley Power) in accordance with the City Charter. Non-City owned and operated electric utilities pay a franchise fee, which is also a governmental activities general revenue source.

V. Special Assessment Districts with City Commitment

Recognition of revenue related to noncurrent receivables of special assessment district funds is deferred until such receivables become current. There is no reserve for delinquent receivables since liens exist against the related properties and hence the City's management believes the City will ultimately receive value equal to the delinquent receivables. Surplus fund balances remaining at the completion of a special assessment district project are disposed of in accordance with City Council resolutions and with the applicable assessment bond laws of the State of California.

W. Income Taxes

The City falls under the purview of Internal Revenue Code, Section 115 and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to federal or state income taxes.

X. Lease Agreements

Any operating leases with scheduled rent increases are accounted for in accordance with current accounting standards.

Y. Arbitrage Rebate Liability

Arbitrage rebate liabilities, if any, are included in accrued liabilities.

Z. Revenue Recognition

Electric, Water, Sewer and Solid Waste Fund revenues are recognized based on cycle billings periodically rendered to customers. Revenues for services provided, but not billed at the end of a fiscal year, are recognized and accrued based on estimated consumption.

Governmental Activities revenues subject to accrual include taxes, intergovernmental revenues, interest and charges for services.

AA. Non-exchange Transactions

The City gives or receives value without directly receiving or giving equal value in exchange, including grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 2 – FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

AB. Financial Instruments

Financial instruments included in the City's basic financial statements, excluding cash and investments, consisted of accounts receivable, accrued liabilities and bonds payable. The carrying amounts are a reasonable estimate of fair value.

AC. Conditional Grants

The City has several programs under which it extends loans to qualifying individuals or groups for the purpose of improving the City's housing stock and/or its supply of low-and moderate-income housing. Certain of these loans provide for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The City accounts for these loans as conditional grants in the City-wide financial statements, and provides a reserve against their eventual forgiveness using the straight-line method over the life of the respective loan.

AD. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING

The budget of the City is a detailed operating plan that identifies estimated costs and activities in relation to estimated revenues. The budget includes: (1) the projects, services and activities to be provided during the fiscal year, (2) the estimated revenue available to finance the operating plan, and (3) the estimated spending requirements of the operating plan.

The budget process is the mechanism through which policy decisions are made, implemented and controlled. The City Charter requires that the City establish a budgetary system for general operations and prohibits expending funds for which there is no legal appropriation. The City is required to adopt a budget on or before June 30 for the ensuing fiscal year that begins July 1. Activities of the General Fund and the Maintenance Special Revenue Fund are included in the annual appropriated operating budget. The procedures followed to establish the budgetary data reflected in the accompanying required supplementary information to the basic financial statements are as follows:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. This includes a Five-Year Financial Plan to aid in the planning and funding of operations and capital projects over the next five years.
2. Public hearings are conducted to obtain public comments.
3. The operating and capital budgets are legally enacted through the passage of a minute order and Five-Year Financial Plan is approved.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING (continued)

From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the applicable governmental funds. The City Council may amend the budget by motion during the fiscal year. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the object category level. The operating budget is presented at the object category level within programs of departments. The City Manager may transfer appropriations within the same object category of a department within the same fund without approval from the City Council. All other transfers require City Council approval, including a transfer from one object category to another object category of the same department.

Budget information is presented on a non-GAAP budgetary basis. Budgeted revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations and transfers during the year. Budget amounts in the schedules of revenues, expenditures and changes in fund balances-budget and actual, include supplemental appropriations approved by the City Council during the year. Total expenditures of the General and the Maintenance Special Revenue Funds may not legally exceed fund appropriations.

All annual appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered. For the actual GAAP basis financial statements, encumbered appropriations are not reported as expenditures, but are reported as a reservation of fund balance available for subsequent year expenditures, based on the encumbered appropriation authority carried over to the next fiscal year.

In addition to the annual Operating Budget, each year the City Council adopts a project length Capital Improvement Project budget.

**NOTE 4 – THEME PARK, TECHMART, HYATT REGENCY, AND HILTON HOTEL
GROUND LEASES**

On March 8, 2011, the City and the former RDA adopted resolutions authorizing the execution of property conveyance agreements for the conveyance of certain real property owned by the former RDA. The agreements conveyed the properties subject to existing leases to the City. Properties included California's Great America Theme Park, TECHMART, Hyatt Regency, and Hilton Hotel. As a result of the assignments, lease revenue is reflected in the City for fiscal year 2012-13.

The actions taken by the former RDA related to the asset transfers were validly authorized and conformed with the requirements of the Community redevelopment Law as it existed at the time of the actions. Pursuant to ABx1 26, the Redevelopment Dissolution Law, the State Controller's Office is to review any asset transfers that occurred between a redevelopment agency and any other public agency after January 1, 2011 and if the assets have not been contractually committed to a third party and to the extent allowed by state and federal law, the Controller, after completing its review is to order the return of the assets to the Successor Agency. The Successor Agency received a Controller's order on September 10, 2013 ordering the City to transfer the assets back to the Successor Agency, however, the validity of that order is the subject of litigation pending in Sacramento Superior Court (*Sharma vs. City of Santa Clara*). The scope of the Controller's authority and the type of assets of that can be ordered returned is an unsettled area of law. At this time it is not possible to determine whether the Controller's order will be upheld by the Court.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

**NOTE 4 – THEME PARK, TECHMART, HYATT REGENCY, AND HILTON HOTEL
GROUND LEASES (continued)**

A. California's Great America Theme Park Ground Lease

In June 1985, the former RDA acquired the Great America Theme Park (Theme Park) and entered into a management agreement with Kings Entertainment Company (Kings) to manage the Theme Park operations. The former RDA also entered into a Ground Lease and Assets Option Agreement (Option Agreement) with Kings Great America, Inc. (KGA), a wholly owned subsidiary of Kings.

In June 1989, the former RDA sold the Theme Park operations to Kings pursuant to the Option Agreement, as amended. The sale was effective retroactive to January 1, 1989. In addition to the Theme Park buildings, rides and equipment, Kings purchased all other operating assets and assumed all operating liabilities of the Theme Park as of January 1, 1989. Concurrent with the sale of the Theme Park, the former RDA as lessor, entered into a Ground Lease with First Refusal Purchase Rights (Ground Lease) with Kings pursuant to the Option Agreement, as amended, to lease the real property used in the operations of the Theme Park.

In August 1992, the former RDA assigned the Ground Lease to Paramount Parks, Inc. (Paramount) concurrent with Paramount's purchase of the operating assets of Kings. Paramount assumed the Ground Lease with no amendments or modifications. For the duration of the Ground Lease, and for 3 years after its expiration or termination, Paramount has the right to match any bona fide offer to buy or lease all or a portion of the leased property if the leased property is sold or leased for use as a theme park.

On May 22, 2006, Paramount's parent companies entered into a Purchase Agreement with Cedar Fair, L.P. (Cedar Fair), pursuant to which Cedar Fair agreed to purchase all of the outstanding capital stock of Paramount. Cedar Fair assumed the Ground Lease with no amendments or modifications.

The initial term of the Ground Lease expired on December 31, 2009. The Ground Lease has an option to extend for 3 additional terms of ten (10) years each. Cedar Fair exercised the first ten (10) year renewal option by letter notification to the former RDA received in December 2007. The City and Cedar Fair entered into the Fourth Amendment to Ground Lease with First Refusal Purchase Rights on January 1, 2012. Pursuant to the Fourth Amendment, Cedar Fair has additional options to extend the lease term until 2074. In the event of a termination or expiration of the Ground Lease, the City has an option to repurchase the assets of the Theme Park.

The base rent under the Ground Lease is \$5.3 million annually, payable in quarterly installments of \$1.325 million, plus additional rent equal to the sum of 5% of the annual gross revenues of the Theme Park in excess of \$56 million up to \$100 million plus 7.5% of the annual gross revenues in excess of \$100 million. If Cedar Fair exercises the first option to renew pursuant to the Fourth Amendment, annual base rent will increase to \$5,697,500. If Cedar Fair exercises the second option to renew pursuant to the Fourth Amendment in 2054 for an additional term of 10 years, annual base rent will increase to \$5,982,375. If Cedar Fair exercises the third option to renew pursuant to the Fourth Amendment in 2065 for an additional ten years, basic rent will increase to \$6,281,494. For fiscal year ended June 30, 2013, Cedar Fair paid additional rent of \$33 thousand.

Due to the 2011 property conveyance agreements, all future lease revenues received from the lease of the Theme Park are paid to the City's General Fund.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

**NOTE 4 – THEME PARK, TECHMART, HYATT REGENCY, AND HILTON HOTEL
GROUND LEASES (continued)**

The following schedule summarizes the approximate future minimum lease revenues to be received by the City from the Theme Park ground lease prior to 2019 when the current option expires:

Fiscal Year	Amount
2014	\$ 5,300,000
2015	5,300,000
2016	5,300,000
2017	5,300,000
2018	5,300,000
Thereafter	7,950,000
Total	\$ 34,450,000

Parking Lot Revenue

Pursuant to the Fourth Amendment, the City allows Cedar Fair to use certain City property adjacent to the Theme Park property for parking. Under the terms of the Ground Lease as amended by the Fourth Amendment, Cedar Fair pays to the City \$134,694 each year for use of such property for parking. Under the Cooperation Agreement and related lease agreement, the former RDA is required to remit parking lease payments to the City’s General Fund and Electric Utility (Silicon Valley Power). Lease payments remitted to the City for the year ended June 30, 2013, totaled \$134,694.

Future lease payments for parking lots (terms are February 1 to January 31) to be made to the City by Cedar Fair are as follows:

Fiscal Year	Amount
2014	\$ 134,694
2015	134,694
2016	134,694
2017	134,694
2018	134,694
Thereafter	1,874,408
Total	\$ 2,547,878

B. TECHMART Office Building Ground Lease

First Amended Cooperation Agreement

The First Amended Cooperation Agreement, between the City and the former RDA conveyed approximately 30 acres of land in the Bayshore North Project Area to the former RDA. The former RDA agreed to purchase a portion of this property (Conference Center Area) for \$4.7 million payable at 10% interest in 35 annual installments and to construct a convention center on this

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

**NOTE 4 – THEME PARK, TECHMART, HYATT REGENCY, AND HILTON HOTEL
GROUND LEASES (continued)**

portion of the land. In addition, the former RDA agreed to make certain public improvements and provide for the development of the remaining portion of the property (Development Area) in accordance with the Bayshore North Redevelopment Plan by entering into long-term leases with private developers for the development of a trade center (see TECHMART Ground Lease), hotel (see Hyatt Regency Hotel Ground Lease Note 4C), and common parking. In exchange for the conveyance of the land by the City, the former RDA agreed to pay to the City all funds actually received from the aforementioned leases. Lease payments remitted to the City for the fiscal year ended June 30, 2013 totaled \$2.8 million.

TECHMART Ground Lease

In May 1998, the former RDA entered into a long-term ground lease of the TECHMART parcel with CarrAmerica. The lease has a 55 year term with options for two additional ten-year terms. The former RDA received \$1 million annual rent for each of the first ten years of the lease, which lease revenues were paid by the former RDA to the City pursuant to the First Amended Cooperation Agreement. Rent increases are scheduled as follows: 10% in the eleventh year and every five years thereafter during the initial term and 15% in the first and sixth year of each option term. Under the terms of the lease, CarrAmerica assumed responsibility for all taxes and assessments levied against the TECHMART parcel and the Lessor's interest in the ground lease is unsubordinated to any other financing. For the fiscal year ended June 30, 2013, Lessee paid rent of \$1.1 million.

On July 13, 2006, CarrAmerica merged with Nantucket Acquisition, Inc., a wholly owned subsidiary of The Blackstone Group; the terms and conditions of the lease agreement remain in effect.

Due to the 2011 property conveyance agreements, all future lease revenues received from the lease of the TECHMART parcel are paid to the City's General Fund.

The following schedule summarizes the future lease payments to be received by the City from the TECHMART lease agreement:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 1,210,000
2015	1,210,000
2016	1,210,000
2017	1,210,000
2018	1,220,083
Thereafter	<u>63,026,204</u>
Total	<u><u>\$ 69,086,287</u></u>

C. Hyatt Regency Hotel Ground Lease and Ballroom Lease

In April 1985, the former RDA entered into a long-term ground lease with SCCC Associates (Lessee) for the development of a certain portion of that piece of land – the Bayshore North Redevelopment Project Area, and eventual operation of a high quality hotel and related facilities,

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

**NOTE 4 – THEME PARK, TECHMART, HYATT REGENCY, AND HILTON HOTEL
GROUND LEASES (continued)**

amenities and improvements including one of the Ballrooms in the Convention Center. The lease is for an initial term of 50 years. The Lessee has options to renew the lease for four additional periods of ten years each and one additional period of nine years. In 2005, SHC New Santa Clara, L.L.C., the successor-in-interest to SCCC Associates at that time, sold the interest to Hyatt Equities, L.L.C. Under the terms of the lease, the former RDA is entitled to receive a specified amount of minimum rent subject to adjustment at times specified in the lease. Lessee may also have an obligation for additional rent calculated as a predetermined percentage of the hotel gross revenues which exceed the amount specified in the lease. For fiscal year ended June 30, 2013, Lessee paid \$1.4 million in minimum and percentage rents for the Ground lease.

The minimum rent of the Ballroom lease is adjusted every three years according to the agreement. For fiscal year ended June 30, 2013, Lessee paid \$301 thousand in minimum and percentage rents for the Ballroom lease.

Lessee has agreed to pay any impositions, including, but not limited to, taxes and assessments levied against the parcel.

Due to the 2011 property conveyance agreements, all future lease revenues received from the lease of the Hyatt Regency parcel are paid to the City's General Fund.

The following schedule summarizes the approximate minimum future revenues to be received by the City from this lease:

Fiscal Year	Ground Lease Amount	Ballroom Lease Amount	Total
2014	\$ 400,000	\$ 300,780	\$ 700,780
2015	400,000	300,780	700,780
2016	400,000	300,780	700,780
2017	400,000	300,780	700,780
2018	400,000	300,780	700,780
Thereafter	6,733,333	5,063,130	11,796,463
Total	<u>\$ 8,733,333</u>	<u>\$ 6,567,030</u>	<u>\$ 15,300,363</u>

D. Hilton Hotel Ground Lease

In July 1999, the former RDA entered into a long-term ground lease with Santa Clara Hotel, LLC (Lessee) for the development of a certain portion of that piece of land – the North Parcel, and eventual operation of a high quality hotel and related facilities, amenities and improvements (Hilton Hotel). The lease is for an initial term of 55 years. The Lessee has options to renew the lease for three additional periods of ten years. Under the terms of the lease, the former RDA is entitled to receive a specified amount of minimum rent subject to adjustment at times specified in the lease. Beginning with the third lease year, the former RDA is also entitled to receive additional rent at an amount equal to a specified percentage of the gross revenues if the hotel exceeds the total amount of minimum rent for the applicable lease year. For fiscal year ended June 30, 2013, Lessee paid \$726 thousand in minimum and percentage rents. Lessee has agreed to pay any impositions, including but not limited to taxes and assessments levied against the parcel.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

**NOTE 4 – THEME PARK, TECHMART, HYATT REGENCY, AND HILTON HOTEL
GROUND LEASES (continued)**

Previously, the former RDA paid all lease revenues received from this lease to the City’s Electric Utility Fund pursuant to the terms of a Cooperation Agreement with the City which required the former RDA to transfer all lease revenues to the City in exchange for the City conveying the property to the former RDA.

Due to the 2011 property conveyance agreements, future lease revenues are paid to the City.

The following schedule summarizes the approximate minimum future revenues to be received by the City from this lease:

Fiscal Year	Amount
2014	\$ 400,000
2015	400,000
2016	400,000
2017	400,000
2018	400,000
Thereafter	14,433,333
Total	\$ 16,433,333

NOTE 5 – THE IRVINE COMPANY GROUND LEASE

On March 8, 2011, the City and the former RDA adopted resolutions authorizing the execution of property conveyance agreements for the conveyance of certain real property owned by the former RDA. The agreements conveyed the properties and assigned leasehold interest in the properties to the City. One of the properties conveyed included a portion of this Santa Clara Gateway site (Parcel 2). For fiscal year ended June 30, 2013, lease revenue is reflected in the City. The value of the properties conveyed to the City reduced the outstanding balance on the Santa Clara Gateway Cooperation Agreement to \$16.2 million.

The actions taken by the former RDA related to the asset transfers were validly authorized and conformed with the requirements of the Community Redevelopment Law as it existed at the time of the actions. Pursuant to ABx1 26, the Redevelopment Dissolution Law, the State Controller’s Office is to review any asset transfers that occurred between a redevelopment agency and any other public agency after January 1, 2011 and if the assets have not been contractually committed to a third party and to the extent allowed by state and federal law, the Controller, after completing its review is to order the return of the assets to the Successor Agency. The Successor Agency received a Controller’s order on September 10, 2013 ordering the City to transfer the assets back to the Successor Agency, however, the validity of that order is the subject of litigation pending in Sacramento Superior Court (*Sharma vs. City of Santa Clara*). The scope of the Controller’s authority and the type of assets of that can be ordered returned is an unsettled area of law. At this time it is not possible to determine whether the Controller’s order will be upheld by the Court.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 5 – THE IRVINE COMPANY GROUND LEASE (continued)

A. Irvine Company Disposition and Development Agreement With Ground Lease (DDA) for Office Park Development

In April 2000, the former RDA entered into a Disposition and Development Agreement (DDA) with Ground Lease with The Irvine Company (Developer) for development of the site as an office/R&D complex. The DDA contemplated the former RDA obtaining title to the entire property from the City prior to entering into ground leases with the Developer. Only Parcel 2 was conveyed to the former RDA. The site is subdivided into three parcels to accommodate the phased development of the project. The former RDA and Developer identified certain improvements (conditions precedent) to be completed to prepare the site for development. The former RDA and Developer also identified responsibilities for certain costs of the conditions precedent. As of June 30, 2013, the former RDA has appropriated \$16.1 million and expended \$14.8 million (for its share of these costs) for the following projects: Golf Course Fairways Relocation and Perimeter Drainage, Wetland Mitigation – Yerba Buena Parcels, Yerba Buena Owl Mitigation, Landfill Cut-off Wall, Yerba Buena Way Site Remediation, and Yerba Buena Site Development Fees. All conditions precedent have been completed. There is a minor amount of ongoing review and maintenance required for certain of the conditions precedent and that work continues.

As provided under the DDA, the former RDA leased Parcel 2 to the Developer, effective February 16, 2001. Pursuant to the Property Conveyance Agreement the City assumed the lease when Parcel 2 was conveyed to the City. Rent on Parcel 2 began on June 19, 2003. The term of the Lease is 80 years from the effective date and therefore shall expire on February 16, 2081. The City will receive a specified amount of minimum rent subject to inflationary adjustments at times specified in the Lease. For the fiscal year ended June 30, 2013, Lessee paid rent of \$4.0 million.

In March 2006, the DDA and the Ground Lease were amended to update the status of conditions precedent; amend the schedule of performance; clarify terms and conditions relating to Parcel 1 and Parcel 3; amend the Parcel 2 lease to reflect a new schedule of performance.

The following schedule summarizes the minimum future lease revenues to be received by the City from the lease of Parcel 2:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 4,031,481
2015	4,031,481
2016	4,031,481
2017	4,031,481
2018	4,031,481
Thereafter	<u>252,471,490</u>
Total	<u>\$ 272,628,895</u>

In October 2012, the City entered into two ground leases with the Irvine Company for Parcels 1 and 3. The term of both leases is 80 years after the effective date of October 31, 2012, and therefore both leases shall expire on October 31, 2092. The rent commencement date is November 1, 2012. Under the terms of the leases the City will receive specified amounts for minimum rent subject to certain events or time periods and then inflationary adjustments at times

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 5 – THE IRVINE COMPANY GROUND LEASE (continued)

specified in the leases. For the fiscal year ended June 30, 2013, Lessee paid rent of \$151 thousand for Parcel 1 and \$73 thousand for Parcel 3.

The following schedule summarizes the minimum future lease revenues to be received by the City from the leases of Parcels 1 and 3:

Fiscal Year	Parcel 1	Parcel 3	Total
2014	\$ 225,902	\$ 108,917	\$ 334,819
2015	451,804	217,835	669,639
2016	1,129,511	544,587	1,674,098
2017	2,259,022	1,089,174	3,348,196
2018	2,259,022	1,089,174	3,348,196
Thereafter	167,920,605	80,961,953	248,882,558
Total	<u>\$ 174,245,866</u>	<u>\$ 84,011,640</u>	<u>\$ 258,257,506</u>

B. Santa Clara Gateway Cooperation Agreement

In April 2000, the former RDA entered into a Cooperation Agreement (Agreement) with the City, whereby the former RDA agreed to acquire from the City a 42-acre site (site) bounded by Great America Parkway, Highway 237, Lafayette Street and the City's Golf Course. The former RDA agreed to pay consideration to the City for the site in an amount equal to all rent that the former RDA will receive from the eventual lease of the site. The Agreement provided that the City would convey land to the former RDA prior to the time the properties were needed for conveyance to the Developer. The Cooperation Agreement was amended in June 2005 to expand the sources of funds from which the former RDA makes payments on the site to the City. The former RDA agreed to make payments from any source of funds when and as available and not reasonably needed for other redevelopment purposes. The former RDA identified the lease payments on the ground leases of the Theme Park and the Santa Clara Hilton Hotel as additional sources for payment of the site. The amended Agreement also provided for payment of interest by the former RDA at the highest rate allowable by law on the \$101 million agreed upon valuation of the site. Upon execution of the 2011 Property Conveyance Agreement whereby the former RDA conveyed certain properties to the City in consideration for such conveyances and based on a market analysis of the value of the properties, the amount owed on the Santa Clara Gateway Cooperation Agreement was reduced to \$16.2 million.

NOTE 6 - ENTERPRISE FUND MANAGEMENT AGREEMENTS

A. Santa Clara Convention and Visitors Bureau and Convention Center

In March 1984, the City entered into two separate management agreements with the Santa Clara Chamber of Commerce and Convention/Visitors Bureau, Inc. (Chamber). The first agreement with the Chamber is for the management of the operations of the Santa Clara Convention/Visitors Bureau. In fiscal year ended June 30, 2013, the City paid the Chamber \$1.52 million under this contract. The second management agreement between the City and the Chamber is for the management of the operations of the Santa Clara Conference and Convention Center (Convention Center). Under the terms of this agreement, the Chamber will receive for its services an annual

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 6 - ENTERPRISE FUND MANAGEMENT AGREEMENTS (continued)

management fee identified in the Convention Center budget and approved by the City Council. In fiscal year ended June 30, 2013, the Convention Center paid the Chamber \$45 thousand. Each agreement is extendible for an additional year at the end of each year. Either party may terminate the agreements by providing 180 days written notice.

B. American Golf Corporation

In May 1987, SOSA entered into a management agreement with American Golf Corporation (AGC) to manage the operations of the Santa Clara Golf and Tennis Club (SCG&TC). Subsequent five-year extensions of the agreement with minor changes in language were made on June 4, 2002 through June 30, 2007; on March 20, 2007 through June 30, 2012; and on May 8, 2012 effective through June 30, 2017. Under the current agreement, AGC develops an annual business plan reviewed and approved by SOSA, and is entitled to receive an annual management fee equal to a fixed amount (\$158 thousand per year) plus 3% of the gross revenues derived from the operation of SCG&TC. The fixed portion of the management fee is adjusted annually for changes in the consumer price index. In addition, AGC receives an annual administration fee of an amount not to exceed \$55 thousand. In fiscal year 2013, the City paid a total of \$303 thousand under this contract.

C. Santa Clara Stadium Authority

On December 13, 2011, a Disposition and Development Agreement (DDA) was entered into by and between the SCSA and Forty Niners SC Stadium, LLC (StadCo). Pursuant to the terms of the DDA, the SCSA and StadCo entered into the Stadium Lease whereby StadCo leases the Stadium from SCSA.

The Construction Agency Agreement dated as of February 8, 2012 was entered into by and between the SCSA and StadCo. Under the terms of the Construction Agency Agreement, StadCo will be responsible for overseeing the construction process and the day to day interactions with the Design-Builder. During the course of construction a SCSA representative will participate in construction meetings, review change orders, and consult with StadCo on construction issues. On November 13, 2012 the First Amendment to the Construction Agency Agreement was approved. This First Amendment amends the Agreement to require that StadCo follow certain procedures with regards to the procurement of materials, and supplies. This is designed to ensure a competitive process resulting in the selection of the vendor offering the best value.

The Design-Build Agreement (DBA) dated as of February 8, 2012 was entered into by and among SCSA, StadCo as Construction Agent and Turner/Devcon, a Joint Venture as the Design-Builder. The DBA establishes Guaranteed Maximum Price (GMP) for construction of the Stadium and allows for the design and construction work required to construct the Stadium Project.

The StadCo Obligations Agreement dated as of March 28, 2012 was entered into by and among StadCo, SCSA, and Stadium Funding Trust (FinanceCo) pursuant to the DDA dated as of December 13, 2011. As of March 28, 2012, FinanceCo entered into a credit agreement (the "FinanceCo Credit Agreement") with several lenders to provide a senior secured multi-draw construction term loan facility in the maximum drawable amount of \$850 million (the "FinanceCo Construction Loan"). Additionally, FinanceCo, the SCSA and Goldman Sachs Bank entered into a Credit Agreement dated as of March 28, 2012 providing a loan to the SCSA, out of FinanceCo Construction Loan proceeds, in the maximum drawable amount of \$450 million to finance costs of

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 6 - ENTERPRISE FUND MANAGEMENT AGREEMENTS (continued)

the development and construction of the Stadium Project. Furthermore, FinanceCo provided a loan to StadCo, out of the FinanceCo Construction Loan proceeds, in the maximum drawable amount of \$400 million (the "StadCo Loan") to finance certain StadCo costs and expenses of the Stadium Improvements and for making a subordinated loan to the SCSA. Lastly, the Stadco Obligations Agreement dated as of March 28, 2012 among StadCo, the Stadium Funding Trust, and the SCSA provides subordinated borrowing from StadCo to the SCSA in an amount not to exceed \$500 million.

The Stadium Management Agreement dated as of March 28, 2012 was entered into by and among the SCSA, Forty Niners Stadium Management Company LLC (ManagementCo), and StadCo. The SCSA and StadCo selected ManagementCo to provide management services for the Stadium on each entity's behalf on a continual, year-round basis, including overseeing the day-to-day operations and maintenance of the Stadium. On November 13, 2012 the First Amendment to the Stadium Management Agreement was approved. This First Amendment establishes incentive management fees, clarifies certain responsibilities of ManagementCo, preserves the amount of concessions income earned by SCSA and StadCo, and addresses liability issues regarding a possible Solar Site License Agreement with NRG.

The Stadium Management Agreement gives ManagementCo the responsibility to oversee the concessions agreements but not to enter into the concessions agreements without SCSA and StadCo's prior consent. The Concessions Operating Agreement dated July 25, 2012 was reviewed by SCSA and StadCo and entered into by and between ManagementCo and Volume Services, Inc.. The Concessions Operating Agreement grants Volume Services, Inc. the exclusive right to provide food and beverage services and merchandise services at all events at the Stadium.

NOTE 7 – FAIRWAY GLEN DEVELOPMENT PROJECT AGREEMENTS

On March 8, 2011, the City, former RDA, and SOSA adopted resolutions authorizing the execution of an Assignment and Assumption Agreement (Assignment) assigning the former RDA's interest in certain leases, subleases and cooperation agreements to the City. The former RDA assigned to the City and the City assumed all rights, title, and interests under Master Lease and Subleases from the former RDA. For fiscal year ended June 30, 2013, lease revenues are recorded in SOSA.

A. Disposition and Development Agreement (Original DDA)

A Disposition and Development Agreement dated November 1, 1988, and First Implementation Agreement dated January 17, 1990, (collectively, the Original DDA) were entered into by the City's Sports and Open Space Authority (SOSA) and a private developer for the lease of land owned by SOSA and phased development of the Fairway Glen Development Project consisting of seven parcels (74.29 acres) of multifamily residential rental housing and two parcels (9.3 acres) for a commercial center.

In April 1994, subsequent to the lease of the first two residential parcels and the completion of construction of Bella Vista Apartments (Phase R-1) on those parcels, the developer exercised the option to terminate the Original DDA as to all remaining phases of development. SOSA and the developer entered into discussions relative to limited development of the remaining parcels. The discussions resulted in the Agreement to Amend Ground Lease (See Note 7B) and a new

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 7 – FAIRWAY GLEN DEVELOPMENT PROJECT AGREEMENTS (continued)

Disposition and Development Agreement (New DDA) for the development of Parcels R-3 and R-4 (See Note 7C).

B. Agreement to Amend Ground Lease

The Agreement to Amend Ground Lease (Agreement to Amend) was entered into by SOSA and the developer in February 1996. Concurrent with the Agreement to Amend, SOSA and the former RDA entered into a Cooperation Agreement. Under the Cooperation Agreement, a Master Lease was executed for Parcel R-1. The execution of a Master Lease resulted in the conversion of the Ground Lease into a Sublease and the assignment of SOSA's interest as lessor under the Ground Lease to the former RDA at the time of the recordation of the Amended Sublease.

As provided in the Agreement to Amend, the former RDA as Sublessor and the developer as Sublessee have entered into an Amended Sublease (Sublease) for Parcel R-1. The Sublease transforms the existing unsubordinated Ground Lease from SOSA to developer into a rent-subordinated sublease from the former RDA to the developer. The terms of the Sublease are intended to permit the developer to obtain financing secured by its subleasehold interest in the Sublease and the former RDA's interest in the Master Lease.

Under the Sublease, the former RDA is entitled to a minimum rent of \$1,200 per net acre monthly, or \$27,054 per month. The minimum rent is subject to adjustment at amounts calculated at times specified in the Amended Sublease. The minimum rent was adjusted to \$41,805 per month starting July 2003, following the refinancing of the sublessee's interest in June 2003. The former RDA is also entitled to additional rent calculated at a specified percentage of net operating income, operating cash flow, and as applicable, refinancing or sales proceeds. In accordance with the Master Lease, all amounts received by SOSA under the agreement are paid to the City. The Sublease provides for a maximum term of 75 years from August 15, 1996, including two ten-year option terms.

On February 13, 2012, the Sublessee exercised its option to purchase the underlying fee interest in the Bella Vista (Parcel R-1) apartment project as provided for in the Ground Lease. On April 26, 2012, the Bella Vista (Parcel R-1) project was purchased by Bella Vista at Santa Clara LLC for \$48,950,000.

C. New Disposition and Development Agreement (New DDA)

In January 1996, the former RDA and the developer entered into a New Disposition and Development Agreement (New DDA). The New DDA provided for the execution and recordation of Master Leases for Parcels R-3 and R-4 between SOSA and the former RDA and for the subleasing of Parcels R-3 and R-4 from the former RDA by the developer. Under the New DDA, the former RDA has ground subleased Parcels R-3 and R-4 and the Developer has constructed thereon 252 and 276 housing units, respectively.

Under the terms of subleases, the former RDA is entitled to a minimum rent payment of \$1,200 per net acre per month or \$11,945 per month for Nantucket Apartments (Parcel R-3) and \$12,970 per month for The Carlyle (Parcel R-4). In addition, the former RDA receives percentage and participation rents calculated in accordance with formulas specified in the subleases. Commencing with the rent payment of September 2005, the minimum rent for Parcel R-3 was adjusted to \$17,462 per month as a result of the refinancing of the Sublessee's interest in Nantucket

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 7 – FAIRWAY GLEN DEVELOPMENT PROJECT AGREEMENTS (continued)

Apartments in August 2005. Likewise, effective with the rent payment of May 2006, the minimum rent for Parcel R-4 was adjusted to \$21,355 per month as a result of the refinancing of the sublessee’s interest in The Carlyle in April 2006.

On February 13, 2012, the Sublessee exercised its option to purchase the underlying fee interest in The Carlyle (Parcel R-4) apartment project as provided for in the Ground Lease. On April 26, 2012, The Carlyle (Parcel R-4) project was purchased by Carlyle at Santa Clara LLC for \$24,180,000.

In fiscal year 2012-13, the City received from Parcel R-3 sublease \$210 thousand, \$127 thousand and \$25 thousand in minimum, percentage and participation rents, respectively. All amounts received by SOSA under the foregoing agreements are paid to the City.

D. SOSA Future Lease Revenues

The separate lease agreement with a restaurant operator for a restaurant facility (David's) at the Santa Clara Golf & Tennis Club (SCG&TC) is on month to month terms. The following schedule summarizes the future minimum lease payments to be received by SOSA from the Fairway Glen development project (Note 7B & 7C):

Fiscal Year	R-3 Nantucket
2014	\$ 209,544
2015	209,544
2016	209,544
2017	209,544
2018	209,544
Thereafter	7,019,724
Total	<u>\$ 8,067,444</u>

NOTE 8 – CASH AND INVESTMENTS

A. Pooled Cash and Investment

The City pools cash from all sources and all funds except restricted cash and investments with fiscal agent. Allocable portions of the pooled portfolio for each fund type are reported under the captions “Pooled cash and investments” and “Cash restricted for construction.” Interest income earned on pooled cash and investments is allocated to various funds based on average cash balances of each fund unless there are specific legal or contractual requirements to do otherwise.

Total cash and investments of the City was \$661.3 million as of June 30, 2013. This amount includes the City’s cash and cash equivalents of \$624.2 million, and cash and investments with fiscal agents of \$37.1 million.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 8 – CASH AND INVESTMENTS (continued)

Of the City's total cash and investments, the following shows the allocation as presented on the accompanying statement of net position:

Pooled cash and investments	\$ 571,680,639
Cash restricted for construction	44,514,476
Deposits	7,968,435
Total cash and investments	624,163,550
Investments with fiscal agent - current	16,197,066
Investments with fiscal agent - noncurrent	20,964,358
Total cash with fiscal agent	37,161,424
Total Cash	\$ 661,324,974

The City's cash and investments balances in Governmental, Proprietary, Internal Service Funds, Private Purpose Trust, and Agency Funds were as follows:

	Governmental Funds	Proprietary Funds	Internal Service Funds	Private Purpose Trust	Agency Funds	Total
Pooled cash and investments	\$ 231,052,425	\$ 306,677,192	\$ 17,300,383	\$ 3,297,227	\$ 13,353,412	\$ 571,680,639
Investments with fiscal agent - current	23,581	3,733,523	-	12,439,964	2	16,197,070
Cash designated for construction	41,964,262	2,550,214	-	-	-	44,514,476
Investments with fiscal agent - noncurrent	4,074,721	14,178,392	-	2,711,241	-	20,964,354
Deposits	-	7,968,435	-	-	-	7,968,435
Total cash and investments	\$ 277,114,989	\$ 335,107,756	\$ 17,300,383	\$ 18,448,432	\$ 13,353,414	\$ 661,324,974

B. Investments Authorized by the California Government Code and the City's Investment Policy

The City's investment strategy is to invest cash not required for current obligations in U.S. government securities, federal government agency securities, highly rated money market instruments and other investments in accordance with the City's investment policy for a maximum term of five years for the General Fund portfolio. The City Council has authorized the purchase of securities with maturities greater than five years, specifically for the Electric Cost Reduction Account. This strategy allows the City to minimize its exposure to credit, market, and liquidity risk while maintaining a reasonable return on its portfolio.

The City's investment policy, in compliance with the City of Santa Clara Charter, Article IX, Section 904 (d) and (h), and the California Government Code authorizes the City to invest in securities that are consistent with the City's cash management strategy and long-term goals and objectives. The City is authorized to invest in the following types of instruments, and the table also identifies certain provisions of the California Government Code, or the City's investment policy where it is more restrictive:

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 8 – CASH AND INVESTMENTS (continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	Top three ratings categories	None	None
U.S. Agency Securities (A)	5 years	Top three ratings categories	None	None
Negotiable Certificates of Deposit	5 years	N/A	30%	None
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A1 / P1	25%	10%
California Local Agency Investment Fund	N/A	N/A	None	\$50M Per A/C
Repurchase Agreements	1 year	N/A	None	None
Reverse Repurchase Agreements (requires City Council approval)	92 days	N/A	None	None
Tax Exempt Municipal Bonds (for yield restriction purposes)	5 years	N/A	None	None
Medium Term Corporate Notes	5 years	Top three ratings categories	15%	None
Mutual Funds	N/A	Top rating category	20%	10%
Investment Pools	N/A	Top rating category	20%	10%

(A) Securities issued by the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC)

C. Investments with Fiscal Agents

The City invests bond proceeds restricted for construction in instruments that are stated in the Investment Policy and in various return-guaranteed investment agreements. These investments are invested in accordance with bond indentures and the maturities of each investment should not exceed the final maturity of each bond. Bond proceeds investments are reported monthly to the City Council.

The City also maintains required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 8 – CASH AND INVESTMENTS (continued)

California Government Code 53601 (L) allows these funds to be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, other agreements, or certificates of participation in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance. For disclosure purposes, debt proceeds that comply with this provision are listed as follows:

Description	Invested Amount	Nature of Funds	Invested with	Maturity	Credit Rating
Agency Tax Allocation Bonds Series 1999	\$ 13,261,556	Bond Proceeds	Fidelity Money Market	1 day	Aaam

Note: Credit rating is based on Moody's.

Former RDA and Electric Reserve Fund bond proceeds restricted for construction projects are invested and held by the trustee as fiscal agent investments. All funds have been invested as permitted under the Code. These investments are usually scheduled to mature when cash is needed to fulfill the requirements of the underlying bond and trust agreements. All investment transactions received prior approval from the City's Director of Finance before they are executed.

D. Interest Rate and Credit Risks

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To reduce interest rate risk, the City diversifies the portfolio into a wide range of investments with different maturities, and maintains a reasonable average maturity of less than three years. This approach significantly mitigates adverse market volatility and maximizes returns.

The average maturity of the City's pooled investment portfolio at June 30, 2013 was approximately 2.99 years and the City has the ability to and generally intends to hold all investments to maturity. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided in the investment table that shows the distribution of the City's investments by maturity or call date, whichever is earlier.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented on the next page is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of June 30, 2013 for each investment type:

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 8 – CASH AND INVESTMENTS (continued)

Type of Investment	Credit Rating	Maturity					Fair Value
		Under 180 Days	181 - 365 Days	1 - 3 Years	3 - 5 Years	Over 5 Years	
Pooled cash and investments:							
Cash	N/A	\$ 42,208,472	\$ -	\$ -	\$ -	\$ -	\$ 42,208,472
Federal Farm Credit Banks	Aaa	-	-	54,970,560	153,563,853	-	208,534,413
Federal Home Loan Banks	Aaa	12,075,903	6,177,594	29,747,780	34,952,016	-	82,953,293
Federal National Mortgage Association	Aaa	-	-	30,172,880	85,308,701	-	115,481,581
Federal Home Loan Mortgage Corporation	Aaa	-	-	22,946,936	39,115,830	-	62,062,766
Mutual fund - Fidelity	Aaam	19,224,965	-	-	-	-	19,224,965
Mutual fund - Dreyfus	Aaam	2,173,674	-	-	-	-	2,173,674
State Investment Pool (LAIF)	Not Rated	49,505,816	-	-	-	-	49,505,816
Total pooled cash and investments in the City Treasury		125,188,830	6,177,594	137,838,156	312,940,400	-	582,144,980
Debt & Other investments:							
Federal Farm Credit Banks	Aaa	-	-	-	133,754	-	133,754
Federal Home Loan Banks	Aaa	-	-	-	-	381,606	381,606
Corporate notes (Bentzien Trust)	Aaa	-	-	-	-	72,182	72,182
Corporate notes (Bentzien Trust)	Aa	96,123	-	-	132,732	106,885	335,740
Corporate notes (Bentzien Trust)	A	137,245	103,501	-	51,016	102,404	394,166
Corporate notes (Bentzien Trust)	B	-	25,543	83,135	210,632	125,264	444,574
Corporate stock (Bentzien Trust)	A&B	1,021,105	-	-	-	-	1,021,105
Corporate stock (Bentzien Trust)	Not Rated	156,961	-	-	-	-	156,961
Mutual fund - Dreyfus (Bond Proceeds)	Aaam	3,509,915	-	-	-	-	3,509,915
Mutual fund - Fidelity (Bond Proceeds)	Aaam	13,261,556	-	-	-	-	13,261,556
Mutual fund - Union Bank (Debt Fund)	Aaam	725,815	-	-	-	-	725,815
Mutual fund - Bank of New York (Debt Fund)	Aaam	58,724,921	-	-	-	-	58,724,921
Mutual fund - Federated Prime (Bentzien Trust)	Aaam	17,699	-	-	-	-	17,699
Total non-city pooled investments		77,651,340	129,044	83,135	528,134	788,341	79,179,994
Total cash and investments		\$ 202,840,170	\$ 6,306,638	\$ 137,921,291	\$ 313,468,534	\$ 788,341	\$ 661,324,974

Note:

Corporate stocks were purchased by external manager for the Bentzien Trust with the approval of the City Council.

Credit rating is based on Moody's.

The City accounts for investments in accordance with the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, which requires governmental entities to report certain investments at fair value based on quoted market information obtained from recognized sources. The City has reported its investments at fair value with the exception of its share of external investment pools and mutual funds, the carrying value of which approximates fair value. In determining the change in fair value of its investments, the City used an aggregate method of calculation.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 8 – CASH AND INVESTMENTS (continued)

E. Concentration of Credit Risk

Investments in the securities of any individual issuers that represent 5% or more of total Citywide investments are shown in the table below:

<u>Issuer</u>	<u>Bond-rating</u>	<u>Fair Value</u>	<u>Expiration</u>	<u>% of Holding</u>
Federal Farm Credit Banks	Aaa	\$ 208,668,167	N/A	31.6%
Federal Home Loan Banks	Aaa	\$ 83,334,899	N/A	12.6%
Federal Home Loan Mortgage Corporation	Aaa	\$ 62,062,766	N/A	9.4%
Federal National Mortgage Association	Aaa	\$ 115,481,581	N/A	15.2%

F. Custodial Credit Risk

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 its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 105% to 150% of the City's cash on deposit. All of the City's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's Investment Policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City, including collateral for repurchase agreements, be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian.

G. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments that are highly sensitive to interest rate fluctuations to a greater degree than already disclosed in the Interest Rate Risk Section above.

H. Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF's investment portfolio mainly consist of Treasuries, loans, Federal Agency securities, and collateralized mortgage obligations. The carrying value of LAIF approximates fair value.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 9 – INTERFUND TRANSACTIONS AND BALANCES

A. Interfund Transfers

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund. Less often, a transfer may be made to open or close a fund.

Transfers between funds during the fiscal year ended June 30, 2013 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred	
General Fund	Non-Major Governmental	\$ 1,689,321 A	
	Sports and Open Space Authority	1,398,664 B	
	Santa Clara Convention Center	1,065,897 C	
Cemetery	General Fund	113,280 D	
Non-Major Governmental	General Fund	10,958,725 E	
	Non-Major Governmental	1,365,088 F	
	Cemetery	5,769 G	
	Solid Waste	65,104 G	
	Electric Utility	795,837 G	
	Water Utility	106,674 G	
	Sewer Utility	58,766 G	
	Automotive Services	15,185 G	
	Worker's Comp Insurance Claims	General Fund	319,153 H
		Electric Utility	55,144 H
Water Utility		14,272 H	
Sewer		4,979 H	
Water Recycling Utility		621 H	
Solid Waste		2,491 H	
Cemetery		1,517 H	
Technical Equipment Services		1,394 H	
Water Utility	Automotive Services	5,429 H	
	Special Liability Insurance	80,000 H	
	Water Recycling Utility	700,000 I	
Sports and Open Space Authority	Santa Clara Golf and Tennis Club	978,538 J	
Total Interfund Transfers		<u>\$ 19,801,848</u>	

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 9 – INTERFUND TRANSACTIONS AND BALANCES (continued)

The reasons for material transfers are set forth below:

- (A) Transfer to general fund from capital project funds to return unspent project funds.
- (B) Transfer per the cooperation agreement between general fund and SOSA to preserve the capital balance of the land proceeds.
- (C) Transfer per the cooperation agreement between general fund and Santa Clara Convention Center.
- (D) Transfer from Working Capital Reserve to the Cemetery Fund.
- (E) Transfer to fund various projects in the capital funds and pay governmental debt service.
- (F) Transfer to fund the various projects in Street and Highways per City grant agreement.
- (G) Transfer to fund their respective share of financial, human resources software, utility billing and other projects.
- (H) Transfer to fund workers' compensation claims and computer dispatch upgrades and technology improvements.
- (I) Transfer to fund Water Recycling Activities.
- (J) Transfer lease payments from American Golf, Interland, and others in accordance with the lease agreement.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 9 – INTERFUND TRANSACTIONS AND BALANCES (continued)

B. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of interfund balances as of June 30, 2013.

Receivable Fund	Payable Fund	Amount
General Fund	Non-Major Governmental	\$ 114,242
	Santa Clara Convention Center	1,749,881
	Santa Clara Stadium Authority	114,082
Non-Major Governmental	Internal Service Funds	<u>22,473</u>
	Receivable by Governmental Funds	<u>\$ 2,000,678</u>
Electric Utility	Internal Service Funds	\$ 2,132,363
Water Utility	Internal Service Funds	230,407
Sewer	Internal Service Funds	245,434
Cemetery	Internal Service Funds	<u>176,031</u>
	Receivable by Enterprise Funds	<u>\$ 2,784,235</u>
Internal Service Funds (Various)	Internal Service Funds (Various)	<u>\$ 99,701</u>
	Receivable by Internal Service Funds	<u>\$ 99,701</u>

Note: The City uses due to/due from as a balancing mechanism in funds with negative cash balances.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 9 – INTERFUND TRANSACTIONS AND BALANCES (continued)

C. Long-Term Interfund Advances

At June 30, 2013, the funds below had made advances which were not expected to be repaid within the next year.

Fund Receiving Advance	Fund Making Advance	Amount of Advance
Cemetery	General Fund	\$ 4,218,988
Santa Clara Golf & Tennis Club	General Fund	4,174,133
General Fund	Electric	45,525
Total Advances		\$ 8,438,646

Cemetery Fund has a \$4,218,988 advance that bears no interest and will be repaid when funds become available. The advance is a long term subsidy of operations pending mausoleum project funding in future years, which is expected to generate additional revenues.

Santa Clara Golf and Tennis Club Fund has a \$4,174,133 advance which does not bear interest, and will be repaid in annual installments after completion of capital improvements from income generated by these capital improvements.

General Fund has a \$45,525 advance that bears no interest, and will be repaid in annual installments through the energy efficiency program.

D. Internal Balances

Internal balances represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities. The \$10,535 net internal balance at the Statement of Net Position is due to having different fiscal year end dates between the City and the SCSA, which changed its fiscal year end date from June 30th to March 31st in November 2012 (refer to Note 2D for more information). Of the \$10,535 net internal balance for the SCSA, \$8,012 is from the General Fund and the remaining \$2,523 is from Electric Utility.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 10 - CAPITAL ASSETS

A. Capital Assets Summary

Capital Assets at June 30, 2013 are comprised of:

	Balance June 30, 2012	Additions	Retirements	Transfers	Balance June 30, 2013
Governmental Activities					
Non Depreciable Assets:					
Land	\$ 111,903,009	\$ 572,400	\$ -	\$ (572,400)	\$ 111,903,009
Construction in progress	45,061,613	13,710,775	-	(4,510,984)	54,261,404
Total Non Depreciable Assets	156,964,622	14,283,175	-	(5,083,384)	166,164,413
Capital assets being depreciated:					
Land improvements	19,770,763	-	-	151,339	19,922,102
Buildings	164,044,740	-	-	464,537	164,509,277
Infrastructure	448,887,244	1,518,934	-	3,738,552	454,144,730
Machinery & equipment	73,140,038	1,714,946	(12,970,742)	728,956	62,613,198
Total Capital assets being depreciated	705,842,785	3,233,880	(12,970,742)	5,083,384	701,189,307
Less accumulated depreciation for:					
Land improvements	(8,585,230)	(881,631)	-	-	(9,466,861)
Buildings	(37,540,310)	(3,376,513)	-	-	(40,916,823)
Infrastructure	(198,904,101)	(11,862,476)	-	-	(210,766,577)
Machinery & equipment	(57,350,830)	(4,805,012)	12,911,082	-	(49,244,760)
Total accumulated depreciation	(302,380,471)	(20,925,632)	12,911,082	-	(310,395,021)
Net Depreciable Assets	403,462,314	(17,691,752)	(59,660)	5,083,384	390,794,286
Governmental Activity Net Capital Assets	\$ 560,426,936	\$ (3,408,577)	\$ (59,660)	\$ -	\$ 556,958,699
Business-Type Activities					
Non Depreciable Assets:					
Land	\$ 19,355,316	\$ -	\$ -	\$ -	\$ 19,355,316
Construction in progress	186,258,273	307,839,525	-	(45,525,794)	448,572,004
Total Non Depreciable Assets	205,613,589	307,839,525	-	(45,525,794)	467,927,320
Capital Assets being depreciated:					
Land Improvements	23,935,017	-	-	-	23,935,017
Buildings	90,612,650	34,478	-	-	90,647,128
Infrastructure	862,171,418	-	-	44,881,850	907,053,268
Machinery & equipment	20,242,978	252,202	(1,198,331)	643,944	19,940,793
Total Capital Assets being depreciated	996,962,063	286,680	(1,198,331)	45,525,794	1,041,576,206
Less accumulated depreciation for:					
Land Improvements	(17,643,243)	(796,991)	-	-	(18,440,234)
Buildings & improvements	(45,553,676)	(2,855,337)	-	-	(48,409,013)
Infrastructure	(359,034,124)	(19,346,421)	-	-	(378,380,545)
Machinery & equipment	(14,975,733)	(1,198,055)	1,196,099	-	(14,977,689)
Total accumulated depreciation	(437,206,776)	(24,196,804)	1,196,099	-	(460,207,481)
Net Depreciable Assets	559,755,287	(23,910,124)	(2,232)	45,525,794	581,368,725
Enterprise Activity Net Capital Assets	\$ 765,368,876	\$ 283,929,401	\$ (2,232)	\$ -	\$ 1,049,296,045

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 10 – CAPITAL ASSETS (continued)

B. Construction in Progress Summary

Construction in Progress for governmental activities as of June 30, 2013 consisted of the following projects:

<u>Governmental Projects</u>	<u>Authorized</u>	<u>Expended</u>	<u>Future Commitments</u>
Transportation Improvements	\$ 15,536,161	\$ 3,679,394	\$ 11,856,767
Technology Application & Implementation Projects	1,572,445	575,004	997,441
City Building Improvements	67,202,885	50,007,006	17,195,879
Total	<u>\$ 84,311,491</u>	<u>\$ 54,261,404</u>	<u>\$ 30,050,087</u>

Construction in Progress for business-type activities as of June 30, 2013 consisted of the following:

<u>Enterprise Fund Projects</u>	<u>Authorized</u>	<u>Expended</u>	<u>Future Commitments</u>
Electric Projects	\$ 49,867,377	\$ 22,907,498	\$ 26,959,879
Water and Sewer Projects	24,105,305	1,134,035	22,971,270
Stadium Authority Projects	1,137,331,840	424,530,471	712,801,369
Total	<u>\$ 1,211,304,522</u>	<u>\$ 448,572,004</u>	<u>\$ 762,732,518</u>

Details of these projects are available from the City on request.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 10 – CAPITAL ASSETS (continued)

C. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities:

General Administration	\$ 2,233,349
City Clerk	948
City Attorney	850
Human Resources	2,486
Finance	119,310
Public Works	12,491,228
Parks and Recreation	1,558,803
Public Safety	
Police	1,440,039
Fire	551,339
Planning & Inspection	16,889
Library	1,036,875
	<u>19,452,116</u>

Capital assets held by the City's Internal Service

Funds are charged to the various functions based on their usage of the assets	<u>1,473,516</u>
Total Governmental Activities	<u><u>\$ 20,925,632</u></u>

Business-Type Activities:

Utility Funds:

Electric Utility	\$ 19,030,402
Water Utility	1,085,516
Sewer Utility	478,083
Solid Waste	2,547
Cemetery	29,876
Santa Clara Golf and Tennis Club	802,618
Santa Clara Convention Center	2,767,762
	<u>24,196,804</u>
Total Business-Type Activities	<u><u>\$ 24,196,804</u></u>

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 11 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS

A. Summary of Long-Term Obligations

Type of Indebtedness	Issue Date	Final Maturity	Interest Rates	Authorized and Issued	Outstanding as of June 30, 2012	Debt Retired / Defeased	Additions, Transfers, and Amortization of Discounts	Outstanding as of June 30, 2013	Current Portion
Governmental Activity Debt:									
General Long Term Debt:									
2002A Certificates of Participation	11/14/2002	2/1/2032	3.00-5.00	\$ 25,025,000	\$ 20,480,000	\$ 20,480,000	\$ -	\$ -	\$ -
2002B Certificates of Participation	11/14/2002	2/1/2014	3.00-4.50	33,505,000	9,935,000	3,050,000	-	6,885,000	6,885,000
2010 City of Santa Clara Lease Agreement	7/13/2010	8/1/2022	3.65	10,207,000	9,113,000	772,000	-	8,341,000	800,000
2013 Refunding Certificates of Participation	3/28/2013	2/1/2032	2.00-3.75	18,540,000	-	-	18,540,000	18,540,000	835,000
Unamortized Premium/Discount					-	13,574	1,031,640	1,018,066	-
Subtotal Government Activity Debt				<u>87,277,000</u>	<u>39,528,000</u>	<u>24,315,574</u>	<u>19,571,640</u>	<u>34,784,066</u>	<u>8,520,000</u>
Business Type Activity Debt:									
Enterprise Long Term Debt:									
Electric Utility:									
2003 Series A Revenue Bonds	10/9/2003	7/1/2028	2.50-5.25	100,000,000	80,295,000	80,295,000	-	-	-
2008 Series B Revenue Bonds	5/29/2008	7/1/2027	Variable	86,600,000	82,540,000	3,350,000	-	79,190,000	3,550,000
2011 Series A Revenue Bonds	3/22/2011	7/1/2032	5.00-6.00	54,830,000	54,830,000	-	-	54,830,000	-
2013 Series A Revenue Bonds	3/26/2013	7/1/2028	3.00-5.00	64,380,000	-	-	64,380,000	64,380,000	-
Unamortized Premium/Discount					(7,019,455)	1,547,758	(9,842,982)	1,275,769	-
Subtotal Enterprise Activity Debt				<u>565,737,131</u>	<u>343,275,621</u>	<u>85,192,758</u>	<u>318,047,560</u>	<u>595,816,387</u>	<u>3,550,000</u>
Santa Clara Stadium Authority:									
			90-Day						
StadCo Subordinated Loan	3/28/2012	9/1/2015	LIBOR+3.25	101,989,406	101,989,406	-	134,913,973	236,903,379	-
StadCo Agency Advance	3/28/2012	12/28/2027	5.73	30,640,670	30,640,670	-	1,299,514	31,940,184	-
Authority Construction Loan	3/28/2012	9/1/2015	LIBOR+3.25	127,297,055	-	-	127,297,055	127,297,055	-
Subtotal Santa Clara Stadium Authority				<u>260,927,131</u>	<u>132,630,076</u>	<u>-</u>	<u>263,510,542</u>	<u>396,140,618</u>	<u>-</u>
Total Long-Term Debt Obligations				<u>\$ 653,014,131</u>	<u>\$ 382,803,621</u>	<u>\$ 109,508,332</u>	<u>\$ 337,619,200</u>	<u>\$ 630,600,453</u>	<u>\$ 12,070,000</u>

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 11 – LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

B. City's Long-term Obligations

2002 Certificates of Participation, Series A Bonds

On November 14, 2002, the City's PFFC issued \$25.03 million of the 2002 Certificates of Participation, Series A Bonds (2002A COP). Proceeds of the 2002A COP were used to construct the City's Central Park Library. The 2002A COP matures serially in years 2004 through 2032, and bear interest at 3.0% to 5.0%. Debt service on the 2002A COP is secured by lease payments to be made by the City to the PFFC for the use of the library. The PFFC assigns the lease payments to the certificate owners. The 2002A COP bonds were refunded on March 28, 2013 by the 2013 Central Park Library Refunding Certificates of Participation described below and were redeemed in full on March 29, 2013. The debt service savings achieved is nearly \$4.1 million over the remaining term of the bonds. The net present value savings is \$3.1 million.

2002 Certificates of Participation, Series B Bonds

On November 14, 2002, the City's Sports and Open Space Authority (SOSA) issued \$33.51 million of the 2002 Certificates of Participation, Series B Bonds (2002B COP). Proceeds of the 2002B COP were used to redeem outstanding balances of the LGFA Bonds and the 1993 COP. The 2002B COP matures serially in years 2003 through 2014. Debt service on the 2002B COP is secured by lease payments between the City and SOSA for the use of the golf course property and related facilities. SOSA assigns the lease payments to the certificate owners.

2010 City of Santa Clara Lease Agreement

On July 13, 2010, the City entered into a new agreement with the PFFC in order to provide funds for the refunding of the City's 1997 Certificates of Participation for the Police Administration building. The PFFC entered into a separate agreement with the assignee, Bank of America, N.A. Debt Service on the new Lease Agreement is secured by lease payments made by the City to the assignee for use of the Police Administration site. On March 22, 2012, Bank of America sold and transferred the agreement to Capital One Public Financing, LLC with no change to the terms, covenants, or conditions of the contract or the payment schedule.

2013 Central Park Library Refunding Certificates of Participation (2013 COP)

On March 28, 2013, the City's PFFC issued \$18.54 million to provide funds for the refunding of the 2002A COP. The 2013 COP matures annually in serial amounts from February 2014 to February 2032 and bear coupon ratings ranging from 2% to 3.75%. Debt Service is secured by lease payments to be made by the City to the PFFC for the use of the Library. The PFFC assigns the lease payments to the certificate owners.

Compliance

Various debt agreements governing the City's bonds contain a number of covenants, including continuing disclosure requirements. The City is in compliance with these specific covenants and all other material covenants governing the particular bond issues. No event or default as defined in the bond indentures has occurred or is occurring.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 11 – LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

C. Enterprise Funds

Electric Utility

Subordinated Electric Revenue Refunding Bonds, 2003 Series A

On October 9, 2003, Silicon Valley Power issued \$100 million of the Subordinated Electric Revenue Bonds, Series 2003A (Electric 2003A Bonds) to finance a portion of the Donald Von Raesfeld Power Plant. The Electric 2003A Bonds mature annually in serial amounts from July 1, 2005 to July 1, 2025 with the final Term Bond maturity of July 1, 2028. Debt service on the Electric 2003A Bonds is secured by a pledge of net revenues of the Electric Utility Enterprise Fund. The Electric 2003A Bonds were refunded on April 24, 2013 by the Electric 2013A Bonds described below and were redeemed in full on July 1, 2013. The difference between cash flow required to service the Electric 2003A Bonds and Electric 2013A Bonds is \$17.0 million. The present value savings of the refunding at the effective interest rate is \$14.1 million.

Electric Revenue Refunding Bonds, 2008 Series B

On May 29, 2008, Silicon Valley Power issued \$86.6 million of the Subordinated Electric Revenue Bonds, Series 2008B (Electric 2008B Bonds) to refinance \$80.53 million of the Electric 1998A Bonds on July 1, 2008. The Electric 2008B Bonds mature annually in serial amounts from July 1, 2009 to July 1, 2027. The Electric 2008B Bonds are multi-modal bonds that are authorized to be issued in variable mode. Initially, the Electric 2008B Bonds were issued in the weekly mode. Payment of the principal of and interest on, and purchase price of, the Electric 2008B Bonds are made from proceeds of draws on the Letter of Credit provided by Dexia Credit Local. On May 11, 2011, the Letter of Credit provided by Dexia was replaced by a Letter of Credit provided by Bank of America, N.A. In connection therewith, the name of the bonds was redesignated from “Subordinated Electric Revenue Refunding Bonds” to “Electric Revenue Refunding Bonds” to reflect that all senior electric revenue bonds of Silicon Valley Power have been retired. Debt service on the Electric 2008B Bonds is secured by a pledge of net revenues of the Electric Utility Enterprise Fund.

Electric Revenue Refunding Bonds, 2011 Series A

On March 22, 2011, Silicon Valley Power issued \$54.83 million of Electric Revenue Refunding Bonds, 2011 Series A (Electric 2011A Bonds) to refinance the \$49.66 million outstanding principal amount of the Electric 2008A Bonds. The Electric 2011A Bonds mature annually in serial amounts from July 1, 2028 to July 1, 2032 and bear coupon rates ranging from 5.00% to 6.00%. Debt service on the Electric 2011A Bonds is secured by a pledge of net revenues of the Electric Utility Enterprise Fund.

Electric Revenue Refunding Bonds, 2013 Series A

On March 26, 2013, Silicon Valley Power issued \$64.38 million of the Electric Revenue Bonds, Series 2013A (Electric 2013A Bonds), to provide funds, together with other available moneys, to refund and defease the City’s outstanding Electric 2003A Bonds. The Electric 2013A Bonds mature annually in serial amounts from July 1, 2014 to July 1, 2028 and bear coupon rates ranging from 3.00% to 5.00%. Debt service on the Electric 2013A Bonds is secured by a pledge of net revenues of the Electric Utility Enterprise Fund.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 11 – LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

Pledges of Future Electric Revenues

The pledge of future Electric Fund revenues ends upon repayment of the \$198 million in remaining debt service on the bonds which is scheduled to occur in fiscal year 2032-33. For fiscal year 2012-13, Electric Fund revenues including operating revenues and non-operating interest earnings amounted to \$292 million and operating costs including operating expenses, but not interest, depreciation or amortizations amounted to \$268 million. Net revenues available for debt service amounted to \$24 million which represented coverage ratio of 1.47 over the \$17.3 million in debt service.

Santa Clara Stadium Authority

StadCo Subordinated Loan

The StadCo Obligations Agreement dated as of March 28, 2012 was entered into by and among StadCo, SCSA, and FinanceCo pursuant to the Stadium Lease dated as of December 13, 2011. The StadCo Obligations Agreement provides subordinated borrowing to the SCSA in an amount not to exceed \$500 million through September 1, 2015 with interest at the 90 day LIBOR rate plus the applicable margin. The applicable interest rates on the StadCo Subordinated Loan are noted below:

<u>Dates</u>	<u>Interest rate</u>
July 1, 2012 through September 30, 2012	3.6085%
October 1, 2012 through December 31, 2012	3.5560%
January 1, 2013 through March 31, 2013	3.5326%

Principal repayments will be established at the time of take out financing and will commence one year after substantial completion of construction. As of March 31, 2013, \$236.9 million is outstanding which includes \$5.22 million of interest added to principal

StadCo Agency Advance

The Santa Clara Stadium Authority (SCSA) and the former RDA entered into the Cooperation Agreement dated as of February 28, 2011 to which the former RDA agreed to contribute a total of \$40 million toward Development Costs of the Stadium Project. In addition, pursuant to Section 3.1 of the Cooperation Agreement, the former RDA agreed to pay one-half of Development Fees in the amount of \$1.6 million for a total of \$41.6 million maximum collectible from the former RDA plus financing costs and interest. The former RDA, SCSA, and Forty Niners SC Stadium Company LLC (StadCo) entered into the Predevelopment Funding Agreement dated as of March 21, 2011 in accordance with which \$4 million in former RDA funds were advanced to StadCo to fund preliminary design and construction for the Make-Ready Work. The former RDA also transferred \$2.7 million of proceeds from the former RDA's 2011 North Bayshore Redevelopment Project Area Tax Allocation Bonds pursuant to the Cooperation Agreement and Predevelopment Funding Agreement. As of January 31, 2012, the former RDA contributed \$11.35 million to the Stadium Project; \$1.6 million for City Development fees, \$4 million for Make-Ready Work, \$2.7 in bond proceeds, and \$3 million for project-related consultant work.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 11 – LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

California legislation, AB1X 26 dissolved all redevelopment agencies in California as of February 1, 2012 (see Note 22). The former RDA was dissolved and the City elected to form the Successor Agency to the former RDA of the City of Santa Clara (Successor Agency), and act as the Successor Agency including with respect to the Cooperation Agreement and the Predevelopment Funding Agreement.

In accordance with the Stadium Lease and the Final Financing Plan (as defined in the Stadium Lease), StadCo advanced \$30.25 million to cover Stadium related development costs to be funded by the Successor Agency pursuant to the Predevelopment Funding Agreement and the Cooperation Agreement. On March 28, 2012, the Santa Clara Stadium Authority executed the Authority Promissory Note in respect of the StadCo Agency Advance with an interest rate of 5.73%, and a final maturity of December 28, 2027. As of March 31, 2013, \$31.9 million is outstanding which includes \$1.7 million of interest added to principal (see Note 22).

Authority Construction Loan

The Santa Clara Stadium Authority Credit Agreement dated as of March 28, 2012 was entered into by and among the Stadium Authority, FinanceCo, and Goldman Sachs Bank USA (Goldman Sachs). The Stadium Authority Credit Agreement provides borrowing to the Stadium Authority in an amount not to exceed \$450 million through September 1, 2015, with interest at LIBOR plus the applicable margin. The applicable interest rates on the Authority Loan varied during the fiscal year ended March 31, 2013 between 3.45% and 3.49%. The Authority Loan may be prepaid without penalty, is secured by substantially all of the assets of the Stadium Authority, and includes customary covenants including restrictions on additional debt.

As of March 31, 2013, \$127.3 million is outstanding which includes \$1.18 million of interest added to principal.

D. Derivative Instruments

In fiscal year 2009-10, Silicon Valley Power (SVP) implemented GASB Statement No. 53, which addresses recognition, measurement and disclosures related to derivative instruments to determine whether they meet the definition of derivative instruments, and if so, whether they effectively hedge the expected cash flows associated with the interest rate and energy exposures. Under hedge accounting, the increase (decrease) in the fair value of a hedge is reported as a deferred cash flow hedge on the statement of net position. For the reporting period, all of SVP's derivatives meet the hedge effectiveness tests under GASB Statement No. 53.

Interest Rate Swap Agreements – Electric 2008 Series B Bonds

Pursuant to the Interest Rate Hedging Policy adopted by the City Council in 2006, as a means to lower borrowing costs, the City has a variable-to-fixed interest rate Swap Agreement with JPMorgan Chase related to the Electric 2008 Series B Bonds. Under the Swap Agreement, Santa Clara is obligated to make payments to the Swap Provider calculated on the basis of a fixed rate of 3.470% and receives from the Swap Provider payments equal to 65% of the one month London InterBank Offering Rate. Santa Clara's obligation to make any net regularly scheduled payments due to the Swap Provider under the Swap Agreement is payable from subordinated net revenues of the electric system on a parity with its other outstanding subordinated electric bonds. The effective date of the swap was May 29, 2008 and the scheduled termination date is July 1, 2027.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 11 – LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

	Notional Amount (000's)	City Pays Fixed Rate to Counterparty	City Receives Floating Rate From Counterparty 06/30/13	City Pays Variable Rate on Bond 06/30/13
2008 Series B	\$ 76,120	3.47%	Weekly Mode - 65% of LIBOR=0.12559%	Weekly Mode - SIFMA=0.06%

The swap is classified as a debt instrument and had a negative fair market value of \$10,372,474 as of June 30, 2013, a deferred outflow change of \$4,570,984 from June 30, 2012. The swap is classified as a deferred outflow of resources and derivative financial instrument on the statement of net position. The fair market value was based on MID-MARKET LEVELS as of the close of business date on June 30, 2013. The value was estimated from proprietary models based upon well recognized financial principles and reasonable estimates about relevant future market conditions.

Rollover Risk

SVP is exposed to rollover risk on hedging derivative instruments that are hedges of debt because SVP can terminate the interest rate swap prior to the maturity of the bond. The risk if the swap is terminated will be to re-expose SVP to the risks being hedged by the interest rate swap. SVP currently has no plans to terminate the swap prior to maturity in 2027.

Interest Rate Risk/Basis Risk

SVP is exposed to interest rate risk on its swap agreement. The SVP's net payment on the SWAP increased as the LIBOR swap index decreases. With respect to basis risk, under the swap, the City receives 65% of LIBOR and pays the Securities Industry and Financial Markets Association (SIFMA) rate to bondholders of the City's Electric 2008B bonds. The basis risk is the difference between the two rates. As of June 30, 2013, 65% of LIBOR was 0.12559% and the SIFMA rate was 0.06%.

Using rates as of June 30, 2013, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year ending June 30	Variable-Rate Bond		Interest Rate	Total
	Principal	Interest	Swaps, Net	
2014	\$ 3,550,000	\$ 47,514	\$ 2,648,438	\$ 6,245,952
2015	3,760,000	45,384	2,529,712	6,335,096
2016	3,975,000	43,128	2,403,962	6,422,090
2017	4,200,000	40,743	2,271,022	6,511,765
2018	4,440,000	38,223	2,130,556	6,608,779
2019-2023	26,135,000	148,095	8,254,840	34,537,935
2024-2028	33,130,000	61,161	3,409,124	36,600,285
	<u>\$ 79,190,000</u>	<u>\$ 424,248</u>	<u>\$ 23,647,654</u>	<u>\$ 103,261,901</u>

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 11 – LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

Compliance

Various debt agreements governing the Enterprise Funds' revenue bonds contain a number of covenants, including those that require the City to maintain and preserve the respective enterprise in good repair and working order, to maintain certain levels of insurance and to fix and collect rates, fees and charges so as to maintain certain debt coverage ratios. The City is in compliance with these specific covenants and all other material covenants governing the particular revenue bond issues. No event of default as defined in the bond indentures has occurred or is occurring.

Notional Amounts and Fair Values

SVP maintains a Market Risk Management Policy, which among other things, sets forth the guidelines for the purchase and sale of certain financial instruments defined as hedge instruments in support of market power purchase transactions. The primary goal of these guidelines is to provide a framework for the operation of an energy price hedging program to better manage SVP's risk exposure in order to stabilize pricing and costs for the benefit of SVP and its customers.

Consistent with hedge accounting treatment meeting effectiveness tests, changes in fair value are reported as deferred flows of resources on the statement of net position until the contract expiration that occurs in conjunction with the hedged expected energy purchase transaction. When hedging contracts expire, at the time the purchase transactions occur, the deferred balance is recorded as a component of Purchased Power. For energy derivatives, fair values are estimated by comparing contract prices to forward market prices quoted by third party market participants.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 11 – LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

SVP had the following future derivative instruments outstanding at June 30, 2013 with Bache Commodities to hedge cash flows on CAISO NP15 power purchases:

Objective	Notional Amount (MWh)		Effective Date	Maturity Date	Average Price	Fair Value		Change in Fair Value	
	Long	Short				Classification	Amount	Classification	Amount
Hedge cash flows on NP15 power purchases	-	1,200	Various	Jul-13	\$71.00	Derivative Instrument	\$ 300	Deferred inflow	300
Hedge cash flows on NP15 power purchases	83,200	-	Various	Jul-13	50.06	Derivative Instrument	(67,600)	Deferred inflow	(67,600)
Hedge cash flows on NP15 power purchases	43,200	-	Various	Aug-13	50.19	Derivative Instrument	(8,100)	Deferred inflow	(8,100)
Hedge cash flows on NP15 power purchases	19,200	-	Various	Sep-13	49.00	Derivative Instrument	(54,720)	Deferred inflow	(54,720)
Hedge cash flows on NP15 power purchases	49,200	-	Various	Jul-13	36.63	Derivative Instrument	(18,450)	Deferred inflow	(18,450)
Hedge cash flows on NP15 power purchases	-	8,200	Various	Jul-13	34.25	Derivative Instrument	(16,400)	Deferred inflow	(16,400)
Hedge cash flows on NP15 power purchases	-	400	Various	Jul-13	34.00	Derivative Instrument	(100)	Deferred inflow	(100)
Hedge cash flows on NP15 power purchases	54,600	-	Various	Aug-13	36.82	Derivative Instrument	(3,900)	Deferred inflow	(3,900)
Hedge cash flows on NP15 power purchases	-	7,800	Various	Aug-13	34.25	Derivative Instrument	(19,500)	Deferred inflow	(19,500)
Hedge cash flows on NP15 power purchases	42,000	-	Various	Sep-13	36.55	Derivative Instrument	(12,600)	Deferred inflow	(12,600)
Hedge cash flows on NP15 power purchases	-	8,400	Various	Sep-13	34.25	Derivative Instrument	(16,800)	Deferred inflow	(16,800)
							<u>\$ (217,870)</u>		<u>\$(217,870)</u>

Credit risk

Credit risk is the risk of loss due to a counterparty defaulting on its obligations. SVP is exposed to credit risk if hedging instruments are in asset positions. As of June 30, 2013, SVP was exposed to credit risk because certain open derivative contracts were in asset positions. However, should interest rates change and the fair market value of the swap become negative, the City would not be exposed to credit risk in the amount of the fair market values. The swap and open contract counterparties were rated A and BBB, respectively, by S&P at June 30, 2013.

SVP's policy for requiring collateral on hedging instruments varies based on individual contracts and counterparty credit ratings. Under the interest rate swap agreement, collateral is required based on the counterparty rating and dollar threshold on the mark-to-market value of swap. Under the trading agreements with Merrill Lynch, Pierce, Fenner & Smith, Inc. and Bache Commodities,

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 11 – LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

the trading accounts are prefunded by SVP. If the account value falls below zero, margin calls are invoked. At June 30, 2013, SVP had posted collateral of \$4,698,014 on the interest rate swap and \$3,270,420 was deposited with Merrill Lynch, Pierce, Fenner & Smith, Inc., CAISO and Bache Commodities for wholesale trading. At June 30, 2013, no margin calls were paid to Bache Commodities on the outstanding future derivative instruments.

It is also SVP's policy to negotiate netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, the non-defaulting party may accelerate and terminate all outstanding transactions and net their fair values so that a single amount will be owed by (or to) the non-defaulting party. At June 30, 2013, SVP had derivative instrument purchase contracts with Bache Commodities.

Termination Risk

The swap may be terminated by the City at any time. If the swap is terminated, the City may be required to make a termination payment to the Swap Provider if the swap had a negative fair market value. The cost to terminate would be the fair value of the swap at the time of termination. Any such termination payment owed by Santa Clara would be payable from net revenues of the electric system subordinate to Santa Clara's outstanding electric revenue bonds. If the swap had a positive fair market value, the Swap Provider would be required to make a termination payment to the City. Futures contracts are traded over the counter and have no termination risks.

Price Risk

With respect to price risk under these future contracts, SVP receives the CAISO NP15 average daily rate at settlement and pays the fixed contracted rate entered into on the trade date. SVP is exposed to risk because the commodity purchase price being hedged is different from the price on settlement.

E. Repayment Requirements

As of June 30, 2013, the debt service requirements to maturity for the City's long-term obligations, with determinable payment dates and the funds from which payment will be made are as follows:

For the Year Ending June 30	Government Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 8,520,000	\$ 1,173,771	\$ 3,550,000	\$ 4,904,623
2015	1,576,000	924,434	6,485,000	5,730,290
2016	1,620,000	878,975	7,280,000	5,621,059
2017	1,674,000	824,530	7,640,000	5,500,974
2018	1,731,000	768,221	8,015,000	5,375,354
2019-2023	8,560,000	2,838,605	46,745,000	24,003,001
2024-2028	5,580,000	1,435,607	59,115,000	18,517,217
2029-2033	4,505,000	389,581	59,570,000	8,521,622
	<u>\$ 33,766,000</u>	<u>\$ 9,233,724</u>	<u>\$ 198,400,000</u>	<u>\$ 78,174,140</u>

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 11 – LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

Reconciliation of Long-term Obligations

Principal outstanding as reported in Government Activities	\$ 33,766,000
Principal outstanding as reported in Business Type Activities	198,400,000
Total Principal outstanding as reported	<u>232,166,000</u>
Principal outstanding - Stadium Authority	396,140,618
Unamortized discount/premium	2,293,835
Total Long-term Obligations	<u><u>\$ 630,600,453</u></u>

F. Defeasances

The following is a summary of the refunding issues, the issues defeased, and the remaining principal balance of the defeased debt for the SVP as of June 30, 2013:

Issue Defeased	Interest Rates on Defeased Issue	Originally Defeased	Balance Outstanding on Defeased Bonds	Refunding Issue
2003A Revenue Bonds Electric	2.5 - 5.25%	\$ 77,085,000	\$77,085,000	2013A Revenue Bonds Electric
Total Defeased Bonds		<u>\$ 77,085,000</u>	<u>\$77,085,000</u>	

G. Debt Limitations and Restrictions

The amounts of the City's legal debt limit and debt margin (as defined by Section 1309 of the City Charter) as of June 30, 2013, is \$3.65 billion. There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations, covenants and restrictions.

H. Arbitrage

According to the regulations set forth by the U. S. Treasury Department, for bond issues subject to arbitrage rebate, earnings in excess of the stated bond rate must be rebated to the federal government every five years. As of June 30, 2013, the City has thirteen outstanding bond issues that are subject to the arbitrage rebate regulations. The City monitors the earnings on each of these issues and records any accrued rebate liability at the end of each individual bond year.

I. Private Purpose Trust Debt

Effective January 31, 2012, all Redevelopment Agencies were dissolved and certain assets and liabilities were distributed to a Successor Agency Trust Fund per ABx1 26, which was adopted by the State of California on June 28, 2011. The table below shows \$131 million in outstanding debt assumed by the Successor Agency Trust Fund as of June 30, 2012. See Note 22 for the former RDA Dissolution and Successor Agency Activities.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 11 – LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

Type of Indebtedness	Authorized and Issued	Outstanding as of June 30, 2012	Debt Retired	Outstanding as of June 30, 2013	Current Portion
Private Purpose Trust Activity:					
Successor Agency Obligations:					
1999-A Tax Allocation Bonds					
Bayshore North Project					
5.25%-5.5%, maturing through 2023	\$ 31,550,000	\$ 31,550,000	\$ -	\$ 31,550,000	\$ -
1999-B Tax Allocation Bonds					
Bayshore North Project					
5.25%-5.5%, maturing through 2017	16,905,000	13,745,000	1,710,000	12,035,000	1,795,000
2002 Tax Allocation and Refunding Bonds					
Bayshore North Project					
4.0%-5.5%, maturing through 2014	33,910,000	11,045,000	5,375,000	5,670,000	5,670,000
2003 Tax Allocation Bonds					
Bayshore North Project					
5.0%, maturing through 2023	43,960,000	43,960,000	-	43,960,000	-
2011 Tax Allocation Bonds					
Bayshore North Project					
4.35%-7.86%, maturing through 2026	31,411,295	31,286,295	-	31,286,295	1,022,311
Less Unamortized Discount	-	(155,597)	(11,181)	(144,416)	(11,181)
Total Debt:	<u>\$ 157,736,295</u>	<u>\$ 131,430,698</u>	<u>\$ 7,073,819</u>	<u>\$ 124,356,879</u>	<u>\$ 8,476,130</u>

Bayshore North Project 1999 Tax Allocation Bonds, Series A

On August 1, 1999, the former RDA issued \$31.55 million of Bayshore North Project 1999 Tax Allocations Bonds, Series A (RDA 1999A Bonds) to partially fund the construction of a multi-story parking garage and a soccer park. The garage is located in the vicinity of the Great America Theme Park and the Santa Clara Convention Center Complex and the soccer park is located near Tasman Drive. The RDA 1999A Bonds mature serially in years 2017 through 2019, with final maturity in year 2023. The bonds are subject to mandatory sinking fund redemption between 2020 and 2023 and optional redemption was available beginning June 1, 2009.

Bayshore North Project 1999 Tax Allocation Bonds, Series B

On August 1, 1999, the former RDA issued \$16.91 million of Bayshore North Project 1999 Tax Allocation Bonds, Series B, (RDA 1999B Bonds) to partially fund the construction of the multi-story parking garage that was also funded by the RDA 1999A Bonds. The RDA 1999B Bonds mature serially in years 2011 through 2017. Optional redemption by the former RDA is available beginning June 1, 2009.

Bayshore North Project 2002 Tax Allocation Bonds

On June 6, 2002, the former RDA issued \$33.91 million of Bayshore North Project 2002 Tax Allocation Bonds (2002 Bonds), with an effective interest rate ranging from 2.0% to 5.5% for a term of 12 years. The proceeds of the 2002 Bonds were used to retire a portion of 1992 Bonds.

Bayshore North Project 2003 Tax Allocation Bonds

On May 14, 2003, the former RDA issued \$43.96 million of Bayshore North Project 2003 Tax Allocation Bonds (RDA 2003 Bonds) to fund various former RDA projects. The RDA 2003 Bonds

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 11 – LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

mature serially in years 2015 through 2023, and bear interest at 5.0%. The Bonds are insured by the MBIA Insurance Corporation.

Bayshore North Project 2011 Tax Allocation Bonds

On May 11, 2011, the former RDA issued \$31.41 million of Bayshore North Project 2011 Tax Allocation Bonds (RDA 2011 Bonds) with an interest rate ranging from 2.0% to 7.86%, and a final maturity of 2026, to finance various redevelopment activities associated with the former RDA's Bayshore North Project Area. The 2011 Bonds are limited obligations of the former RDA secured by a pledge of, lien on and security interest in all of the "Tax Revenues".

Secured Debt Payment from the Redevelopment Property Tax Trust Fund

The Tax Allocation Bonds were originally secured by Tax Increment Revenue that would be received by the former RDA. With the dissolution of the former RDA, Tax Increment is no longer distributed, and instead the debt is secured by payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds held by the Successor Agency, a Private Purpose Trust fund.

Future debt service requirements

For the Year Ending June 30	Principal	Interest
2014	\$ 8,487,311	\$ 5,661,795
2015	8,919,716	5,361,060
2016	9,229,651	5,030,442
2017	10,186,845	4,927,230
2018	10,386,067	4,550,421
2019-2023	56,420,182	15,397,568
2024-2026	20,871,523	18,915,314
Less: Unamortized Bond Discount	(144,416)	-
Total	\$ 124,356,879	\$ 59,843,830

NOTE 12 - SOLID WASTE LANDFILL CLOSURE

At June 30, 2013, the balance of the Solid Waste Landfill Postclosure Obligation was as follows:

Type of Indebtedness	Outstanding as of June 30, 2012	Reduction	Outstanding as of June 30, 2013	Current Portion
Solid Waste Landfill Postclosure Obligation	\$ 2,621,124	\$ 406,873	\$ 2,214,251	\$ 441,000

The City of Santa Clara All Purpose Landfill (Landfill) was closed in September 1993. Federal and state laws and regulations require closure activities such as removal of landfill structures, decommissioning of environmental control systems, site security, and final cover construction and

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 12 – SOLID WASTE LANDFILL CLOSURE (continued)

postclosure care such as ongoing monitoring of environmental impact. The City's postclosure plan (Plan) accepted by the California Integrated Waste Management Board, which is now the California Department of Resources Recycling and Recovery (CalRecycle), addresses all the attendant issues. Based on the Plan and pertaining laws and regulations, an estimated Landfill Postclosure Care Cost Obligation is recorded and updated annually. The postclosure care liability is accrued in the Solid Waste Enterprise Fund in accordance with GASB Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs. This obligation is payable from solid waste user fees.

The City also has a Pledge of Revenue Agreement establishing financial assurance for postclosure maintenance of the Landfill with CalRecycle, which was adopted on October 12, 1999. Financial assurance in the amount of \$600,000 will be maintained in a separate account. In addition, the agreement requires funds to be pledged annually for post-closure maintenance costs. As of June 30, 2013, the total pledge amount is \$740,000. This amount is reviewed annually and updated for inflation factors stipulated by CalRecycle.

On August 23, 2013, the City submitted a postclosure maintenance plan update to CalRecycle. The annual required postclosure maintenance coverage was determined to be \$157,700, which translates to \$2,365,000 over 15 years. In addition, the City is also required to pledge annual revenues in the amount of \$177,952 to cover corrective action costs. Both amounts are subject to annual inflation factors stipulated by CalRecycle.

NOTE 13 – PARTICIPATION IN JOINT VENTURES

A. Investments in Joint Venture

The City participates in significant joint ventures: Northern California Power Agency (NCPA), the Transmission Agency of Northern California (TANC), San Jose-Santa Clara Water Pollution Control Plant and Clean Water Financing Authority (SJSC), M-S-R Energy Authority (MSR EA), M-S-R Public Power Agency (MSR PPA) and Silicon Valley Animal Control Authority (SVACA).

The separately issued financial statements of these joint ventures (as noted below) are available on request.

	NCPA	TANC	SJSC	MSR EA	MSR PPA	SVACA
Date of latest audited financial statement	6/30/2012	6/30/2012	6/30/2012	12/31/2012	12/31/2012	6/30/2012
Participant's address	651 Commerce Dr. Roseville, CA 95678	P.O. Box 15129 Sacramento, CA 95851	200 E. Santa Clara St. San Jose, CA 95113	P.O. Box 4060 Modesto, CA 95352	P.O. Box 4060 Modesto, CA 95352	3370 Thomas Road Santa Clara, CA 95051

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 13 – PARTICIPATION IN JOINT VENTURES (continued)

The City's basic financial statements reflect the following investments in joint ventures as of June 30, 2012 (latest information available):

	NCPA				TANC	SJSC*	MSR EA	MSR PPA	SVACA
	Geothermal	Hydroelectric	Combustion Turbine	Lodi Energy Center					
Participating percentage	44.39%	37.02%	41.67%	25.75%	20.91%	17.78%	33.40%	35.00%	73.51%
Investment		\$32,842,236			\$ 2,244,106	\$ 88,543,753	\$ -	\$ -	\$ 4,896,110
Method of accounting		Equity			Equity	Equity	Suspended	Suspended	Equity

* The investment in San Jose-Santa Clara Water Pollution Control Plant includes the current year contribution.

B. Contingent Liability

Under the terms of the various joint venture agreements, the City is contingently liable for a portion of the long-term debt of the entities under take-or-pay agreements, letters of credit, guarantees or other similar agreements. Based on the most recent audited financial statements of the individual joint ventures, the City was contingently liable for long-term debt as follows (in thousands):

	Total Debt	Participating Share	Contingent Liability
NCPA	\$ 864,327	31.66%	\$ 273,629
TANC	370,640	20.91%	77,515
SJSC	75,507	17.78%	13,423
MSR PPA	313,445	35.00%	109,706
MSR EA	901,620	55.48%	500,200
Total	<u>\$ 2,525,539</u>		<u>\$ 974,473</u>

In addition, the City would, under certain conditions, be liable to pay a portion of the costs associated with the operations of the entities. Under certain circumstances, such as default or bankruptcy of the other participants, the City may also be liable to pay a portion of the debt of these joint ventures on behalf of those participants and seek reimbursement from those participants.

Take-or-Pay commitments expire upon final maturity of outstanding debt for each project. Final fiscal year debt expirations as of June 30, 2012 are as follows:

Project	Debt Expiration	Entitlement Share %	Debt Service Share %
NCPA - Geothermal Project (NGP)	July-2024	44.3905%	44.3905%
NCPA - Hydroelectric Project (NHP)	July-2032	37.0200%	38.0018%
NCPA - Lodi Energy Center (NLEC)	June-2040	25.7500%	46.1588%
TANC - CA-OR Transmission Project (COTP)	May-2024	20.4745%	20.7030%
MSR PPA - San Juan Plant	July-2022	35.0000%	35.0000%

* The SVP's debt service share in NLEC on issue one is 46.1588%, on issue two is 0%.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 13 – PARTICIPATION IN JOINT VENTURES (continued)

A summary of the City’s “Take-or-Pay” contracts and related projects and its contingent liability for the debt service including principal and interest payments at June 30, 2012 is as follows (latest information available):

Fiscal Year	NGP	NHP	NLEC	COTP	MSR PPA	Total
2013	\$ 1,603,302	\$ 14,238,964	\$ 5,793,282	\$ 8,887,919	\$ 13,914,250	\$ 44,437,717
2014	2,131,625	15,034,308	7,714,210	8,888,500	13,804,000	47,572,643
2015	2,263,406	14,575,614	7,713,818	8,888,585	14,306,600	47,748,023
2016	2,267,016	14,582,142	7,715,155	8,960,672	13,450,850	46,975,835
2017	2,267,879	14,600,914	7,715,876	8,167,346	13,102,600	45,854,615
2018-2022	11,362,835	70,776,675	38,576,167	40,825,418	72,344,650	233,885,745
2023-2027	5,527,050	60,361,462	38,580,203	14,551,541	-	119,020,256
2028-2032	-	39,494,274	38,618,380	-	-	78,112,654
2033-2037	-	9,333,087	38,620,016	-	-	47,953,103
2038-2042	-	-	30,250,231	-	-	30,250,231
Total	<u>\$ 27,423,113</u>	<u>\$ 252,997,440</u>	<u>\$ 221,297,338</u>	<u>\$ 99,169,981</u>	<u>\$ 140,922,950</u>	<u>\$ 741,810,822</u>

C. Northern California Power Agency (NCPA)

NCPA was formed in 1968 as a joint powers agency in the State of California. Its membership consists of fourteen public agencies. NCPA is generally empowered to purchase, generate, transmit, distribute and sell electrical energy. Members participate in the projects of NCPA on an elective basis. Therefore, the participation percentage varies for each project in which it participates.

A Commission comprised of one representative for each member governs NCPA. The Commission is responsible for the general management of the affairs, property, and business of NCPA. Under the direction of the General Manager, the staff of NCPA is responsible for providing various administrative, operating and planning services for NCPA and its associated power corporations.

Project Financing and Construction

NCPA’s project construction and development programs have been individually financed by project revenue bonds collateralized by NCPA’s assignment of all payments, revenues and proceeds associated with its interest in each project. Each project participant has agreed to pay its proportionate share of debt service and other costs of the related project, notwithstanding the suspension, interruption, interference, reduction or curtailment of output from the project for any reason. Some of the revenue bonds are additionally supported by municipal bond insurance credit enhancements.

Hydroelectric Project

NCPA is contracted to finance, manage, construct, and operate Hydroelectric Project Number One for the licensed owner, Calaveras County Water District (CCWD). In exchange, NCPA has the right to the electric output of the project for 50 years from February 1982. NCPA also has an option to purchase power from the project in excess of the CCWD’s requirements for the subsequent 50 years, subject to regulatory approval.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 13 – PARTICIPATION IN JOINT VENTURES (continued)

Geothermal Project

The NCPA Geothermal Plants have historically experienced greater than anticipated declines in steam production from the existing geothermal wells. Although initially operated as baseload generation projects at full capability (238MW), by 1988 NCPA changed its steam field production from baseload to load-following and reduced average annual steam production. Along with other steam field operators in the area, the Agency began implementing various operating strategies to further reduce the rate of decline in steam production. The Agency has modified both steam turbine units and the associated steam collection system to enable generation with lower pressure steam at higher mass-flow rates to optimize the utilization of the available steam resource.

Based upon current operation protocols and forecasted operations, NCPA expects average annual generation and peak capacity to decrease further, reaching approximately 70 MWG by the year 2036.

Combustion Turbine Project No. 1

NCPA owns five dual (natural gas and fuel oil) combustion turbine units, each of which is nominally rated at 25 MW, which are collectively known as the Combustion Turbine Project No. 1. These units were completed in 1986 and are designed to provide peak power and reserve requirements and emergency support. Each purchaser is responsible under its power sales contract for paying an entitlement share in Combustion Turbine Project No. 1 of all NCPA's costs of such project.

Lodi Energy Center

On May 24, 2010, Santa Clara entered into an agreement with NCPA for a 25.75% interest in the 280 MW combined cycle natural gas fired power plant, to be located in Lodi, California. The project received approval from the California Energy Commission in April 2010 and was placed into operation in late 2012.

D. Transmission Agency of Northern California (TANC)

TANC was organized under the California Government Code pursuant to a joint powers agreement entered into by 15 Northern California utilities. The purpose of TANC is to provide electric transmission or other facilities for the use of its members through its authority to plan, acquire, construct, finance, operate and maintain facilities for electric power transmission. The joint powers agreement provides that the costs of TANC's activities can be financed or recovered through assessment of its members or from user charges through transmission contracts with its members. Each TANC member has agreed to pay a pro-rata share of the costs to operate TANC and for payment of debt service, and has the right to participate in future project agreements.

The joint powers agreement remains in effect until all debt obligations and interest thereon have been paid, unless otherwise extended by the members.

California-Oregon Transmission Project

TANC is a participant and also the Project Manager of the California-Oregon Transmission Project (Project), a 339-mile long, 500-kilovolt alternating current transmission project between Southern Oregon and Central California. As Project Manager, TANC is responsible for the overall direction

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 13 – PARTICIPATION IN JOINT VENTURES (continued)

and coordination of all Project operations and maintenance, additions and betterments, and for general and administrative support.

The Project was declared commercially operable on March 24, 1993, with a rated transfer capability of 1,600 megawatts and provides a third transmission path between the electric systems of the Pacific Northwest and those in California. The Project has successfully met and completed the major environmental requirements. As of June 30, 2012, the most recent data available, TANC's investment in the Project was \$513.0 million, less accumulated depreciation and amortization of \$206.4 million.

In connection with its participation in the Project, TANC has an entitlement balance of the Project's transfer capability of approximately 1,362 megawatts and is obligated to pay an average of approximately 80% of the operating costs associated with the Project. TANC incurred and initially capitalized all costs for project construction since they were expected to be recovered through reimbursement from Project participants and from the successful operations of the Project's transmission lines. The Project agreement among the participating members provides that each member agrees to make payments, from its revenues, to TANC for project costs incurred and for payment of debt service.

E. San Jose-Santa Clara Water Pollution Control Plant and Clean Water Financing Authority (SJSC)

The City and the City of San Jose jointly own the San Jose/Santa Clara Water Pollution Control Plant (Plant). The Plant provides wastewater treatment services to the City, to the City of San Jose, and to seven other tributary agencies. The City of San Jose is the administering agency for the Plant. The San Jose/Santa Clara Clean Water Financing Authority (Authority) was created in 1981 to provide financing for capital improvements to the Plant.

In 1959, the City and the City of San Jose entered into an agreement to construct and operate the Plant. Under the terms of the agreement, the cities own an undivided interest in the Plant and share in the capital and operating costs on a pro rata basis, determined by the ratio of each city's assessed valuation to the sum of both cities assessed valuations. Such percentages are determined annually and applied to the capital and operating costs of the Plant, determined on an accrual basis. For the fiscal year ended June 30, 2012, the City's portion of the plant capacity was approximately 17.78%, which is also its interest in the net position of the Plant.

Zero Waste Energy Development Company Ground Lease

On June 21, 2011, the San Jose City Council approved a ground lease with Zero Waste Energy Development Company (ZWED) to lease a portion of the former Nine Par landfill, which is a part of the San Jose/Santa Clara Water Pollution Control Plant lands. ZWED would lease the property in three phases. Under the terms of the proposed lease, ZWED will lease 40.7 acres from the City of San Jose for an initial term of seven years from the date of execution for all three leaseholds. The base rent for the initial phase (Phase 1) of the property would be payable as a proportional credit against the expenditure of site development costs estimated at \$11.8 million or as a payment of \$850,000 per year. Rent for the subsequent phases will be based on the amount of organic waste processed at the facility. Over the 30-year life of the lease, the estimate payments is a minimum of \$16.5 million. The incoming revenue will be distributed between the City of Santa Clara, City of

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 13 – PARTICIPATION IN JOINT VENTURES (continued)

San Jose, and the tributary agencies to the Plant based on the master agreements with each agency.

South Bay Water Recycling Program

The South Bay Water Reclamation Program (SBWRP), a regional water reclamation program, is part of an action plan adopted by the Regional Water Quality Control Board (RWQCB) which limits the Plant on the amount of effluent discharged into San Francisco Bay in order to prevent conversion of salt marsh and destruction of endangered species habitat. Flow limits are not included in the current five year permit from the RWQCB.

According to the approved action plan, SBWRP was required to reclaim 21.10 million gallons per day (MGD) of plant effluent for nonpotable use by November 1, 1997, (Phase 1) and an additional 24.30 MGD by December 31, 2000 (Phase 2). The action plan also requires assessment of alternatives for potable reuse, including a potable pilot plant to be coordinated with the Santa Clara Valley Water District. In addition to a habitat preservation, the project reduces the mass trace contaminants discharged to the San Francisco Bay and provides a reliable source of water to offset potable water demands.

The SBWRP distribution system includes approximately 67 miles of pipe, a four million gallon reservoir, a transmission pump station, and two booster pump stations. These facilities were constructed between 1996 and 1998 at a capital cost of approximately \$140 million funded by the tributary agencies, grants and bond proceeds. The City's share of Phase 1 costs was approximately \$20.07 million. Seven miles of distribution mains were added to the system in 2010 and 2011.

Proceeds from the City of San Jose 1995 Series A and B Bonds and other funds were used to pay for the City of San Jose's share of Phase 1. The City contributed existing capital reserves, existing recycled water distribution system, and additional construction of system extensions. Other sources for funding of Phase 1 include U.S. Bureau of Reclamation grants, State of California Revolving Fund loans, \$6.45 million transferred in fiscal 1995 from the Clean Water Financing Authority to the City of San Jose Wastewater Treatment Plant Capital Fund, and cash contributions from other participating agencies. The 2010 and 2011 extensions of the distribution system were funded in part by a combination of grants from the American Recovery and Reinvestment Act of 2009 (ARRA) and the United State Bureau of Reclamation totaling \$10.4 million.

In June 1997, the RWQCB approved the Proposed Revision to the South Bay Action Plan (the Plan), which describes the projects necessary to reduce average dry weather effluent flow from the Plant to below 120 MGD and protect salt marsh habitat for endangered species in the South Bay as required by RWQCB Order 94-117. These projects include expanding the Phase 1 nonpotable water distribution system by extending additional piping, placing greater emphasis on water conservation programs, reducing infiltration inflow, augmenting stream flow, and creating wetlands. The estimated costs of \$127.5 million has been funded through a combination of State Revolving Fund loans, Equipment Replacement Reserves, Sewage Treatment Plant Connection Fees, federal grants, in-kind services and cash contributions.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 13 – PARTICIPATION IN JOINT VENTURES (continued)

F. MSR Public Power Agency

MSR PPA is a joint power agency formed in 1980 by the Modesto Irrigation District, the City and the City of Redding, California, to develop or acquire and manage electric power resources for the benefit of the members. The personnel of its members and contract professional staff perform other administrative and management functions of MSR PPA. The member's income and expense sharing ratio is as follows: Modesto Irrigation District – 50%; City of Santa Clara – 35%; and City of Redding – 15%.

The City's equity in MSR PPA's net losses exceeds its investment and, therefore, the equity method of accounting for the investment has been suspended. As of December 31, 2012, the date of the latest available audited financial statements, the City's unrecognized share of member's deficit of MSR PPA was \$40.6 million. Under the joint exercise of power agreement, which formed MSR PPA, the City is responsible for funding up to 35% of MSR PPA's operating cost, to the extent such funding is necessary. During the year ended June 30, 2012, the City made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in the Electric Utility Enterprise Fund expenses.

MSR PPA's principal activity is a 28.8% ownership interest in a 507-megawatt unit of a coal-fired electricity generating plant located in New Mexico (San Juan Plant). The acquisition of such ownership interest was funded through the issuance of revenue bonds, secured by a pledge and assignment of the net electric revenues of MSR PPA and supported by take-or-pay commitments of the equity participants. MSR PPA is also a participant in the Southwest Transmission Project, a 500-kilovolt alternating current transmission project between Central Arizona and Southern California that provides a firm transmission path for the electric power from the San Juan Plant to the MSR PPA members. The southwest Transmission Project was completed and placed in service in April 1996.

In accordance with an agreement with the Tucson Electric Power Company (TEP), MSR PPA has the right to certain levels of power transmission without charge and without transmission losses between the San Juan Plant in New Mexico and Palo Verde, Arizona through 2025. These rights are being utilized in connection with the delivery of power from the San Juan Plant to the members or to third party purchasers.

On June 1, 2005, MSR PPA entered into a series of agreements (as amended in October, 2005 and restated effective February 1, 2006) with PPM Energy (now known as Iberdrola Renewables, Inc.) to purchase wind power energy from Big Horn I with a nominal installed capacity of approximately 199.5 MW and an expected annual capacity factor of about 35%, as firmed, shaped, and delivered to the California-Oregon Border (COB) for a twenty-year period. Deliveries of energy under this project began October 1, 2006. The participation in this project is as follows: Modesto Irrigation District – 12.5%; City of Santa Clara – 52.5%; and City of Redding – 35%.

On December 9, 2009, MSR PPA entered into a series of agreements with Iberdrola Renewables Inc. to purchase additional wind power energy from the same site, called Big Horn II, with a nominal installed capacity of 50 MW and an expected capacity factor of about 35%, as firmed, shaped, and delivered to the California-Oregon Border (COB) for a twenty-year period. Deliveries of energy under this project began on November 1, 2010. The participation in this project is as follows: Modesto Irrigation District – 65%; City of Santa Clara – 35%.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 13 – PARTICIPATION IN JOINT VENTURES (continued)

G. MSR Energy Authority

MSR EA is a joint power agency formed in 2008 by the Modesto Irrigation District, the City of Santa Clara, and the City of Redding, California, to develop or acquire and manage electric power resources for the benefit of the members. The personnel of its members and contract professional staff perform other administrative and management functions of MSR PPA. The member's income and expense sharing ratio is as follows: Modesto Irrigation District – 33.3%; City of Santa Clara – 33.4%; and City of Redding – 33.3%.

The City's equity in MSR EA's net losses exceeds its investment and, therefore, the equity method of accounting for the investment has been suspended. As of December 31, 2012, the date of the latest available audited financial statements, the City's unrecognized share of member's deficit of MSR EA was \$27.2 million. Under the joint exercise of power agreement, which formed MSR EA, the City is responsible for funding up to 33.4% of MSR EA's operating cost, to the extent such funding is necessary. During the year ended June 30, 2012, the City made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in the Electric Utility Enterprise Fund expenses.

In 2009, the City of Santa Clara, along with the Cities of Modesto and Redding participated in the M-S-R Energy Authority Gas Prepay Project. The Gas Prepay Project provides the City of Santa Clara, through a Gas Supply Agreement with M-S-R EA dated September 10, 2009, a secure and long-term supply of natural gas of 7,500 MM Btu (Million British thermal unit) daily or 2,730,500 MM Btu annually through December 31, 2012, and 12,500 MM Btu daily, or 4,562,500 MM Btu annually thereafter until September 30, 2039. The agreement provides this supply at a discounted price below the spot market price (the Pacific Gas & Electric City gate index) over the next 30 years. As of June 30, 2010, bonds issued by MSR EA to finance the City's share of the Gas Prepay Project were outstanding in the principal amount of \$500,200,000. These bonds were initially sold on August 27, 2009. Under the Gas Supply Agreement, MSR EA will bill the City for actual quantities of natural gas delivered each month on a "take-and-pay" basis. MSR EA has contracted with Citigroup Energy, Inc. ("CEI") to use the proceeds of the Gas Prepay bond issue to prepay CEI for natural gas. CEI has guaranteed repayment of the bonds, and responsibility for bond repayment is non-recourse to the City of Santa Clara. Moreover, any default by the other Gas Prepay Project participants is also non-recourse to the City.

H. Silicon Valley Animal Control Authority

The City is a member of the Silicon Valley Animal Control Authority, (SVACA), established in 2000 to deliver animal control and sheltering services to three communities: the cities of Santa Clara, Campbell, and Monte Sereno. SVACA provides field and shelter services and staffing to support adoption and spay/neuter programs. SVACA purchased and retrofitted an existing cold-shell office building in Santa Clara that became a fully operating animal shelter. The shelter opened in the third quarter of 2006. SVACA is governed by a Board of Directors comprised of one appointed Councilmember from each of the three member cities.

During the fiscal year ended June 30, 2013, the City of Santa Clara contributed \$889,150 to SVACA. The City's equity interest in SVACA was \$4,896,110 at June 30, 2012 (the most recent audited information available). Audited financial statements are available from SVACA, located at 3370 Thomas Road, Santa Clara, CA 95051.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 14 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer defined benefit plan, which is a public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS offers a menu of benefit provisions and other requirements that are established by State statutes within the Public Employee Retirement law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS website at www.calpers.ca.gov.

The City's two defined benefit pension plans (Miscellaneous Plan and Safety Plan) with CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. All permanent (full-time and part-time) and eligible "as-needed" hourly City employees are required to participate in CalPERS.

B. Pension Plan Benefits

On September 12, 2012, the State of California passed Assembly Bill (AB) 340, which created the Public Employees' Pension Reform Act (PEPRA). PEPRA implemented new benefit formulas and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of new member under PEPRA. Please refer to the Pension Reform section of the CalPERS website for more information regarding when an employee will be considered a new member under PEPRA.

Benefits for employees in the Miscellaneous Plan and Safety Plan vest after five years of CalPERS credited service. The retirement benefits under both plans are based on the retiree's age, years of CalPERS credited service, and benefit factor of 2.7% at 55 for the Miscellaneous Plan members and 3% at 50 for the Safety Plan members. For new members under PEPRA, the benefit factor is reduced to 2.0% at 62 for the Miscellaneous Plan and 2.7% at 57 for the Safety Plan.

Miscellaneous Plan

Participants in this plan are eligible for service retirement and receive graduated benefits upon attaining the age of 50 and with at least five years of credited service with a CalPERS employer. The service retirement benefit is a monthly allowance equal to the product of the benefit factor (2.7% at 55 for classic members or 2.0% at 62 for new members), years of service, and final compensation (monthly average of member's highest 12 or 36 (for new members) consecutive months' full-time equivalent monthly pay). The service retirement benefit final compensation for this group is not capped for classic members. New members have a cap on their compensable income. The compensable income cap for 2013 is \$113,700 for employees covered by Social Security and is adjusted annually with the CPI for all Urban Consumers.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 14 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)

Safety Plan

Participants in this plan are eligible for service retirement and receive graduated benefits upon attaining the age of 50 and with at least five years of credited service with a CalPERS employer. The service retirement benefit is a monthly allowance equal to the product of the benefit factor (3% at 50 for classic members or 2.7% at 57 for new members), years of service, and final compensation. For Fire Safety employees, the final compensation is the monthly average of member's highest 36 consecutive months' full-time equivalent monthly pay for both classic and new members, and for Police Safety employees, it is the monthly average of the member's highest 12 or 36 (for new members) consecutive months' full-time equivalent monthly pay.

The service retirement benefit for the Safety Plan group is capped at 90% of final compensation for the classic members. New members have a cap on their compensable income. The compensable income cap for 2013 is \$136,440 for employees not covered by Social Security and is adjusted annually with the CPI for all Urban Consumers.

C. Funding Policy

Permanent employees are required to make contributions to their account. For employees who are covered by formulas modified to coordinate with Social Security, a rate of zero is charged for the first \$133.33 per month. The member employees' contribution rates are set by State statute and only change with significant contract amendments. The rates at the end of fiscal year 2012-13 were:

<u>Category</u>	<u>Member Rates As A Percentage Of Wages</u>	<u>2012-13 Member Paid Contributions</u>
Miscellaneous Plan Members	8.00%	\$ 4,271,216
Safety Plan:		
Fire Public Safety Members	9.00%	\$ 1,612,332
Police Public Safety Members	11.25%	\$ 2,083,839

The City is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the Board of Administration (the employer rate). The City's payroll for employees covered by CalPERS for fiscal year ended June 30, 2013 was \$91 million (consisting of \$54 million for Miscellaneous Plan employees and \$37 million for Public Safety Plan employees), out of the total payroll for the City of \$113 million. The CalPERS employer rate and annual costs are described below.

D. Annual Pension Cost (APC) and Employer Rates

The required contribution for the year ended June 30, 2013 was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The Entry Age Normal Actuarial Cost Method is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future, as well as those already accrued.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 14 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)

According to this cost method, the normal cost for an employee is the level amount that would fund the projected benefit if it were paid annually from the date of employment until retirement. CalPERS uses a modification of the Entry Age Normal Actuarial Cost Method in which the City's total normal cost is expressed as a level percent of payroll. CalPERS also uses the level percentage of projected payroll method to amortize any unfunded actuarial liabilities (or excess assets) on a closed basis over the remaining amortization period. All gains and losses are tracked and amortized over a rolling 30 year period for both Miscellaneous and Safety Plans.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement for the year ended June 30, 2013 include the following:

- A rate of return on the investment of present and future assets of 7.75% per year compounded annually.
- Projected salary increases that vary by duration of service ranging from 3.55% to 14.45% for Miscellaneous Plan members, and 3.55% to 13.15% for Safety Plan members.
- Overall payroll growth of 3.25% compounded annually.
- Inflation factor of 3.00% compounded annually.
- The City's actuarial required contribution rates and incurred costs paid to CalPERS for the last three fiscal years is as follows:

APC FOR MISCELLANEOUS EMPLOYEES

Fiscal Year Ending	Required Contribution Rates for Miscellaneous	Annual Pension Cost (APC) for Miscellaneous Employees	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	17.774%	\$ 10,189,631	100%	\$ -
6/30/2012	22.676%	\$ 12,449,971	100%	\$ -
6/30/2013	23.310%	\$ 12,662,757	100%	\$ -

APC FOR SAFETY EMPLOYEES

Fiscal Year Ending	Required Contribution Rates for Safety	Annual Pension Cost (APC) for Safety Employees	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	27.223%	\$ 10,295,959	100%	\$ -
6/30/2012	31.501%	\$ 11,261,248	100%	\$ -
6/30/2013	31.939%	\$ 11,631,686	100%	\$ -

E. Funded Status

In order to dampen the effect of short term market value fluctuations on employer contribution rates, the following smoothing technique is used. First an Expected Value of Assets is computed by bringing forward the prior year's Actuarial Value of Assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return. The Actuarial Value of Assets

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 14 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)

is then computed as the Expected Value of Assets plus one-fifteenth of the difference between Market Value of Assets and the Expected Value of Assets as of the valuation date. However, in no case will the Actuarial Value of Assets be less than 80% or greater than 120% of the actual Market Value of Assets.

The Plan's actuarial value (which differs from market value) and funding progress over the most recently available three years are set forth below at their actuarial valuation date.

Funded Status of Miscellaneous Plan:

Valuation Date	Entry Age Normal Accrued Liability (A)	Actuarial Value of Assets (B)	Unfunded / (Overfunded) Liability (A - B)	Funded Ratio (B / A)	Annual Covered Payroll (C)	Unfunded / (Overfunded) As a % Of Payroll [(A) - (B)] / (C)
6/30/2010	\$ 481,425,499	\$ 357,508,407	\$ 123,917,092	74.3%	\$ 60,099,191	206.2%
6/30/2011	\$ 509,224,751	\$ 375,214,707	\$ 134,010,044	73.7%	\$ 57,005,178	235.1%
6/30/2012	\$ 529,444,627	\$ 389,285,652	\$ 140,158,975	73.5%	\$ 56,298,430	249.0%

Funded Status of Safety Plan:

Valuation Date	Entry Age Normal Accrued Liability (A)	Actuarial Value of Assets (B)	Unfunded / (Overfunded) Liability (A - B)	Funded Ratio (B / A)	Annual Covered Payroll (C)	Unfunded / (Overfunded) As a % Of Payroll [(A) - (B)] / (C)
6/30/2010	\$ 522,236,433	\$ 422,485,578	\$ 99,750,855	80.9%	\$ 39,493,694	252.6%
6/30/2011	\$ 551,474,687	\$ 438,768,028	\$ 112,706,659	79.6%	\$ 38,060,129	296.1%
6/30/2012	\$ 570,106,349	\$ 450,864,293	\$ 119,242,056	79.1%	\$ 36,019,467	331.0%

NOTE 15 – RETIREMENT PLAN - DEFINED CONTRIBUTION PLAN

The City's Public Agency Retirement System Plan (PARS Plan) is a compulsory retirement plan that qualifies under Section 401 of the Internal Revenue Code covering City employees who are not members of CalPERS. Under the provisions of the PARS Plan, the City makes no contributions; however, all administrative costs of the plan are funded by the City. The PARS Plan administrator is Phase II Systems. The total assets of the PARS Plan are held in trust for the employees and are not included in the City's assets or equity.

NOTE 16 – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 16 – DEFERRED COMPENSATION PLAN (continued)

In applying the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City has determined that it is not required to record the assets and associated liabilities of the plan.

NOTE 17 – OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

The City's single-employer defined benefit Other Post Employment Benefit (OPEB) Plan, which was established by City Council in fiscal year 2007-08 in accordance with GASB Statement No. 45, provides reimbursements to retirees for qualified expenses. Retirees who have at least ten years of service and meet certain criterion based upon retirement date, household income in the most recent calendar year and age are entitled to reimbursements for qualified expenses. Annual maximum reimbursement amounts differ depending on when an employee retired from City service. The majority of retirees may be eligible for a maximum of \$3,504 in annual reimbursements. Amendments to benefit provisions are negotiated by the various bargaining units at the City and must be approved by Council. In fiscal year 2007-08, the City established an irrevocable exclusive multi-employer benefit trust which is administered by Public Agency Retirement Services (PARS). The trust will be used to accumulate and invest assets necessary to reimburse retirees. Separate financial reports are issued by PARS for the OPEB plan. The report can be obtained by writing to PARS at 4350 VonKarman Avenue, Suite 100, Newport Beach, CA 92660, or by calling 1-800-540-6369.

B. Funding Policy

Annual required contributions (ARC) are based upon actuarial valuations. The contribution requirements of the ARC are established and may be amended by the City Council. Plan members do not make contributions to the plan; the plan is funded entirely by employer contributions.

The City's annual OPEB cost (expense) is calculated based upon the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 which the City implemented in fiscal year 2007-08 prospectively. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over thirty years.

Based upon the valuation dated June 30, 2012, the most recent valuation available, the actuarially required ARC for fiscal year 2012-13 was \$2.45 million.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 17 – OTHER POST EMPLOYMENT BENEFITS (continued)

The City's annual OPEB cost, equal to the ARC, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 2,149,000	100%	\$ -
June 30, 2012	\$ 2,369,000	100%	\$ -
June 30, 2013	\$ 2,445,000	100%	\$ -

C. Plan Funded Status Information

As of June 30, 2012, the latest valuation date, the funded status of the plan, was as follows:

Actuarial accrued liability (AAL)	\$ 36,473,000
Actuarial value of plan assets	\$ 9,129,000
Unfunded actuarial accrued liability(UAAL)	\$ 27,344,000
Funded ratio (actuarial value of plan assets/AAL)	25.0%
Covered payroll (active plan members)	\$ 95,244,000
UAAL as a percentage of covered payroll	28.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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 multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

D. Actuarial Methods and Assumptions

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 the plan members to the point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 17 – OTHER POST EMPLOYMENT BENEFITS (continued)

In the June 30, 2012 actuarial valuation, the entry age normal actuarial cost method was used with a thirty (30) year closed amortization period and level percentage of pay. The actuarial assumptions are as follows:

- A discount rate of 5.5% was used.
- The demographics for terminations, mortality, disability and retirements were based upon the CalPERS 1997-2007 Experience Study Rates and Mortality improvement projection Scale AA.
- Healthcare costs trends utilized actual rates for 2012 and a 9.5% increase for HMO and PPO non-Medicare plans. Future years were reduced by decrements of approximately 0.56% per year to an ultimate rate of 5.0% for HMO and PPO plans by year 2020. For Medicare plans, 10.0% increase for HMO and PPO plans trends were utilized. Future years were reduced by decrements of approximately .63% per year to an ultimate rate of 5.0% for both HMO and PPO plans by year 2020.
- The increase on caps were linked to healthcare premium trends and 3% for reimbursement plans.
- The inflation rate was assumed to be constant at 3% per year.
- Aggregate benefit increases assumed to be 3.25% per year.
- Age for females assumed to be three years younger than males.
- Safety and Miscellaneous employees were assumed to be 90% and 85% married respectively.
- Participation in the plan was assumed to be 80%.
- Medical coverage at retirement was assumed to be at 75%.
- Valuation assets projected to June 30, 2015, using assumed 5.5%.
- Asset gains/losses recognized over 5 years.
- Shorter period but same method as CalPERS Pension.
- Corridor between 80% to 120% of market value.

These assumptions are reviewed on a biennial basis.

NOTE 18 – ELECTRIC UTILITY - SILICON VALLEY POWER (SVP)

The City's Electric Utility Department provides electricity to City residents and businesses under the name Silicon Valley Power (SVP).

A. Long-term Power Purchase Contracts

The City purchases wholesale electric power from various participants of the Western Systems Power Pool (WSPP), NCPA, MSR Public Power Agency (Note 13), Western Area Power Administration, and other sources to supply the power requirements of the City's electric utility customers. The City actively manages the financial risks inherent in these long-term contracts, including the risks arising from the changing spot market prices that move above and below the

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 18 – ELECTRIC UTILITY – SILICON VALLEY POWER (SVP (continued))

contract prices and from contract disputes that may arise from time to time. The cost of power is included in enterprise fund materials, services and supplies expense.

B. Restructuring of the California Electric Industry

Deregulation Legislation and Direct Access

The passage of AB1890 in 1998 triggered fundamental changes in the structure of the electric industry in California. The essential feature of AB1890 was to allow individual consumers the opportunity to buy energy directly from power producers and marketers, rather than from their local investor owned utility. This was called direct access. Generally, AB1890 provided for creation of the California Power Exchange (Cal PX), which was to be a clearinghouse for energy transactions among investor owned utilities, independent generators and power marketers, who in turn would serve direct access customers. AB1890 also created the California Independent System Operator (CAISO), which was to manage the state's bulk transmission grid. In addition, investor owned utilities were encouraged to sell a substantial portion of their generating facilities to third parties, which they did. AB1890 further provided for a four-year freeze of investor-owned utility rates and recovery by investor and publicly owned utilities during this four-year period of so-called "stranded costs" arising from what were thought at the time to be uncompetitive generation investments. AB1890 also encouraged, but did not require, municipal utilities to establish direct access programs.

In 1999, the City Council adopted a direct access program that provided for a stranded cost charge, or Competition Transition Charge, subject to legal validation of the City's right to collect such a charge. That validation was secured in 2000, and the City's direct access program was to commence in April 2001.

However, in 2000 and 2001, the price of electricity at the Cal PX became extremely high, and investor-owned utilities were unable to pay for the energy that they needed from the Cal PX. These conditions caused the passage of AB1X by the California legislature, pursuant to which investor owned utilities' energy procurement function was assigned to the California Department of Water Resources. AB1X also suspended direct access for investor-owned utilities, essentially until 2013. In 2009, SB695 added Section 365.1 to the Public Utilities Code, which allowed limited reinstatement of direct access for certain customers of investor-owned utilities. Except for this change, Section 365.1 continues the suspension of direct access until the Legislature, by statute, repeals the suspension or otherwise authorizes direct transactions. No such statute has occurred. Based on this development, the City has deferred implementation of its direct access program.

Other Effects of Restructuring

The restructuring of the electric industry has created a substantially changed market for electricity. Compared to the prior market structure, this market has exhibited increased uncertainty and volatility. In anticipation of this restructured market, the City developed a strategic plan to guide its electric utility's transition efforts into the new environment. As part of the Strategic Plan, the Cost Reduction Account was established to protect ratepayers from rate volatility in future years due to revenue shortfalls or unexpected costs.

The strategic plan is a multi-pronged strategic initiative to address electric generation, transmission and distribution business issues given both the initially anticipated operating environment, and the

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 18 – ELECTRIC UTILITY – SILICON VALLEY POWER (SVP (continued))

operating environment that has actually evolved. The City's management believes that the strategic plan has been an effective tool for the electric utility as it has transitioned into the new environment.

Energy Wholesale Trading and Risk Management

SVP participates in the wholesale gas and power market and the California Independent System Operator's centralized market. By so doing, SVP engages in the trading of commodity forward contracts (gas and electric energy contracts). Activities during the fiscal year were substantially considered hedging transactions and, as such, have been accounted for using the settlement method of accounting. Accordingly, related gross purchases and sales totaling \$24.7 million and \$22.3 million, respectively, for the fiscal year ended June 30, 2013 have been separately reported on the statement of revenues, expenses and changes in net position. Associated receivables representing delivered but unbilled energy, and corresponding payable amounts totaling \$1.2 million have been reported in the proprietary funds statement of net position.

The restructured electric wholesale market exposes SVP to various risks including market, credit and operational risks. Active and effective management of these risks associated with the power trading activity is critical to its continued success and contribution to the entire utility. A Risk Management Committee, separate from the units that create the risk exposures, overseen by a Risk Oversight Committee that reports ultimately to the City Council, administers and monitors compliance with the risk policies and procedures on a regular basis. The City and SVP believe that it has the resource commitment, effective policies and procedures, and is continuing to improve the control structure and oversight for evaluating and controlling the market and credit risks to which it is exposed.

Credit Arrangements

The City of Santa Clara electric utility maintains credit policies, procedures, and systems that help mitigate credit risk and minimize overall credit risk exposure. The policies include transacting only with investment grade counterparties, and evaluation of potential counterparties' financial condition and an assignment of credit limits as applicable. These credit limits are established based on risk and return considerations under terms customarily available in the industry. Additionally, SVP is a signatory to the WSPN netting agreement supplement and otherwise, enters into master netting arrangements whenever possible and, where appropriate, obtains collateral prior to trade execution. Master netting agreements incorporate rights of setoff that provide for the net settlement of subject contracts with the same counterparty in the event of default.

NOTE 19 – NET POSITION/FUND EQUITY

Net Position is measured on the full accrual basis and presented in the Government-Wide Financial Statements, while Fund Balance is measured on the modified accrual basis and presented in the Governmental Funds Financial Statements.

A. Government-Wide Financial Statements - Net Position

Net Position is the excess of all the City's assets and deferred outflow of resources over all its liabilities and deferred inflow of resources, regardless of fund. Net Position is divided into three

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 19 – NET POSITION/FUND EQUITY (continued)

captions. These captions apply only to Net Position, which is determined only at the government-wide level, and are described below:

Net investment in capital assets describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate-income purposes.

Unrestricted describes the portion of Net Position which is not restricted as to use.

B. Governmental Fund Financial Statements - Fund Balances

The City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions in fiscal year 2010-11. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The statement identifies five new components of fund balance and more clearly defines the Special Revenue fund definition.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance

Amounts that cannot be spent either because they are in a nonspendable form or are required to be maintained intact.

Restricted Fund Balance

Amounts that are constrained to specific purposes by federal, state, county, local laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council, the City's highest level of decision-making authority, through resolutions. These committed amounts cannot be used for any other purpose unless the Council removes or changes the specific uses through the same type of formal action taken to establish the commitment. These Council actions must occur prior to June 30th of the applicable fiscal year.

Assigned Fund Balance

Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council delegated the authority to assign amounts to be used for specific purposes to the City Manager per Ordinance 1784, September 16, 2003.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 19 – NET POSITION/FUND EQUITY (continued)

Unassigned Fund Balance

These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories in the General Fund, or negative balances in all other funds. The Unassigned Fund Balance includes the Working Capital (Emergency) and Capital Projects Reserves, and the interest earned on the non-spendable Land Sale fund balance. The balances in these accounts are \$18 million, \$16.3 million, and \$3.3 million, respectively. Additional information is described in the Stabilization Arrangement section of this note.

Under the City's encumbrance system of accounting, a portion of fund balance that has been encumbered for a specific future use is classified in the appropriate fund balance component based on the nature of the encumbrance.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 19 – NET POSITION/FUND EQUITY (continued)

Fund Balance Classification

	Major Funds			Non-Major Governmental Funds	Fund Balance June 30, 2013
	General Fund	Housing Authority	Project Area CIP		
Nonspendable:					
Receivables, inventory & prepaid	\$ 34,482	\$ -	\$ -	\$ -	\$ 34,482
Employee Computer Program Receivable	23,987	-	-	-	23,987
Receivables from Successor Agency	4,333,605	-	-	-	4,333,605
Advances to other Funds	8,393,121	-	-	-	8,393,121
Total Nonspendable	12,785,195	-	-	-	12,785,195
Restricted For:					
Gas tax programs	-	-	-	13,454,891	13,454,891
Housing & Community Development	-	21,057,407	-	570,735	21,628,142
Maintenance districts	-	-	-	610,659	610,659
Operating grants	-	-	-	527,844	527,844
Debt service	-	-	-	6,090,207	6,090,207
Environmental enforcements	154,957	-	-	-	154,957
Streets and highway	-	-	-	18,057,457	18,057,457
Storm Drain	-	-	-	536,426	536,426
Public safety	790,612	-	-	42,558	833,170
Library	568,190	-	-	-	568,190
Public facilities	-	-	-	1,919,878	1,919,878
Special assessments	-	-	-	1,047,720	1,047,720
Donations	286,721	-	-	-	286,721
Building inspection	5,390,599	-	-	-	5,390,599
Construction	-	-	41,868,736	-	41,868,736
Total Restricted	7,191,079	21,057,407	41,868,736	42,858,375	112,975,597
Committed to:					
Gas tax programs	-	-	-	270,000	270,000
Housing programs	-	9,876,824	-	815,714	10,692,538
Parks & recreation	-	-	-	1,022,470	1,022,470
Storm drain	-	-	-	1,441,289	1,441,289
Public safety	-	-	-	222,251	222,251
Library	-	-	-	50,859	50,859
Public facilities	-	-	-	7,450,747	7,450,747
Streets beautification	-	-	-	86,835	86,835
Land Investment	86,792,503	-	-	-	86,792,503
Employee computer loan	76,013	-	-	-	76,013
Historical preservation	79,769	-	-	-	79,769
Project area CIP	-	-	114,500	-	114,500
Total committed	86,948,285	9,876,824	114,500	11,360,165	108,299,774
Assigned to:					
General Government	3,997,571	-	-	-	3,997,571
Community activities	870,393	-	-	-	870,393
Other purposes	59,293	-	-	-	59,293
Total Assigned	4,927,257	-	-	-	4,927,257
Unassigned:					
	38,522,304	-	-	-	38,522,304
Total unassigned	38,522,304	-	-	-	38,522,304
Total Fund Balances	\$ 150,374,120	\$ 30,934,231	\$ 41,983,236	\$ 54,218,540	\$ 277,510,127

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 19 – NET POSITION/FUND EQUITY (continued)

C. Fund Balance Policy

When both restricted and unrestricted funds are available for expenditure, the City's Fund Balance Policy reduces all Governmental Funds Balances in the following order: Restricted, Committed, Assigned, and Unassigned fund balances unless disallowed by City Council or legal requirements.

Stabilization Arrangement

Maintaining financial stabilization is a necessity for sound financial management and fiscal accountability. Its purpose is to ensure funds are available to cover occasional budgetary shortfalls (i.e., when general unrestricted revenues decline) or other unexpected urgent events. The City's Working Capital (Emergency) and Capital Projects Reserves are maintained for these purposes. As of June 30, 2013, the Working Capital and Capital Projects Reserves were \$18 million and \$16.3 million, respectively.

In 1986, the City Council established a policy regarding the Working Capital (Emergency) Reserve. The reserve target is equal to the cost of the City's General Operating Fund operations for three months (90 day working capital reserve).

In 2008, the City Council established goals to rebuild the General Contingency Reserves. The steps are:

- Continue to maintain a structurally balanced budget, that is a balanced budget without the use of reserves;
- If excess revenues are available, set aside \$3.0 million per year for the next five years in the Working Capital (Emergency) Reserve;
- If excess revenues are available above the level of \$3.0 million, deposit the remaining excess funds in the Capital Projects Reserve;
- Provide for annual Council review of this policy as part of the yearly budget process;
- Reallocate interest earnings from the Land Sale Reserve to the Emergency Reserve when not needed to balance the General Fund; and
- Refer to the City Manager to develop financing options for future Capital Improvement Projects.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 19 – NET POSITION/FUND EQUITY (continued)

D. Net Position/Fund Balance Deficits

The funds listed below had an accumulated deficit as of June 30, 2013:

Fund Name	Accumulated Deficit
Enterprise Funds:	
Cemetery	\$ 1,408,039
Stadium Authority	\$ 6,410,139
Internal Service Funds:	
Workers' Compensation Insurance Claims	\$ 18,700,037

The City's long term plans include construction of additional facilities that will help bring the Cemetery Enterprise Fund closer towards recovery. The Stadium Authority deficit is due to expensing current period operating costs without any offsetting operating revenues. The Workers Compensation Insurance Claims' Internal Service Fund accumulated deficit is expected to be offset by future charges to the General Fund and the proprietary funds.

NOTE 20 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts, errors and omissions, general liability, injuries to employees and unemployment claims. The City currently reports all of its risk management activities in its Internal Service Funds. Claims, expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated using actuarial methods or other estimating techniques. These losses include an estimate of claims that have been incurred but not reported.

This liability is the City's best estimate based upon available information which is included in accrued liabilities.

Changes in the reported liability since June 30, 2013 resulted from the following:

	Special Liability	Workers' Compensation	Total
Liability as of June 30, 2011	\$ 2,327,865	\$ 17,417,915	\$ 19,745,780
Claims and changes in estimates during fiscal 2012	1,058,638	3,825,890	4,884,528
Claim payments	(1,705,584)	(2,888,231)	(4,593,815)
Liability as of June 30, 2012	\$ 1,680,919	\$ 18,355,574	\$ 20,036,493
Claims and changes in estimates during fiscal 2013	2,138,899	6,144,989	8,283,888
Claim payments	(2,239,734)	(2,998,798)	(5,238,532)
Liability as of June 30, 2013	\$ 1,580,084	\$ 21,501,765	\$ 23,081,849
Current Claims Payable	\$ 900,648	\$ 3,655,300	\$ 4,555,948
Long Term Claims Payable	679,436	17,846,465	18,525,901
Liability as of June 30, 2013	\$ 1,580,084	\$ 21,501,765	\$ 23,081,849

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 20 – RISK MANAGEMENT (continued)

With respect to the Special Liability accrual of \$1.5 million, the City has numerous unsettled lawsuits filed or claims asserted against it as of June 30, 2013. The City has reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the City and to arrive at an estimate of the amount or ranges of potential loss to the City. As a result of such review, the City has categorized the various claims and lawsuits as “probable,” “reasonably possible,” and “remote” loss contingencies, as currently defined by current accounting standards.

The City has determined that the City’s probable loss contingencies, which are accrued for as the estimated liability for claims and lawsuits as of June 30, 2013, are approximately \$1.5 million. The final outcome of claims and lawsuits, which have been categorized as reasonably possible loss contingencies, is not presently determinable and any associated potential loss cannot be estimated. Accordingly, no provision has been made in the accompanying basic financial statements relative to the potential outcome of such claims and lawsuits. However, the ultimate resolution of such claims and lawsuits is not expected to have a material effect on the accompanying basic financial statements.

NOTE 21 – COMMITMENTS AND CONTINGENCIES

A. Supplemental Educational Revenue Augmentation Funds (SERAF)

In July 2009, the California State Legislature passed a series of bills affecting counties, cities, redevelopment agencies and special districts. This legislation authorized the State of California to take revenues from local governments for fiscal years 2009-10 and 2010-11. The affected revenues of the former RDA include property taxes. The former RDA paid \$9.8 million and \$2 million to the State under this legislation in fiscal years 2009-10 and 2010-11, respectively. As of June 30, 2013, the SERAF takeaway litigation is still pending.

B. Electricity Purchase Contracts

The City has future commitments under electricity purchase contracts as discussed in Note 18A, and is contingently liable under joint venture agreements discussed in Note 13B.

C. Grant Programs

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

D. Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to contracts not yet performed and purchase orders not yet filled (executory contracts; and open purchase orders). Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities but,

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 21 – COMMITMENTS AND CONTINGENCIES (continued)

rather, as restricted or committed governmental fund balance. As of June 30, 2013, total governmental fund encumbrance balances for the City are as follows:

General Fund	\$ 3,602,770
Project Area CIP	2,975,854
Nonmajor Governmental Funds	<u>8,251,630</u>
Total Governmental Funds	<u>\$ 14,830,254</u>

NOTE 22 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. Redevelopment Dissolution

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (AB 26) that provided for the dissolution of all redevelopment agencies in the State of California. AB 26 provides that upon dissolution, the City or another unit of local government can elect to serve as the “successor agency” and would be tasked with winding down the affairs of the dissolved redevelopment agency. The City elected to become the Successor Agency for the Santa Clara Redevelopment Agency (RDA). After the enactment of the law, which occurred on June 28, 2011, redevelopment agencies were prohibited from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in AB 26. All redevelopment agencies in California dissolved as of February 1, 2012.

In addition, AB 26 required the establishment of a seven-member Oversight Board to oversee the activities of the Successor Agency. On February 14, 2012, the Successor Agency adopted resolution 12-7908 authorizing the City Manager to establish the Oversight Board. The Oversight Board held its first meeting on March 23, 2012.

Prior to dissolution, assets of the Redevelopment Agency Housing Reserve Fund were assigned to the City’s Housing Authority and non-housing assets and properties including the third party contractual arrangements that encumber the assets and properties were conveyed to the City. Effective February 1, 2012, all remaining non-housing assets were distributed to the Successor Agency Redevelopment Obligation Retirement Fund. Prior to the adoption of AB 26, the former RDA had the power pursuant to the Community Redevelopment Law (CRL) to dispose of its assets and amend existing agreements.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 22 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

On March 8, 2011, pursuant to City and former RDA adopted resolutions authorizing the execution of property conveyance agreements, the former RDA transferred to the City several properties, most of which were originally acquired from the City. The book value of the properties and construction in progress transferred was listed in the former RDA's accounts as \$115.1 million as follows:

Conference Center Property	\$	4,730,000
North South Parcels		3,185,000
Theme Park Land		73,532,992
Southern Pacific		1,479,897
4949 Great America		8,860,000
Martinson Day Care		1,444,598
Construction in Progress		21,826,960
Total Book Value	<u>\$</u>	<u>115,059,447</u>

Furthermore, on March 8, 2011, the City, the former RDA, and the SOSA adopted resolutions authorizing the execution of Assignment and Assumption Agreements assigning the former RDA's interest in certain leases, subleases and cooperation agreements to the City.

The actions taken by the former RDA related to the asset transfers were validly authorized and conformed with the requirements of the Community Redevelopment Law as it existed at the time of the actions. Pursuant to AB 26, the Redevelopment Dissolution Law, the State Controller's Office is to review any asset transfers that occurred between a redevelopment agency and any other public agency after January 1, 2011 and if the assets have not been contractually committed to a third party and to the extent allowed by State and Federal law, the Controller, after completing its review, is to order the return of the assets to the Successor Agency. The State Controller's Office issued the final asset transfer review on September 10, 2013 (see page 130).

The Successor Agency has pooled its cash and investments with the City in order to achieve a higher return on investment. See Note 8 for disclosure related to cash and investments pooled with the City and the related custodial risk categorization.

Restricted cash and investments may be used only for enforceable obligations on a Recognized Obligation Payment Schedule (ROPS) that has been approved by the California Department of Finance.

A description of the long term obligations of the Successor Agency are described in Note 11.

B. Housing Assets and Housing Successor

On February 22, 2011, the City established the Santa Clara Housing Authority (Housing Authority) in accordance with Housing Authority Law. On March 8, 2011, the City, former RDA, and the Housing Authority executed an assignment and assumption agreement whereby the Housing Authority assumed responsibility for the housing projects with funding from the former RDA. As stated previously, prior to the adoption of AB 26, the former RDA had the power pursuant to the Community Redevelopment Law (CRL) to dispose of its assets and amend existing agreements.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 22 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

Under the provisions of AB 26, on January 24, 2012, the City elected to become the Housing Successor to retain the housing assets, rights, powers, duties, obligations and functions previously performed by the former RDA in administering its Low and Moderate Income Housing Fund. The activities of the Housing Successor are reported in the Santa Clara Housing Authority Fund acting on behalf of the City as Housing Successor. The housing assets transferred to the Housing Authority are to be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The assets transferred by the former RDA to the Housing Authority constitute Housing Assets as that term is defined in Health and Safety Code Section 34176(e), which was amended pursuant to AB 1484 adopted on June 27, 2012. In accordance with AB 1484, the entity assuming the housing functions of the former RDA is entitled to retain the Housing Assets. The City as the entity that elected to retain the former RDA's housing functions, in accordance with Health and Safety Code Section 34176(a)(2) submitted on August 1, 2012 a list to the Department of Finance (DOF) of all of the Housing Assets transferred to the Housing Authority on February 1, 2012. On August 30, 2012, the DOF issued a determination letter in reference to the Housing Asset List. The DOF issued a revised determination letter on July 16, 2013 approving certain items listed on the Housing Asset List as Housing Assets properly transferred to the City acting as the Housing Successor Agency. The exceptions to items approved were assets already owned by the City or assets with unencumbered balances already addressed in the completion of the Due Diligence Review on December 19, 2012. On September 23, 2013 the Oversight Board adopted a Resolution acknowledging the DOF review and findings as required for the Housing Asset List and directed transfer of the housing assets as set forth in the Housing Asset List to the Housing Successor Agency, pursuant to California Health and Safety Code Section 34181(c). Total book value of land held for redevelopment by the Housing Successor totaled \$24.7 million as of June 30, 2013.

Under AB 1484, the uncommitted cash assets of the Low and Moderate Income Housing Fund (Housing Successor) are to be transferred to the Successor Agency upon completion of the Low and Moderate Income Housing Fund DDR. As of June 30, 2013 an estimated \$63.2 million liability has been recorded in the Successor Agency to be returned to the taxing entities. However, pursuant to discussions with the DOF, \$17.7 million of that amount was listed on the ROPS 13-14B by the Successor Agency and submitted to the DOF. If the ROPS 13-14B is approved by the DOF as submitted, the liability will be reduced by that amount.

C. Long-Term Debt

The Successor Agency assumed the long-term debt of the former RDA as of February 1, 2012. See Note 11 section I for description of long-term debt of the Successor Agency.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 22 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

The debt services transactions from July 1, 2012 through June 30, 2013 for the Successor Agency are shown in the table below:

	Outstanding as of July 1, 2012	Debt Service Payments (Principal & Interest)	Amount Funded by RPTTF	Amount Funded by Cash Flow Loans
Debt:				
1999-A Tax Allocation Bonds				
Bayshore North Project				
5.25% - 5.5% maturing through 2023	\$ 31,550,000	\$ 1,708,863	\$ 854,431	\$ 854,432
1999-B Tax Allocation Bonds				
Bayshore North Project				
5.25%-5.5%, maturing through 2017	13,745,000	2,449,556	2,079,778	369,778
2002 Tax Allocation and Refunding Bonds				
Bayshore North Project				
4.0%-5.5%, maturing through 2014	11,045,000	5,982,475	5,678,737	303,738
2003 Tax Allocation Bonds				
Bayshore North Project				
5.0%, maturing through 2023	43,960,000	2,198,000	1,099,000	1,099,000
2011 Tax Allocation Bonds				
Bayshore North Project				
4.35%-7.86%, maturing through 2026	31,286,295	650,613	325,306	325,307
Less: Unamortized Discount	(155,597)	(11,181)	n/a	n/a
Total Debt:	<u>\$ 131,430,698</u>	<u>\$ 12,978,326</u>	<u>\$ 10,037,252</u>	<u>\$ 2,952,255</u>

D. Enforceable Obligations

Management believes, in consultation with legal counsel, that the following obligations of the former RDA assigned to the City, the Santa Clara Stadium Authority, and the Housing Authority are valid enforceable obligations payable by the Successor Agency Trust Fund under the requirement of the Dissolution Legislation. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorable or unfavorable to the City.

AB 1484 allows the following notes to be reentered into with the approval of the Oversight Board and after Department of Finance issuance of finding of completion.

Franklin Mall Cooperation and Reimbursement Reentry Agreement

The City has made long-term advances to the former RDA. On May 18, 2012, the Oversight Board authorized the Successor Agency to reenter into the Loan Agreement with the City. On May 22, 2012, the agreement to reenter into a Loan Agreement was approved by the City and the Successor Agency. The outstanding interfund commitment from the Successor Agency totaled \$2.34 million on June 30, 2013. Upon receipt of a finding of completion pursuant to Health and

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 22 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

Safety Code Section 34179.7, the repayment terms will be revised in accordance with Health and Safety Code Section 34191.4(b)(2).

Agreement Reentering into Promissory Note to Facilitate Implementation of the Affordable Housing Program

The City has made long-term advances to the former RDA for implementation of the former RDA's affordable housing program. On May 18, 2012, the Oversight Board authorized the Successor Agency to reenter into the Loan Agreement with the City. On May 22, 2012, the agreement reentering into a Loan Agreement was approved by the City and the Successor Agency. The outstanding interfund commitment from the Successor Agency totaled \$1.99 million as of June 30, 2013.

Upon receipt of a finding of completion pursuant to Health and Safety Code Section 34179.7, the repayment terms will be revised in accordance with Health and Safety Code Section 34191.4(b)(2).

Due to City of Santa Clara Commitment

The former RDA conveyed certain properties to the City in March 2011 in consideration for the City reducing the amount owed to the City on the Santa Clara Gateway Cooperation Agreement to \$16.2 million. The reduction in debt owed was based on a market analysis of the value of the properties conveyed. This residual amount was included on the Enforceable Obligation Payment Schedule and was reviewed by the County of Santa Clara as part of its certification of the first ROPS on April 5, 2012. The determination was made not to put the residual amount on the ROPS as no payment was due at that time. The City and Successor Agency has not recorded the commitment as of June 30, 2013.

Cash Flow Loan for Enforceable Obligations on ROPS I, ROPS II, and ROPS III

The City of Santa Clara made a cash flow loan for \$5.9 million to the Successor Agency using funds borrowed from the Housing Authority. The Oversight Board approved the cash flow loan on May 22, 2012. The cash flow loan was necessary to make debt service payments in May 2012 and November 2012 on the Tax Allocation Bonds and COPs in order to avoid default as a result of the County's refusal to make distributions from the Redevelopment Property Tax Trust Fund (RPTTF) to the Successor Agency. The amount advanced to the Successor Agency as of June 30, 2013 is \$5.9 million. The Department of Finance initially rejected the cash flow loan as an unenforceable obligation on the ROPS III. The Successor Agency initiated the meet and confer process with the Department of Finance related to the cash flow loan along with other ROPS III items. The meet and confer was held on November 26, 2012. The Department of Finance rejected the cash flow loan on the ROPS, however a credit of \$5.9 million was included on the Other Funds and Accounts (OFA) Due Diligence Review (DDR) as payment of prior enforceable obligations and acknowledged in the DOF determination letter dated August 29, 2013, thus satisfying this short-term loan. The \$5.9 million is included in the Low and Moderate Income Housing Fund DDR amount owed. See section titled Due Diligence Review: Housing Successor.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 22 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

First Amendment to the Cooperation Agreement to Assist Publicly-Owned Stadium and First Amendment to Predevelopment Funding Agreement

On March 22, 2013, the Sacramento Superior Court found that the Cooperation Agreement to Assist Publicly-Owned Stadium and the Predevelopment Funding Agreement were not unenforceable as a result of the adoption of the Dissolution Act. In accordance with the Courts' decision, the Oversight Board held remand proceedings as directed by the Superior Court over the course of two meetings in August 2013. On August 1, 2013, the Oversight Board adopted Resolution 2013-05 pursuant to which the Oversight Board determined that all preconditions to payments under the Stadium Agreements had been met, the predevelopment costs charged toward the advance were valid, and authorized the placement of the Stadium Agreements on the ROPS 13-14B. The Oversight Board also directed the Successor Agency to renegotiate the terms of the repayment terms under the Stadium Agreements. The Oversight Board on September 23, 2013 approved the First Amendment to the Cooperation Agreement to Assist Publicly-Owned Stadium and Predevelopment Funding Agreement and approved listing the First Amendment on the ROPS 13-14B. On October 8, 2013, the Department of Finance (DOF) notified the Successor Agency that their office had received Resolution No. 2013-10 approving the agreements and pursuant to HSC 34179(h), they requested a review of this action. The DOF had 40-days from date of receipt to notify the Successor Agency of its determination. On October 25, 2013, the Successor Agency was notified that the DOF approved Oversight Board Resolution No. 2013-10. Based on the approved Resolution, the Successor Agency must request an IRS ruling to determine whether the former RDA's 2011 bond proceeds may be used towards payment of the Stadium agreements. The Successor Agency has listed the obligations under the First Amendment on the ROPS 13-14B which is currently under review by the DOF. Once approved by the DOF, the Successor Agency will record a receivable from the RPTTF and a payable to the City of Santa Clara Stadium Authority.

The schedule of Oversight Board approved payments on September 23, 2013 related to the First Amendment to the Stadium Agreements is as follows:

<u>Due Date of Payment</u>	<u>Principal Portion of Payment</u>	<u>Interest Portion of Payment</u>	<u>Total Payment</u>
January 2, 2014	\$ 9,084,906	\$ 2,915,094	\$ 12,000,000
July 1, 2014	3,719,448	478,885	4,198,333
July 1, 2015	5,417,672	791,661	6,209,333
July 1, 2016	6,013,525	545,808	6,559,333
July 1, 2017	6,014,069	272,917	6,286,986
	<u>\$ 30,249,620</u>	<u>\$ 5,004,365</u>	<u>\$ 35,253,985</u>

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 22 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

E. Commitments and Contingencies

State Department of Finance Approval of Enforceable Obligations

The Successor Agency prepares a ROPS semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The Successor Agency expects such amounts, if any, to be immaterial.

Recognized Obligation Payment Schedule (ROPS) 13-14B

The Successor Agency submitted the ROPS for the period of January 1, 2014 to June 30, 2014 to DOF for review on October 1, 2013. If the Department of Finance objects to items on the ROPS, the Successor Agency is expected to initiate a meet and confer process. The Department of Finance will make a final determination of the amount of RPTTF to be distributed to the Successor Agency for the period of January 1, 2014 through June 30, 2014 no later than December 18, 2013.

Agreed Upon Procedures by County of Santa Clara Finance Agency

Pursuant to Health and Safety Code section 34182, by October 5, 2012 the County of Santa Clara Auditor-Controller was required to provide the State Controller's Office and Department of Finance, the Agreed Upon Procedures Report (AUP) to establish assets, liabilities, and other indebtedness of each former RDA, as well as to document and determine any pass-through payment obligations to taxing entities. The Auditor-Controller contracted with Harvey Rose, LLC, to perform the AUP and informed the State Controller and the DOF on October 1, 2012, that due to complexity there would be a delay in the submission of the AUP for the former RDA. The Auditor-Controller completed the AUP on December 17, 2012 and amended it on April 30, 2013.

Superior Court Lawsuit: County of Santa Clara, the Santa Clara Unified School District, and the Santa Clara County Office of Education vs. Successor Agency to the Redevelopment Agency of the City of Santa Clara, City of Santa Clara, Housing Authority of the City of Santa Clara, Santa Clara Stadium Authority and the Sports & Open Space Authority of the City of Santa Clara

On February 8, 2013, a lawsuit was filed by the County of Santa Clara, the Santa Clara Unified School District, and the Santa Clara County Office of Education. The lawsuit challenges the validity of certain actions taken by the former RDA prior to dissolution and requests the return of the property and funds transferred by the former RDA to the City, the SOSA, the Housing Authority and the Stadium Authority. The County moved for a preliminary injunction to prohibit the City, the Housing Authority and the SOSA from selling, encumbering or otherwise transferring any property received from the former RDA after January 1, 2011 as well as prohibiting the City from spending certain cash, bond proceeds and rent revenues received from properties formerly owned by the former RDA. On July 26, 2013, a temporary injunction order was granted by the Court restraining the City, the Housing Authority and SOSA from spending, encumbering and transferring the assets at issue in the lawsuit. A hearing on the merits of the lawsuit is scheduled in the Sacramento Superior Court on February 14, 2014.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 22 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

Due Diligence Review: Housing Successor

Pursuant to Health and Safety Code Section 34179.5, the Successor Agency is required to employ a licensed accountant, approved by the County Auditor-Controller for the County of Santa Clara, to conduct a due diligence review (DDR) of Housing funds and to determine the unobligated balances for the dissolved former RDA's low and moderate income housing fund held by the Housing Successor available for transfer to taxing entities. The DDR was completed on December 19, 2012. Once completed it was presented to the Oversight Board for approval and submitted to the DOF on February 19, 2013. A determination letter was issued by DOF on March 15, 2013 and was later superseded by a new determination letter on April 19, 2013. The original meet and confer session between the Successor Agency and DOF was held on April 3, 2013. DOF and the Successor Agency are working collaboratively to develop a payment plan. The Successor Agency has recorded a liability due to the taxing agencies in the amount of \$63.2 million in accordance with the DOF determination. The Successor Agency has recorded a due from the Housing Successor in the amount of \$32 million, due from City in the amount of \$13.4 million and intergovernmental receivable of \$17.7 million as of June 30, 2013. The payment plan consists of \$32 million to be paid from Housing Successor cash, the \$5.9 million payment credit for the short-term loan from the Other Funds and Accounts (OFA) DDR and \$7.6 million to be covered in installment payments from residual payments that are scheduled distributions made to the taxing entities from the RPTTF. This represents the City's share of the distribution as a taxing entity. The remaining \$17.7 million are valid housing enforceable obligations that will be under review by DOF through the ROPS 13-14B process per DOF letter dated September 23, 2013 to the Oversight Board, and is recorded as a receivable on the Successor Agency's balance sheet.

Due Diligence Review: Agency Successor

Pursuant to Health and Safety code Section 34179.5, the Successor Agency is required to employ a licensed accountant, approved by the County Auditor-Controller for the County of Santa Clara, to conduct a due diligence review of non-housing funds and to determine the unobligated balances for the dissolved former RDA's non-housing funds held by the Successor Agency available for transfer to taxing entities. The Successor Agency submitted an Oversight Board approved OFA DDR to DOF on June 17, 2013. DOF issued a determination letter on August 29, 2013 and made no adjustments to the OFA balance available for distribution to the affected taxing entities of \$26.7 million. The meet and confer session between DOF and the Successor Agency was held on September 18, 2013. On October 4, 2013 the DOF notified the Successor Agency that no adjustments were being made to the OFA DDR balance. The Successor Agency is continuing to work collaboratively with DOF on a resolution.

State Controller's Office Asset Transfer Review

On July 27, 2012, the State Controller's Office completed the asset transfer review. On September 10, 2013, the State Controller's Office issued the final report and deemed the transfers of assets totaling \$273 million to be unauthorized and unallowable. The exception from this amount is a \$5.9 million short-term, no interest cash flow loan agreement the State determined to be allowable. The State Controller's Office has no authority to order the Successor Agency and /or the Oversight Board to take any specific action on the disposition of the assets or related agreements. The scope of the State Controller's authority and type of assets that can be ordered returned is an unsettled area of law. The order amount includes unencumbered cash balances that are covered under the

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 22 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

authority of the DOF upon completion of the DDR process. Of the amount noted in the State Controller's review are Housing Assets that on September 23, 2013, the Oversight Board authorized to be transferred to the City as the Housing Successor. These assets are reflected on the Santa Clara Housing Authority's balance sheet as land held for development and loans receivable. The City disputes the order as an area of unsettled law. The activities of the former RDA and the Successor Agency are subject to further examination by the State of California.

Information related to the former RDA dissolution can be found on City of Santa Clara website at: <http://santaclaraca.gov/>.

NOTE 23 – SUBSEQUENT EVENTS

A. City of Santa Clara

Preliminary injunction order (Temporary restraining order (TRO))

On July 26, 2013, the Court granted the County of Santa Clara, the Santa Clara Unified School District, and the Santa Clara County Office of Education (Petitioners) motion for a preliminary injunction. The City of Santa Clara, Housing Authority of the City of Santa Clara, Santa Clara Stadium Authority, and Sports & Open Space Authority (Respondents) are enjoined from selling, transferring, encumbering, spending, or otherwise depleting or wasting any real property interests received from the former RDA.

B. Stadium Authority (through August 28, 2013)

Stadium Builder License (SBL) Acceptance

The Stadium Authority made the decision to sell Stadium Builder Licenses (SBLs) as a method of raising funds for the construction of the Stadium. On June 28, 2011, an agreement between the Stadium Authority and Legends Premium Sales, LLC (Legends) was approved authorizing Legends to market and sell SBLs. Pursuant to the Funding Agreement by and between the Stadium Authority, Forty Niners SC Stadium Company LLC (StadCo), and Bank of America, SBL proceeds could not be used for construction until a construction loan threshold of \$400 million had been spent on Stadium development costs. This would ensure that construction was well under way before spending SBL proceeds. The construction loan threshold was met in March 2013.

As of March 12, 2013, Legends had sold SBLs representing 45,905 seats generating an anticipated future revenue of \$393 million. This represents 74% of the total number of available SBLs to be sold. Deposits and payments related to these SBLs totaled \$97.2 million and were being held by Legends as of March 31, 2013. To allow the Stadium Authority to access the SBL proceeds, in March 2013 the Stadium Authority executed each SBL agreement and on April 12, 2013 \$97.2 million was transferred from the Legends escrow account to a revenue account with the Stadium Authority's lenders to be used for construction related costs.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013)

NOTE 23 – SUBSEQUENT EVENTS (continued)

Take Out Financing

On May 7, 2013, the Stadium Authority entered into an agreement to be bound by all terms and conditions of the: (1) Engagement and Commitment Letter dated May 3, 2013 and (2) the Private Placement Engagement Letter dated May 3, 2013. These Engagement Letters provided the mechanism to begin the process for replacing the construction financing with longer term financing.

The new financing structure is similar to the structure used for the Stadium Authority's construction financing. Stadium Funding Trust (FinanceCo) will provide an overall credit facility in the amount of \$850 million. \$450 million will be made available to the Stadium Authority and \$400 million will be made available to StadCo.

FinanceCo will make two loans to the Stadium Authority in the combined amount of up to \$450 million. Both loans will have equal lien priority. One loan will be funded with the proceeds of a privately placed bond issuance (Senior Secured Notes) by FinanceCo. The Senior Secured Note loan will have a fixed rate of interest of 5%. The loan will amortize over a 26 year term. The proceeds of the bond loan will be used primarily to repay the Stadium Authority's outstanding construction loan with FinanceCo. If there are proceeds in excess of the outstanding balance of the construction loan, the excess proceeds will be set aside to fund the Stadium Authority's ongoing construction costs. Prepayment of the bond loan is allowable but a premium for each prepayment will be required.

The second loan made by FinanceCo to the Stadium Authority will be from bank proceeds. This loan will be shorter term, with an expected initial maturity period of five years and will carry a variable rate of interest of LIBOR + 2%. The bank loan is intended to provide financing for the balance of the Stadium Authority's construction costs and may be prepaid without penalty.

On June 11, 2013, loan documents for the both the FinanceCo bond loan and the FinanceCo bank loan were presented to the Stadium Authority for its consideration, and on June 19, 2013, the Stadium Authority signed the closing documents for the Take Out Financing.

Naming Rights

On March 7, 2013, StadCo, as agent for the Stadium Authority, and Levi Strauss & Co. (Levi Strauss) entered into a Letter of Intent that contemplated that Levi Strauss would enter into an agreement with the Stadium Authority to become the naming rights partner of the Stadium and that Levi Strauss would enter into an agreement with StadCo to receive certain sponsorship rights and entitlements related to the Team and the Stadium.

On May 9, 2013 the terms of the Naming Rights Agreement with Levi Strauss were approved. The name of the Stadium will be "Levi's Stadium". In return, Levi Strauss will make annual payments to the Stadium Authority starting at \$5.7 million per year and increasing 3% annually for the term of the Naming Rights Agreement. With an initial term of 20 years, the total value of the Naming Rights Agreement is projected to be \$154 million.

Levi Strauss has the right to extend the initial term for an additional five years. The extension option must be exercised before the expiration of the fifth year of the Naming Rights Agreement. If Levi Strauss elects to extend the term of the agreement for an additional five years, the annual payments will continue to increase 3% annually. In addition, the Naming Rights Agreement gives

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2013)

NOTE 23 – SUBSEQUENT EVENTS (continued)

Levi Strauss the right of first negotiation to enter into a new naming rights agreement at the expiration of the term. The right of first negotiation occurs three years prior to the expiration of the Naming Rights Agreement and requires a 60 day negotiating period. If the parties cannot reach agreement during that time, the Stadium Authority is free to market the naming rights to others.

C. Successor Agency

Asset Transfer Review – State Controller’s Office

On September 10, 2013, the State Controller’s Office completed the review of assets transferred by the RDA prior to its dissolution. The review determined that the former RDA is required by state law to reverse approximately \$273 million in inappropriate property and cash transfers. The City as the Successor Agency plans to appeal this determination.

Other Funds Due Diligence Review

The Successor Agency submitted an Oversight Board approved Other Funds and Accounts (OFA) DDR to DOF on June 17, 2013. DOF issued a determination letter on August 29, 2013 and made no adjustments to the OFA DDR balance available for distribution to the affected taxing entities of \$26.7 million. The Successor Agency requested a meet and confer session with DOF and the meeting took place on September 18, 2013. On October 4, 2013 the DOF notified the Successor Agency that no adjustments were being made to the OFA DDR balance. The Successor Agency is continuing to work collaboratively with DOF on a resolution.

***Required Supplementary
Information***

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CITY OF SANTA CLARA
SCHEDULE OF FUNDING PROGRESS – OTHER POST RETIREMENT BENEFIT PLAN
June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b - a)	(a/b)	(c)	[(b - a) / c]
06/30/2008	\$ 4,502,000	\$ 27,902,000	\$ 23,400,000	16.1%	\$ 87,943,000	26.6%
06/30/2010	\$ 7,031,000	\$ 30,886,000	\$ 23,855,000	22.8%	\$ 101,739,000	23.4%
06/30/2012	\$ 9,129,000	\$ 36,473,000	\$ 27,344,000	25.0%	\$ 95,244,000	28.7%

**CITY OF SANTA CLARA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)
For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Sales	\$ 42,364,000	\$ 42,364,000	\$ 44,351,020	\$ 1,987,020
Ad valorem	28,490,000	28,490,000	31,747,458	3,257,458
Transient occupancy	11,021,000	11,021,000	13,046,576	2,025,576
Other	3,982,700	3,982,700	4,347,115	364,415
Licenses, permits, fines and penalties	5,644,700	5,650,263	6,630,638	980,375
Intergovernmental	313,000	433,308	470,177	36,869
Charges for services	23,357,314	23,505,393	24,854,478	1,349,085
Contributions in-lieu of taxes	15,868,938	15,868,938	15,218,781	(650,157)
Interest and rents	18,426,344	18,434,370	19,038,889	604,519
Other	200,200	210,200	349,127	138,927
Total Revenues	<u>149,668,196</u>	<u>149,960,172</u>	<u>160,054,259</u>	<u>10,094,087</u>
EXPENDITURES				
Current:				
General Government:				
General Administration:				
Salary & benefits	1,990,095	2,916,381	2,715,591	200,790
Material, service & supplies	10,121,730	10,155,465	10,081,565	73,900
Internal service fund charges	205,915	205,915	205,915	-
Capital outlay	-	27,021	27,021	-
Total General Administration	<u>12,317,740</u>	<u>13,304,782</u>	<u>13,030,092</u>	<u>274,690</u>
City Clerk:				
Salary & benefits	609,701	689,893	689,893	-
Material, service & supplies	416,296	340,206	267,271	72,935
Internal service fund charges	14,476	14,476	14,476	-
Total City Clerk	<u>1,040,473</u>	<u>1,044,575</u>	<u>971,640</u>	<u>72,935</u>
City Attorney:				
Salary & benefits	1,202,650	1,167,216	1,142,318	24,898
Material, service & supplies	66,560	122,970	122,969	1
Internal service fund charges	33,049	33,049	33,049	-
Total City Attorney	<u>1,302,259</u>	<u>1,323,235</u>	<u>1,298,336</u>	<u>24,899</u>
Human Resources:				
Salary & benefits	1,694,931	1,657,229	1,657,229	-
Material, service & supplies	303,338	354,116	354,116	-
Internal service fund charges	46,967	46,967	46,967	-
Total Human Resources	<u>2,045,236</u>	<u>2,058,312</u>	<u>2,058,312</u>	<u>-</u>

**CITY OF SANTA CLARA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)
For the year ended June 30, 2013
(continued)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Salary & benefits	7,217,616	7,135,903	6,930,491	205,412
Material, service & supplies	725,788	725,788	677,098	48,690
Internal service fund charges	280,145	280,145	280,145	-
Total Finance	8,223,549	8,141,836	7,887,734	254,102
Total General Government	24,929,257	25,872,740	25,246,114	626,626
Public Works:				
Salary & benefits	12,083,420	11,836,236	11,187,026	649,210
Material, service & supplies	2,213,472	2,357,905	2,037,394	320,511
Internal service fund charges	1,300,467	1,300,467	1,300,467	-
Total Public Works	15,597,359	15,494,608	14,524,887	969,721
Parks and Recreation:				
Salary & benefits	10,108,166	9,363,821	9,318,974	44,847
Material, service & supplies	2,429,720	2,926,586	2,926,586	-
Internal service fund charges	651,966	651,966	651,966	-
Total Parks and Recreation	13,189,852	12,942,373	12,897,526	44,847
Public Safety:				
Police:				
Salary & benefits	39,357,458	39,171,909	37,937,232	1,234,677
Material, service & supplies	2,317,874	2,258,486	1,916,940	341,546
Internal service fund charges	2,756,647	2,756,647	2,756,647	-
Total Police	44,431,979	44,187,042	42,610,819	1,576,223
Fire:				
Salary & benefits	31,340,279	31,157,823	29,259,270	1,898,553
Material, service & supplies	645,990	754,022	754,021	1
Internal service fund charges	2,251,784	2,251,784	2,251,784	-
Capital outlay	-	8,000	7,631	369
Total Fire	34,238,053	34,171,629	32,272,706	1,898,923
Total Public Safety	78,670,032	78,358,671	74,883,525	3,475,146

**CITY OF SANTA CLARA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)
For the year ended June 30, 2013
(continued)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Planning & Inspection:				
Salary & benefits	5,805,974	5,677,099	5,056,972	620,127
Material, service & supplies	344,009	1,694,028	1,295,552	398,476
Internal service fund charges	209,869	209,869	209,869	-
Total Planning & Inspection	6,359,852	7,580,996	6,562,393	1,018,603
Library:				
Salary & benefits	5,248,290	5,166,937	4,953,760	213,177
Material, service & supplies	1,285,262	1,313,490	1,313,489	1
Internal service fund charges	163,084	163,084	163,084	-
Total Library	6,696,636	6,643,511	6,430,333	213,178
Total Expenditures	145,442,988	146,892,899	140,544,778	6,348,121
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,225,208	3,067,273	19,509,481	16,442,208
OTHER FINANCING SOURCES (USES)				
Transfers in	1,803,786	3,067,507	4,153,882	1,086,375
Transfers (out)	(10,417,067)	(11,388,180)	(11,388,180)	-
Sale of capital assets	400,000	400,000	-	(400,000)
Total Other Financing Sources (Uses)	(8,213,281)	(7,920,673)	(7,234,298)	686,375
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS	\$ (3,988,073)	\$ (4,853,400)	12,275,183	\$ 17,128,583
ADJUSTMENTS TO BUDGETARY BASIS:				
Prior year encumbrances recognized on the GAAP basis			3,195,647	
Current year encumbrances recognized on the budgetary basis			(3,997,571)	
Net change in receivables recognized on the GAAP basis			(3,170,230)	
Net change in accrued liabilities recognized on the GAAP basis			1,783,375	
Extraordinary Item			(7,563,101)	
Net change in funds for GAAP Basis not included in annual budget			94,411	
Beginning Fund balance			147,756,406	
Ending Fund balance			\$ 150,374,120	

CITY OF SANTA CLARA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2013

NOTE 1 – REQUIRED SUPPLEMENTARY INFORMATION

A. BUDGETS AND BUDGETARY ACCOUNTING

The results of operations are presented in the budget and actual comparison statement in accordance with the budgetary process (budgetary basis) to provide a meaningful comparison with the budget.

The major differences between the budgetary basis actual and GAAP basis actual are as follows:

- Year-end encumbrances are recognized as the equivalent of expenditures in the budgetary basis financial statements, while encumbered amounts are not recognized as expenditures on the GAAP basis until the liability is incurred.
- Expenditures of prior year encumbrances are recognized on the GAAP basis in the current year, while on the budgetary basis prior year encumbrances were recognized in the prior year.
- Accrued liabilities and compensated absences are recognized on the GAAP basis, while the budgetary basis does not recognize accrued liabilities.
- Revenues considered susceptible to accrual on the GAAP basis are not recognized on the budgetary basis until received.
- Increases to certain GAAP basis advances to other funds are treated as expenditures for budgetary basis financial statements.
- Component units and proprietary funds included in the City's basic financial statements, for which no annual budgets are prepared, are excluded from the budgetary basis financial statements.

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Supplementary Information

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<p style="text-align: center;">CITY OF SANTA CLARA NON-MAJOR GOVERNMENTAL FUNDS</p>
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SPECIAL REVENUE FUNDS

GAS TAX

The fund accounts for revenues and expenditures received from the State under Street and Highways Codes Sections 2105 (Gas Tax 2105), 2106 (Collier-Unruh) and 2107 (Special Gas Tax). The allocations must be spent for street maintenance or construction and a limited amount for engineering.

HUD PROGRAMS

This fund accounts for grant funds received from other governmental agencies for the purpose of developing viable urban communities.

CITY AFFORDABLE HOUSING

This fund accounts for the City's Below Market Housing Program for low and moderate income residents.

MAINTENANCE

This fund accounts for the maintenance of two Parking Districts located near the City's Convention Center and the downtown area. Funds are received by means of a Special Benefit Assessment levied against the property owners in the respective districts.

OPERATING GRANTS FUND

This fund accounts for grant funds received from other governmental agencies for various operating activities.

DEBT SERVICE FUNDS

PUBLIC FACILITIES FINANCING CORPORATION (PFFC)

This fund accumulates monies for the repayment of Certificates of Participation, which are financed by lease payments made by the City's General Fund to the PFFC for use of the Police Administration Building and Library sites.

GENERAL GOVERNMENT

This fund accumulates monies for the payment of General Government long-term obligations, which are financed by various General Fund revenues.

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CAPITAL PROJECTS FUNDS

PARKS AND RECREATION FACILITIES

This fund was established to account for revenues, contributions and reimbursements received and costs incurred in connection with the acquisition and construction of the City Parks.

STREETS AND HIGHWAYS IMPROVEMENT

This fund is used to account for revenues and expenditures related to road construction and traffic improvements.

STORM DRAIN IMPROVEMENT

This fund is used to account for revenues and expenditures related to the construction or modification of the City's storm drainage system.

FIRE DEPARTMENT IMPROVEMENT

This fund is used to account for revenues and expenditures related to the construction or modification of City fire stations.

LIBRARY DEPARTMENT IMPROVEMENT

This fund is used to account for revenues and expenditures related to the construction or modification of the City library facilities.

PUBLIC FACILITIES

This fund is used to account for revenues and expenditures related to the construction, acquisition or modification of public improvements not accounted for in another Capital Projects Fund.

STREET BEAUTIFICATION

This fund is used to account for revenues and expenditures related to the landscaping of City streets.

SPECIAL ASSESSMENTS

Special Assessment District funds are used to finance public improvements deemed to benefit the properties against which special assessments are made.

**CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013**

SPECIAL REVENUE FUNDS

	<u>Gas Tax</u>	<u>HUD Programs</u>	<u>City Affordable Housing</u>	<u>Maintenance</u>
ASSETS				
Cash and investments:				
Pooled cash and investments	\$ 13,558,596	\$ 457,274	\$ 836,204	\$ 430,803
Investments with fiscal agent - current	-	-	-	-
Cash restricted for construction	-	-	-	192,242
Receivables (net of allowance for uncollectibles):				
Accounts	-	-	-	-
Interest	-	-	-	-
Loans	-	12,749,669	10,594,012	-
Intergovernmental	232,284	3,739,266	-	-
Due from other funds	-	-	-	22,473
Investments with fiscal agent - noncurrent	-	-	-	-
Total Assets	\$ 13,790,880	\$ 16,946,209	\$ 11,430,216	\$ 645,518
LIABILITIES				
Accrued liabilities	65,989	187,312	20,490	34,859
Due to other funds	-	114,242	-	-
Total Liabilities	65,989	301,554	20,490	34,859
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Loans	-	12,726,056	10,594,012	-
Unavailable revenue - Grants	-	3,347,864	-	-
Total Deferred Inflows of Resources	-	16,073,920	10,594,012	-
FUND BALANCES				
Restricted	13,454,891	570,735	-	610,659
Committed	270,000	-	815,714	-
Total Fund Balances	13,724,891	570,735	815,714	610,659
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 13,790,880	\$ 16,946,209	\$ 11,430,216	\$ 645,518

CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013

Operating Grants Fund	DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS	
	Public Facilities Financing Corp.	General Government	Parks and Recreation Facilities	Streets and Highways Improvement
\$ 573,823	\$ 734,303	\$ 1,257,596	\$ 1,082,035	\$ 14,317,277
-	23,580	1	-	-
-	-	-	-	3,509,915
-	-	-	-	-
-	6	-	-	-
-	-	-	-	-
92,504	-	-	-	1,072,411
-	-	-	-	-
-	703,644	3,371,077	-	-
<u>\$ 666,327</u>	<u>\$ 1,461,533</u>	<u>\$ 4,628,674</u>	<u>\$ 1,082,035</u>	<u>\$ 18,899,603</u>
138,483	-	-	59,565	842,146
-	-	-	-	-
<u>138,483</u>	<u>-</u>	<u>-</u>	<u>59,565</u>	<u>842,146</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
527,844	1,461,533	4,628,674	-	18,057,457
-	-	-	1,022,470	-
<u>527,844</u>	<u>1,461,533</u>	<u>4,628,674</u>	<u>1,022,470</u>	<u>18,057,457</u>
<u>\$ 666,327</u>	<u>\$ 1,461,533</u>	<u>\$ 4,628,674</u>	<u>\$ 1,082,035</u>	<u>\$ 18,899,603</u>

**CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013**

CAPITAL PROJECTS FUNDS

	<u>Storm Drain Improvement</u>	<u>Fire Department Improvement</u>	<u>Library Department Improvement</u>	<u>Public Facilities</u>
ASSETS				
Cash and investments:				
Pooled cash and investments	\$ 1,979,812	\$ 250,646	\$ 51,677	\$ 9,770,530
Investments with fiscal agent - current	-	-	-	-
Cash restricted for construction	-	-	-	-
Receivables (net of allowance for uncollectibles):				
Accounts	5,943	-	-	67,121
Interest	-	-	-	-
Loans	-	-	-	-
Intergovernmental	-	14,163	-	-
Due from other funds	-	-	-	-
Investments with fiscal agent - noncurrent	-	-	-	-
Total Assets	\$ 1,985,755	\$ 264,809	\$ 51,677	\$ 9,837,651
LIABILITIES				
Accrued liabilities	8,040	-	818	467,026
Due to other funds	-	-	-	-
Total Liabilities	8,040	-	818	467,026
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Loans	-	-	-	-
Unavailable revenue - Grants	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Restricted	536,426	42,558	-	1,919,878
Committed	1,441,289	222,251	50,859	7,450,747
Total Fund Balances	1,977,715	264,809	50,859	9,370,625
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,985,755	\$ 264,809	\$ 51,677	\$ 9,837,651

CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013

<u>Street Beautification</u>	<u>Special Assessments</u>	<u>Total Non-Major Governmental Funds</u>
\$ 86,835	\$ 1,047,720	\$ 46,435,131
-	-	23,581
-	-	3,702,157
-	-	73,064
-	-	6
-	-	23,343,681
-	-	5,150,628
-	-	22,473
-	-	4,074,721
<u>\$ 86,835</u>	<u>\$ 1,047,720</u>	<u>\$ 82,825,442</u>
-	-	1,824,728
-	-	114,242
-	-	1,938,970
-	-	23,320,068
-	-	3,347,864
-	-	26,667,932
-	1,047,720	42,858,375
86,835	-	11,360,165
<u>86,835</u>	<u>1,047,720</u>	<u>54,218,540</u>
<u>\$ 86,835</u>	<u>\$ 1,047,720</u>	<u>\$ 82,825,442</u>

**CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2013**

SPECIAL REVENUE FUNDS

	<u>Gas Tax</u>	<u>HUD Programs</u>	<u>City Affordable Housing</u>	<u>Maintenance</u>
REVENUES				
Taxes:				
Other	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,702,452	1,074,365	-	-
Charges for services	-	-	-	709,646
Interest and rents	141,263	5	8,772	7,132
Other	-	573,430	309,175	-
Total Revenues	<u>2,843,715</u>	<u>1,647,800</u>	<u>317,947</u>	<u>716,778</u>
EXPENDITURES				
Current:				
General Administration	-	1,386,358	140,811	-
Public Works	329,195	-	-	1,274,233
Parks and Recreation	-	-	-	-
Public Safety:				
Police	-	-	-	-
Fire	-	-	-	-
Library	-	-	-	-
Capital outlay	614,736	465,173	-	-
Debt service:				
Principal payments	-	-	-	-
Interest and fiscal fees	-	-	-	-
Bond issuance cost	-	-	-	-
Total Expenditures	<u>943,931</u>	<u>1,851,531</u>	<u>140,811</u>	<u>1,274,233</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,899,784</u>	<u>(203,731)</u>	<u>177,136</u>	<u>(557,455)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	-	-	-	-
Transfers in	1,270,000	-	62,625	749,494
Transfers (out)	(712,996)	-	-	-
Total Other Financing Sources (Uses)	<u>557,004</u>	<u>-</u>	<u>62,625</u>	<u>749,494</u>
NET CHANGE IN FUND BALANCE	2,456,788	(203,731)	239,761	192,039
Fund balances - beginning	11,268,103	774,466	575,953	418,620
Fund balances - ending	<u>\$ 13,724,891</u>	<u>\$ 570,735</u>	<u>\$ 815,714</u>	<u>\$ 610,659</u>

**CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2013**

Operating Grants Fund	DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS	
	Public Facilities Financing Corp.	General Government	Parks and Recreation Facilities	Streets and Highways Improvement
\$ -	\$ -	\$ -	\$ -	\$ -
622,630	-	-	19,206	1,885,068
101,765	-	-	-	139,117
-	1,422	3	5,310	100,351
-	-	-	27,843	1,596,845
<u>724,395</u>	<u>1,422</u>	<u>3</u>	<u>52,359</u>	<u>3,721,381</u>
-	-	-	-	-
28,479	-	-	-	262,087
144,391	-	-	158,019	-
313,604	-	-	-	-
38,367	-	-	-	-
88,787	-	-	-	-
72,911	-	-	121,118	3,942,135
-	21,252,000	3,050,000	-	-
-	1,561,644	447,075	-	-
-	409,583	950	-	-
<u>686,539</u>	<u>23,223,227</u>	<u>3,498,025</u>	<u>279,137</u>	<u>4,204,222</u>
<u>37,856</u>	<u>(23,221,805)</u>	<u>(3,498,022)</u>	<u>(226,778)</u>	<u>(482,841)</u>
-	19,571,640	-	-	-
44,482	2,741,374	3,158,126	235,000	287,996
-	-	-	(84,365)	(1,325,000)
<u>44,482</u>	<u>22,313,014</u>	<u>3,158,126</u>	<u>150,635</u>	<u>(1,037,004)</u>
82,338	(908,791)	(339,896)	(76,143)	(1,519,845)
445,506	2,370,324	4,968,570	1,098,613	19,577,302
<u>\$ 527,844</u>	<u>\$ 1,461,533</u>	<u>\$ 4,628,674</u>	<u>\$ 1,022,470</u>	<u>\$ 18,057,457</u>

**CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2013 (continued)**

	CAPITAL PROJECTS FUNDS			
	Storm Drain Improvement	Fire Department Improvement	Library Department Improvement	Public Facilities
REVENUES				
Taxes:				
Other	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	74,608	-	27,117
Charges for services	175,458	-	-	-
Interest and rents	7,816	-	-	-
Other	-	-	-	272,565
Total Revenues	183,274	74,608	-	299,682
EXPENDITURES				
Current:				
General Administration	-	-	-	1,887,251
Public Works	621,659	-	-	-
Parks and Recreation	-	-	-	-
Public Safety:				
Police	-	-	-	-
Fire	-	123,879	-	-
Library	-	-	40,062	-
Capital outlay	493,923	3,629	299,414	1,340,796
Debt service:				
Principal payments	-	-	-	-
Interest and fiscal fees	-	-	-	-
Bond issuance cost	-	-	-	-
Total Expenditures	1,115,582	127,508	339,476	3,228,047
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(932,308)	(52,900)	(339,476)	(2,928,365)
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	-	-	-	-
Transfers in	757,650	130,000	211,888	3,722,513
Transfers (out)	(66,671)	(15,000)	(54,509)	(755,791)
Total Other Financing Sources (Uses)	690,979	115,000	157,379	2,966,722
NET CHANGE IN FUND BALANCE	(241,329)	62,100	(182,097)	38,357
Fund balances - beginning	2,219,044	202,709	232,956	9,332,268
Fund balances - ending	\$ 1,977,715	\$ 264,809	\$ 50,859	\$ 9,370,625

**CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2013 (continued)**

<u>Street Beautification</u>	<u>Special Assessments</u>	<u>Total Non-Major Governmental Funds</u>
\$ 480	\$ -	\$ 480
-	-	6,405,446
-	-	1,125,986
-	5,142	277,216
-	-	2,779,858
<u>480</u>	<u>5,142</u>	<u>10,588,986</u>
-	-	3,414,420
-	-	2,515,653
-	-	302,410
-	-	313,604
-	-	162,246
-	-	128,849
24,914	-	7,378,749
-	-	24,302,000
-	-	2,008,719
-	-	410,533
<u>24,914</u>	<u>-</u>	<u>40,937,183</u>
<u>(24,434)</u>	<u>5,142</u>	<u>(30,348,197)</u>
-	-	19,571,640
-	-	13,371,148
<u>(40,077)</u>	<u>-</u>	<u>(3,054,409)</u>
<u>(40,077)</u>	<u>-</u>	<u>29,888,379</u>
(64,511)	5,142	(459,818)
151,346	1,042,578	54,678,358
<u>\$ 86,835</u>	<u>\$ 1,047,720</u>	<u>\$ 54,218,540</u>

**CITY OF SANTA CLARA
SPECIAL REVENUE MAINTENANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)
For the year ended June 30, 2013**

	Budget	Actual Amount Budgetary Basis	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 709,646	\$ 709,646	\$ -
Interest and rents	-	7,132	7,132
Total Revenues	<u>709,646</u>	<u>716,778</u>	<u>7,132</u>
EXPENDITURES			
Current:			
Public works			
Salary & benefits	111,180	56,954	(54,226)
Material, service & supplies	1,284,984	1,131,443	(153,541)
Internal service fund charges	54,051	52,449	(1,602)
Total Public Works	<u>1,450,215</u>	<u>1,240,846</u>	<u>(209,369)</u>
Total Expenditures	<u>1,450,215</u>	<u>1,240,846</u>	<u>(209,369)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(740,569)</u>	<u>(524,068)</u>	<u>216,501</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	747,526	749,494	1,968
Total Other Financing Sources (Uses)	<u>747,526</u>	<u>749,494</u>	<u>1,968</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	6,957	225,426	<u>\$ 218,469</u>
ADJUSTMENTS TO BUDGETARY BASIS:			
Expenditures of prior year encumbrances recognized on the GAAP basis		(800)	
Current year encumbrances recognized on the budgetary basis		800	
Net change in accrued liabilities recognized on the GAAP basis		(33,387)	
Beginning Fund balance	<u>418,620</u>	<u>418,620</u>	
Ending Fund balance	<u>\$ 425,577</u>	<u>\$ 610,659</u>	

<p style="text-align: center;">CITY OF SANTA CLARA NON-MAJOR ENTERPRISE FUNDS</p>
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Non-Major Enterprise Funds are used to finance and account for operations and activities performed by designated departments in the City or through third party agreements.

SOLID WASTE FUND

This fund accounts for the administration of the City's garbage and rubbish collection service.

CEMETERY FUND

This fund accounts for the activities of the Mission City Memorial Park.

SANTA CLARA GOLF AND TENNIS CLUB FUND (SCG&TC)

The SCG&TC was established in 1984 to account for the operations of the City's Public Golf Course or through third party agreements.

SANTA CLARA CONVENTION CENTER FUND

The Santa Clara Convention Center Fund was established in 1984 to account for the operations of the City's Convention Center or through third party agreements.

**CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF NET POSITION
June 30, 2013**

	<u>Solid Waste</u>	<u>Cemetery</u>	<u>Santa Clara Golf and Tennis Club</u>
ASSETS			
Current assets:			
Cash and investments:			
Pooled cash and investments	\$ 3,661,951	\$ 1,368,118	\$ 253,767
Receivables (net of allowance for uncollectibles):			
Accounts	1,996,705	-	-
Due from other funds	-	176,031	-
Materials, supplies and prepaids	-	-	65,161
Total current assets	<u>5,658,656</u>	<u>1,544,149</u>	<u>318,928</u>
Noncurrent assets:			
Cash designated for construction	739,571	-	-
Capital assets:			
Land	-	1,164,646	-
Buildings, infrastructure and land improvements	127,362	1,199,034	24,456,014
Equipment	233,120	155,707	-
	<u>360,482</u>	<u>2,519,387</u>	<u>24,456,014</u>
Accumulated depreciation	259,865	1,143,624	18,976,451
	<u>100,617</u>	<u>1,375,763</u>	<u>5,479,563</u>
Other assets	15,836	-	-
Total noncurrent assets	<u>856,024</u>	<u>1,375,763</u>	<u>5,479,563</u>
Total assets	<u>6,514,680</u>	<u>2,919,912</u>	<u>5,798,491</u>
LIABILITIES			
Current liabilities:			
Accrued liabilities	1,764,198	349	164,700
Accrued compensated absences	22,337	15,565	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Current portion of landfill closure liability	441,000	-	-
Total current liabilities	<u>2,227,535</u>	<u>15,914</u>	<u>164,700</u>
Noncurrent liabilities:			
Advance from other funds	-	4,218,988	4,174,133
Landfill closure liability	1,773,251	-	-
Long-term Comp Absences	119,485	93,049	-
Total noncurrent liabilities	<u>1,892,736</u>	<u>4,312,037</u>	<u>4,174,133</u>
Total liabilities	<u>4,120,271</u>	<u>4,327,951</u>	<u>4,338,833</u>
NET POSITION			
Net investment in capital assets	100,617	1,375,763	5,479,563
Restricted	739,571	1,153,796	-
Unrestricted	1,554,221	(3,937,598)	(4,019,905)
Total net position	<u>\$ 2,394,409</u>	<u>\$ (1,408,039)</u>	<u>\$ 1,459,658</u>

**CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF NET POSITION
June 30, 2013**

	Santa Clara Convention Center		TOTAL Non-Major Enterprise Funds
	\$ 2,138,687	\$	7,422,523
	727,166		2,723,871
	-		176,031
	-		65,161
	<u>2,865,853</u>		<u>10,387,586</u>
	-		739,571
	-		1,164,646
	78,064,110		103,846,520
	1,901,039		2,289,866
	<u>79,965,149</u>		<u>107,301,032</u>
	42,743,379		63,123,319
	<u>37,221,770</u>		<u>44,177,713</u>
	-		15,836
	<u>37,221,770</u>		<u>44,933,120</u>
	<u>40,087,623</u>		<u>55,320,706</u>
	373,491		2,302,738
	-		37,902
	1,749,881		1,749,881
	742,481		742,481
	-		441,000
	<u>2,865,853</u>		<u>5,274,002</u>
	-		8,393,121
	-		1,773,251
	-		212,534
	<u>-</u>		<u>10,378,906</u>
	<u>2,865,853</u>		<u>15,652,908</u>
	37,221,770		44,177,713
	-		1,893,367
	<u>-</u>		<u>(6,403,282)</u>
	<u>\$ 37,221,770</u>	<u>\$</u>	<u>39,667,798</u>

**CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For the year ended June 30, 2013**

	Solid Waste	Cemetery	Santa Clara Golf and Tennis Club
Operating revenues:			
Charges for services	\$ 19,200,149	\$ 631,972	\$ 2,843,566
Other	356,189	-	84,986
Total operating revenues	<u>19,556,338</u>	<u>631,972</u>	<u>2,928,552</u>
Operating expenses:			
Salaries and benefits	1,003,131	569,823	-
Materials, services and supplies	18,198,895	384,445	1,859,187
Amortization	13,250	-	-
Depreciation	2,547	29,876	802,618
Total operating expenses	<u>19,217,823</u>	<u>984,144</u>	<u>2,661,805</u>
Operating income (loss)	<u>338,515</u>	<u>(352,172)</u>	<u>266,747</u>
Nonoperating revenues (expenses):			
Interest revenue	-	12,550	-
Rents and royalties	18,516	-	-
Other revenue	-	22	-
Total nonoperating revenues	<u>18,516</u>	<u>12,572</u>	<u>-</u>
Income (loss) before contributions and transfers	357,031	(339,600)	266,747
Contributions	-	-	-
Transfers in	-	113,280	-
Transfers (out)	(67,595)	(7,286)	(978,538)
Change in net position	<u>289,436</u>	<u>(233,606)</u>	<u>(711,791)</u>
Total net position - beginning	2,104,973	(1,174,433)	2,171,449
Total net position - ending	<u>\$ 2,394,409</u>	<u>\$ (1,408,039)</u>	<u>\$ 1,459,658</u>

**CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For the year ended June 30, 2013**

Santa Clara Convention Center	TOTAL Non-Major Enterprise Funds
\$ 6,829,154	\$ 29,504,841
-	441,175
<u>6,829,154</u>	<u>29,946,016</u>
-	1,572,954
5,783,261	26,225,788
-	13,250
<u>2,767,762</u>	<u>3,602,803</u>
<u>8,551,023</u>	<u>31,414,795</u>
<u>(1,721,869)</u>	<u>(1,468,779)</u>
20,004	32,554
-	18,516
-	22
<u>20,004</u>	<u>51,092</u>
(1,701,865)	(1,417,687)
104,460	104,460
-	113,280
<u>(1,065,897)</u>	<u>(2,119,316)</u>
<u>(2,663,302)</u>	<u>(3,319,263)</u>
39,885,072	42,987,061
<u>\$ 37,221,770</u>	<u>\$ 39,667,798</u>

**CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
For the year ended June 30, 2013**

	Solid Waste	Cemetery	Santa Clara Golf and Tennis Club
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 18,974,269	\$ 631,994	\$ 2,843,566
Payments to suppliers	(17,281,097)	(384,231)	(1,937,887)
Payments to employees	(964,652)	(573,852)	-
Rents and royalties received	18,516	-	-
Other receipts (payments)	356,189	-	82,330
Net cash provided (used) by operating activities	<u>1,103,225</u>	<u>(326,089)</u>	<u>988,009</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
(Increase) decrease in due from other funds	-	29,698	-
Increase (decrease) in due to other funds	-	-	-
Advances from other funds	-	244,698	74,999
Transfers in	-	113,280	-
Transfers (out)	(67,595)	(7,286)	(978,538)
Cash Flows from Noncapital Financing Activities	<u>(67,595)</u>	<u>380,390</u>	<u>(903,539)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Landfill closure payment	(406,872)	-	-
Cash Flows from Capital and Related Financing Activities	<u>(406,872)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	-	12,550	-
Cash Flows from Investing Activities	<u>-</u>	<u>12,550</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	628,758	66,851	84,470
Cash and cash equivalents at beginning of period	<u>3,772,764</u>	<u>1,301,267</u>	<u>169,297</u>
Cash and cash equivalents at end of period	<u>\$ 4,401,522</u>	<u>\$ 1,368,118</u>	<u>\$ 253,767</u>
Cash and cash equivalents:			
Pooled cash and investments	\$ 3,661,951	\$ 1,368,118	\$ 253,767
Cash designated for construction	739,571	-	-
Total cash and cash equivalents	<u>\$ 4,401,522</u>	<u>\$ 1,368,118</u>	<u>\$ 253,767</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 338,515	\$ (352,172)	\$ 266,747
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Amortization	13,250	-	-
Depreciation	2,547	29,876	802,618
Change in assets and liabilities:			
Receivables, net	(225,880)	-	-
Inventory	-	-	(2,656)
Accrued liabilities	917,798	214	(78,700)
Compensated absences	38,479	(4,029)	-
Unearned revenue	-	-	-
Other receipts	18,516	22	-
Net cash provided (used) by operating activities	<u>\$ 1,103,225</u>	<u>\$ (326,089)</u>	<u>\$ 988,009</u>
NONCASH TRANSACTIONS:			
Capital Contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
For the year ended June 30, 2013**

Santa Clara Convention Center	TOTAL Non-Major Enterprise Funds
\$ 6,623,249	\$ 29,073,078
(5,768,952)	(25,372,167)
-	(1,538,504)
-	18,516
-	438,519
854,297	2,619,442
-	29,698
296,732	296,732
-	319,697
-	113,280
(1,065,897)	(2,119,316)
(769,165)	(1,359,909)
-	(406,872)
-	(406,872)
20,004	32,554
20,004	32,554
105,136	885,215
2,033,551	7,276,879
\$ 2,138,687	\$ 8,162,094
\$ 2,138,687	\$ 7,422,523
-	739,571
\$ 2,138,687	\$ 8,162,094
\$ (1,721,869)	\$ (1,468,779)
-	13,250
2,767,762	3,602,803
(188,783)	(414,663)
-	(2,656)
14,309	853,621
-	34,450
(17,122)	(17,122)
-	18,538
\$ 854,297	\$ 2,619,442
\$ 104,460	\$ 104,460

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<p style="text-align: center;">CITY OF SANTA CLARA INTERNAL SERVICE FUNDS</p>
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Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues or expenses of each internal service fund are eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

AUTOMOTIVE SERVICES

This fund accounts for the maintenance and replacement of vehicles and equipment used by all City departments. The source of revenue for this fund is rental fees charged to the various departments.

TECHNICAL EQUIPMENT SERVICES

This fund accounts for the maintenance and replacement of communication and computer equipment used by City departments. The source of revenue for this fund is rental fees charged to the various departments.

SPECIAL LIABILITY INSURANCE CLAIMS

This fund was established to account for the cost of claims and administrative costs for the City's self-insured general liability program.

WORKERS' COMPENSATION INSURANCE CLAIMS

This fund is used to account for the cost of claims for service connected with injuries and illnesses sustained by members of the City's work force.

**CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2013**

	<u>Automotive Services</u>	<u>Technical Equipment Services</u>	<u>Special Liability Insurance Claims</u>	<u>Workers' Compensation Insurance Claims</u>	<u>TOTAL</u>
ASSETS					
Current assets:					
Cash and investments:					
Pooled cash and investments	\$ 8,908,566	\$ 1,389,536	\$ 4,438,545	\$ 2,563,736	\$ 17,300,383
Receivables (net of allowance for uncollectibles):					
Accounts	71,806	-	-	275,095	346,901
Due from other funds	21,735	77,966	-	-	99,701
Materials, supplies and prepaids	395,758	-	-	-	395,758
Total current assets	<u>9,397,865</u>	<u>1,467,502</u>	<u>4,438,545</u>	<u>2,838,831</u>	<u>18,142,743</u>
Noncurrent assets:					
Capital assets:					
Equipment	21,808,100	2,362,953	-	-	24,171,053
Less Accumulated depreciation	17,710,849	2,328,784	-	-	20,039,633
Net Capital Assets	<u>4,097,251</u>	<u>34,169</u>	<u>-</u>	<u>-</u>	<u>4,131,420</u>
Total noncurrent assets	<u>4,097,251</u>	<u>34,169</u>	<u>-</u>	<u>-</u>	<u>4,131,420</u>
Total assets	<u>13,495,116</u>	<u>1,501,671</u>	<u>4,438,545</u>	<u>2,838,831</u>	<u>22,274,163</u>
LIABILITIES					
Current liabilities:					
Accrued liabilities	16,076	80,195	909,923	3,692,403	4,698,597
Accrued compensated absences	22,715	7,389	-	-	30,104
Due to other funds	2,541,602	362,284	-	-	2,903,886
Total current liabilities	<u>2,580,393</u>	<u>449,868</u>	<u>909,923</u>	<u>3,692,403</u>	<u>7,632,587</u>
Noncurrent liabilities:					
Long-term portion estimated claims	-	-	679,436	17,846,465	18,525,901
Long-term comp absences	156,138	48,278	-	-	204,416
Total noncurrent liabilities	<u>156,138</u>	<u>48,278</u>	<u>679,436</u>	<u>17,846,465</u>	<u>18,730,317</u>
Total liabilities	<u>2,736,531</u>	<u>498,146</u>	<u>1,589,359</u>	<u>21,538,868</u>	<u>26,362,904</u>
NET POSITION					
Net investment in capital assets	4,097,251	34,169	-	-	4,131,420
Unrestricted	6,661,334	969,356	2,849,186	(18,700,037)	(8,220,161)
Total net position	<u>\$ 10,758,585</u>	<u>\$ 1,003,525</u>	<u>\$ 2,849,186</u>	<u>\$ (18,700,037)</u>	<u>\$ (4,088,741)</u>

**CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
For the year ended June 30, 2013**

	Automotive Services	Technical Equipment Services	Special Liability Insurance Claims	Workers' Compensation Insurance Claims	TOTAL
Operating revenues:					
Charges for services	\$ 5,775,544	\$ 882,820	\$ 1,774,976	\$ 2,592,537	\$ 11,025,877
Insurance refunds and other	-	-	41,890	432,678	474,568
Total operating revenues	<u>5,775,544</u>	<u>882,820</u>	<u>1,816,866</u>	<u>3,025,215</u>	<u>11,500,445</u>
Operating expenses:					
Salaries and benefits	1,705,562	585,714	-	-	2,291,276
Materials, services and supplies	2,213,820	167,554	-	-	2,381,374
General and administrative	-	-	2,163,200	6,598,681	8,761,881
Depreciation and amortization	1,470,995	2,521	-	-	1,473,516
Total operating expenses	<u>5,390,377</u>	<u>755,789</u>	<u>2,163,200</u>	<u>6,598,681</u>	<u>14,908,047</u>
Operating income (loss)	<u>385,167</u>	<u>127,031</u>	<u>(346,334)</u>	<u>(3,573,466)</u>	<u>(3,407,602)</u>
Nonoperating revenues (expenses):					
Other revenue	271,156	-	-	-	271,156
Gain (loss) on retirement of assets	(40,193)	-	-	-	(40,193)
Total nonoperating revenues	<u>230,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,963</u>
Income (loss) before transfers	616,130	127,031	(346,334)	(3,573,466)	(3,176,639)
Transfers in	-	-	-	485,000	485,000
Transfers (out)	(20,614)	(1,394)	(80,000)	-	(102,008)
Change in net position	595,516	125,637	(426,334)	(3,088,466)	(2,793,647)
Total net position - beginning	<u>10,163,069</u>	<u>877,888</u>	<u>3,275,520</u>	<u>(15,611,571)</u>	<u>(1,295,094)</u>
Total net position - ending	<u>\$ 10,758,585</u>	<u>\$ 1,003,525</u>	<u>\$ 2,849,186</u>	<u>\$ (18,700,037)</u>	<u>\$ (4,088,741)</u>

**CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2013**

	<u>Automotive Services</u>	<u>Technical Equipment Services</u>	<u>Special Liability Insurance Claims</u>	<u>Workers' Compensation Insurance Claims</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 5,758,725	\$ 882,820	\$ 1,774,976	\$ 2,570,804	\$ 10,987,325
Payments to suppliers	(2,217,217)	(67,793)	-	-	(2,285,010)
Payments to employees	(1,692,952)	(574,550)	-	-	(2,267,502)
Internal activity - payments to other funds	(118,523)	(20,587)	-	-	(139,110)
Claims paid	-	-	(2,239,734)	(2,998,798)	(5,238,532)
Other receipts (payments)	271,156	-	-	-	271,156
Net cash provided (used) by operating activities	<u>2,001,189</u>	<u>219,890</u>	<u>(464,758)</u>	<u>(427,994)</u>	<u>1,328,327</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
(Increase) decrease in due from other funds	117,201	11,895	-	-	129,096
Increase (decrease) in due to other funds	75,496	3,740	-	-	79,236
Transfers in	-	-	-	485,000	485,000
Transfers (out)	(20,614)	(1,394)	(80,000)	-	(102,008)
Cash Flows from Noncapital Financing Activities	<u>172,083</u>	<u>14,241</u>	<u>(80,000)</u>	<u>485,000</u>	<u>591,324</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets, net	(904,913)	(33,419)	-	-	(938,332)
Cash Flows from Capital and Related Financing Activities	<u>(904,913)</u>	<u>(33,419)</u>	<u>-</u>	<u>-</u>	<u>(938,332)</u>
Net increase (decrease) in cash and cash equivalents	1,268,359	200,712	(544,758)	57,006	981,319
Cash and investments at beginning of period	<u>7,640,207</u>	<u>1,188,824</u>	<u>4,983,303</u>	<u>2,506,730</u>	<u>16,319,064</u>
Cash and investments at end of period	<u>\$ 8,908,566</u>	<u>\$ 1,389,536</u>	<u>\$ 4,438,545</u>	<u>\$ 2,563,736</u>	<u>\$ 17,300,383</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 385,167	\$ 127,031	\$ (346,334)	\$ (3,573,466)	\$ (3,407,602)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,470,995	2,521	-	-	1,473,516
Change in assets and liabilities:					
Receivables, net	(16,819)	-	-	(21,733)	(38,552)
Inventory	(21,894)	-	-	-	(21,894)
Accrued liabilities	(100,026)	79,174	(58,256)	188,755	109,647
Long-term portion estimated claims	-	-	(60,168)	2,978,450	2,918,282
Compensated absences	12,610	11,164	-	-	23,774
Other receipts	271,156	-	-	-	271,156
Net cash provided (used) by operating activities	<u>\$ 2,001,189</u>	<u>\$ 219,890</u>	<u>\$ (464,758)</u>	<u>\$ (427,994)</u>	<u>\$ 1,328,327</u>

<p style="text-align: center;">CITY OF SANTA CLARA COMBINING FIDUCIARY FUNDS</p>

PRIVATE PURPOSE TRUST FUNDS

Private-Purpose Trust Funds are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments. The Private-Purpose Trust Funds are described below:

SUCCESSOR AGENCY

California State laws ABx1 26 and AB 1484 provided for the dissolution of California Redevelopment Agencies effective January 31, 2012 and the transfer of all non-housing Agency assets to the Successor Agency Redevelopment Obligation Retirement Fund.

CHARITABLE TRUSTS

This fund accounts for the various gifts, donations and bequests received by the City.

AGENCY FUNDS

Agency Funds are presented separately from the Government-wide and Fund financial statements.

Agency Funds account for assets held by the City as an agent for individuals, governmental entities, and non-public organizations. These funds include the following:

EMPLOYEE BENEFIT AND LIABILITY CLEARING

This fund is used to account for monies collected and disbursed related to employee and retiree health, dental and other fringe benefits.

SPECIAL ASSESSMENTS

This fund accounts for monies collected and disbursed from special assessment districts where the City is not obligated for the outstanding debt payments.

DEPOSITS

This fund accounts for various deposits including leases and subpoenas.

**CITY OF SANTA CLARA
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2013**

	<u>Charitable Trust</u>	<u>Successor Agency</u>	<u>Total Private Purpose Trust</u>
ASSETS			
Pooled cash and investments	\$ 444,379	\$ 2,852,848	\$ 3,297,227
Investments with fiscal agent - current	-	12,439,964	12,439,964
Receivables (net of allowance for uncollectibles):			
Interest	20,344	-	20,344
Due from Housing Successor	-	32,000,000	32,000,000
Due from City	-	13,463,101	13,463,101
Due from Other Agencies	-	17,716,867	17,716,867
Investments with fiscal agent - noncurrent	2,711,241	-	2,711,241
Other	-	364,932	364,932
Total Assets	<u>3,175,964</u>	<u>78,837,712</u>	<u>82,013,676</u>
LIABILITIES			
Accrued liabilities	100	19,333	19,433
Interest payable	-	459,926	459,926
Due to Other Agencies	-	63,179,968	63,179,968
Due to Housing Successor	-	5,900,000	5,900,000
Due to City	-	4,333,605	4,333,605
Long-term debt - due within one year	-	8,476,130	8,476,130
Long-term debt - due after one year	-	115,880,749	115,880,749
Total Liabilities	<u>100</u>	<u>198,249,711</u>	<u>198,249,811</u>
NET POSITION			
Held in trust for private purpose	<u>\$ 3,175,864</u>	<u>\$ (119,411,999)</u>	<u>\$ (116,236,135)</u>

**CITY OF SANTA CLARA
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2013**

	<u>Charitable Trust</u>	<u>Successor Agency</u>	<u>Total Private Purpose Trust</u>
Additions			
Redevelopment property tax trust fund	\$ -	\$ 13,365,522	\$ 13,365,522
Investment income:			
Interest	71,473	5	71,478
Net change in fair value of plan investments	85,551	-	85,551
Other	51	-	51
Total additions	<u>157,075</u>	<u>13,365,527</u>	<u>13,522,602</u>
Deductions			
General and administrative	137,464	910,967	1,048,431
Interest and Fees	-	5,935,253	5,935,253
Total deductions	<u>137,464</u>	<u>6,846,220</u>	<u>6,983,684</u>
Change in net position before extraordinary item	19,611	6,519,307	6,538,918
Extraordinary item	-	(15,900,000)	(15,900,000)
Change in net position	19,611	(9,380,693)	(9,361,082)
Net position held in trust for private purpose:			
Beginning of year	<u>3,156,253</u>	<u>(110,031,306)</u>	<u>(106,875,053)</u>
End of year	<u>\$ 3,175,864</u>	<u>\$ (119,411,999)</u>	<u>\$ (116,236,135)</u>

**CITY OF SANTA CLARA
 AGENCY FUNDS
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 June 30, 2013**

	Employee Benefit & Liability Clearing	Special Assessments	Deposits	Total
ASSETS				
Pooled cash and investments	\$ 5,831,353	\$ 2,320,628	\$ 5,201,431	\$ 13,353,412
Cash and investments with fiscal agents	-	2	-	2
Total Assets	5,831,353	2,320,630	5,201,431	13,353,414
LIABILITIES				
Due to bondholders	-	2,320,630	-	2,320,630
Accrued liabilities	5,831,353	-	-	5,831,353
Refundable deposits	-	-	5,201,431	5,201,431
Total Liabilities	\$ 5,831,353	\$ 2,320,630	\$ 5,201,431	\$ 13,353,414

**CITY OF SANTA CLARA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
For the year ended June 30, 2013**

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>
<hr/> Employee Benefit and Liability Clearing <hr/>				
Pooled cash and investments	\$ 5,859,247	\$ 75,091,576	\$ 75,119,470	\$ 5,831,353
Accrued liabilities	\$ 5,859,247	\$ 75,091,576	\$ 75,119,470	\$ 5,831,353
<hr/> Special Assessments <hr/>				
Pooled cash and investments	\$ 2,856,874	\$ 48,022	\$ 584,268	\$ 2,320,628
Cash and investments with fiscal agent	2	-	-	2
Total Assets	<u>2,856,876</u>	<u>48,022</u>	<u>584,268</u>	<u>2,320,630</u>
Due to bondholders	<u>\$ 2,856,876</u>	<u>\$ 48,022</u>	<u>\$ 584,268</u>	<u>\$ 2,320,630</u>
<hr/> Deposits <hr/>				
Pooled cash and investments	\$ 4,592,189	\$ 1,796,808	\$ 1,187,566	\$ 5,201,431
Refundable deposits	4,592,189	1,796,808	1,187,566	5,201,431
Total liabilities	<u>\$ 4,592,189</u>	<u>\$ 1,796,808</u>	<u>\$ 1,187,566</u>	<u>\$ 5,201,431</u>
<hr/> Total Agency Funds <hr/>				
Pooled cash and investments	\$ 13,308,310	\$ 76,936,406	\$ 76,891,304	\$ 13,353,412
Cash and investments with fiscal agent	2	-	-	2
Total Assets	<u>13,308,312</u>	<u>76,936,406</u>	<u>76,891,304</u>	<u>13,353,414</u>
Due to bondholders	2,856,876	48,022	584,268	2,320,630
Accrued liabilities	5,859,247	75,091,576	75,119,470	5,831,353
Refundable deposits	4,592,189	1,796,808	1,187,566	5,201,431
Total Liabilities	<u>\$ 13,308,312</u>	<u>\$ 76,936,406</u>	<u>\$ 76,891,304</u>	<u>\$ 13,353,414</u>

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Statistical Section (Unaudited)

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**CITY OF SANTA CLARA
STATISTICAL SECTION**

This part of the City of Santa Clara's Comprehensive Annual Report provides detailed information to better understand the data presented within the financial statements, note disclosures, and required supplementary information.

	<u>TABLES</u>
FINANCIAL TRENDS Contains trend information to help the reader understand how the City's financial performance has changed over time.	1 - 4
REVENUE CAPACITY Contains information to help the reader assess the City's most significant local revenue source, the property tax.	5 - 8
DEBT CAPACITY Presents information to assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	9 - 13
DEMOGRAPHIC AND ECONOMIC INFORMATION Offers information to help the reader understand the environment within which the City's financial activities take place.	14 - 15
OPERATING INFORMATION Contains service and infrastructure data to help the reader understand how the City's financial report relates to the services the City provides and the activities it performs.	16 - 19

CITY OF SANTA CLARA
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

Table 1

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities:										
Net Investment in Capital Assets	\$ 522,175	\$ 520,899	\$ 351,410	\$ 432,534	\$ 438,198	\$ 457,789	\$ 458,933	\$ 442,141	\$ 407,174	\$ 397,364
Restricted	230,545	213,158	330,675	227,557	217,590	171,101	161,406	165,684	167,200	157,189
Unrestricted	127,905	172,350	22,747	45,357	62,748	96,257	84,269	79,583	116,132	137,384
Total Governmental Activities Net Assets:	<u>\$ 880,625</u>	<u>\$ 906,407</u>	<u>\$ 704,832</u>	<u>\$ 705,448</u>	<u>\$ 718,536</u>	<u>\$ 725,147</u>	<u>\$ 704,608</u>	<u>\$ 687,408</u>	<u>\$ 690,506</u>	<u>\$ 691,937</u>
Business - Type Activities:										
Net Investment in Capital Assets	\$ 471,379	\$ 445,554	\$ 405,806	\$ 388,822	\$ 381,345	\$ 334,006	\$ 313,110	\$ 309,902	\$ 311,767	\$ 328,025
Restricted	90,437	8,214	8,214	-	-	-	1,119	1,413	3,741	42,204
Unrestricted	338,012	430,774	420,310	403,931	419,417	497,197	541,778	520,701	548,216	466,855
Total Business - Type Activities Net Position	<u>\$ 899,828</u>	<u>\$ 884,542</u>	<u>\$ 834,330</u>	<u>\$ 792,753</u>	<u>\$ 800,762</u>	<u>\$ 831,203</u>	<u>\$ 856,007</u>	<u>\$ 832,016</u>	<u>\$ 863,724</u>	<u>\$ 837,084</u>
Primary Government										
Net Investment in Capital Assets	\$ 993,554	\$ 966,453	\$ 757,216	\$ 821,356	\$ 819,543	\$ 791,795	\$ 772,043	\$ 752,043	\$ 718,941	\$ 725,389
Restricted	320,982	221,372	338,889	227,557	217,590	171,101	162,525	167,097	170,941	199,393
Unrestricted	465,917	603,124	443,057	449,288	482,165	593,454	626,047	600,284	664,348	604,239
Total Primary Government Net Position	<u>\$ 1,780,453</u>	<u>\$ 1,790,949</u>	<u>\$ 1,539,162</u>	<u>\$ 1,498,201</u>	<u>\$ 1,519,298</u>	<u>\$ 1,556,350</u>	<u>\$ 1,560,615</u>	<u>\$ 1,519,424</u>	<u>\$ 1,554,230</u>	<u>\$ 1,529,021</u>

Source: Finance Office, City of Santa Clara.

**CITY OF SANTA CLARA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)**

Table 2

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses:										
Governmental Activities:										
General Administration	\$ 15,284	\$ 8,703	\$ 3,936	\$ 3,470	\$ 18,166	\$ 15,563	\$ 9,869	\$ 11,851	\$ 17,332	\$ 10,050
City Clerk	388	179	790	674	776	698	720	566	691	553
City Attorney	100	303	1,187	1,310	1,142	1,065	1,079	1,159	1,079	1,250
Human Resources	367	486	1,978	1,815	1,962	1,711	1,745	1,722	1,730	1,657
Finance	1,270	1,680	6,713	7,685	7,565	7,943	6,211	6,284	6,172	6,109
Public Works	29,337	28,802	29,339	29,344	29,991	28,394	28,769	27,420	30,752	25,124
Parks and Recreation	15,858	15,567	15,410	15,572	14,910	14,269	12,828	11,925	10,806	10,735
Public Safety:										
Police	45,120	43,516	44,138	45,143	44,861	42,870	41,105	39,218	32,007	31,182
Fire	33,162	31,702	33,594	34,457	35,344	33,855	32,183	31,668	29,063	28,385
Communications	*	*	*	*	*	*	*	*	3,997	4,076
Planning & Inspection	6,383	5,838	5,779	5,918	5,616	5,353	5,083	5,699	5,471	5,197
Library	7,712	7,728	8,090	8,470	8,666	8,416	8,106	7,960	7,898	5,985
Community Development	-	-	5,206	6,447	8,207	-	-	-	-	-
Interest on long term debt	2,107	6,991	10,437	9,856	10,287	11,679	12,338	12,727	13,277	14,529
Supplemental Educational Revenue Augmentation Fund	-	-	2,025	9,834	-	-	-	-	-	-
Pass Through Payments	-	1,085	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses (Net)	157,088	152,580	168,622	179,995	187,493	171,816	160,036	158,199	160,275	144,832
Business-Type Activities:										
Utilities:										
Electric -										
Retail	312,705	283,142	281,342	280,512	316,523	293,619	269,659	250,476	194,382	202,611
Wholesale	24,717	32,115	50,754	73,727	110,879	177,973	197,076	249,500	165,790	207,975
Water	26,683	25,076	23,078	23,067	22,927	21,689	21,397	19,582	18,756	18,556
Sewer	16,054	15,348	16,296	14,222	13,469	12,538	12,181	15,124	9,047	11,902
Water Recycling	1,979	3,326	8,304	3,256	1,157	1,169	2,322	947	853	743
Solid Waste	19,222	17,322	16,192	15,842	16,226	15,689	15,508	15,589	14,343	14,563
Cemetery	991	958	935	960	721	736	709	770	769	788
Sports and Open Space Authority	44	48	48	18	7	39	20	36	26	20
Santa Clara Golf and Tennis Club	2,662	2,759	2,706	2,724	2,735	2,603	2,591	2,697	2,528	2,591
Santa Clara Convention Center	8,553	8,073	7,786	7,121	6,360	6,259	6,003	6,163	5,981	5,752
Santa Clara Stadium Authority	9,379	5,393	-	-	-	-	-	-	-	-
Total Business-Type Activities Expenses	422,989	393,560	407,441	421,449	491,004	532,314	527,466	560,884	412,475	465,501
Total Primary Expenses	\$ 580,077	\$ 546,140	\$ 576,063	\$ 601,444	\$ 678,497	\$ 704,130	\$ 687,502	\$ 719,083	\$ 572,750	\$ 610,333

CITY OF SANTA CLARA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)
(continued)

Table 2

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Program Revenues:										
Governmental Activities:										
Charges for Services:										
General Administration	\$ 562	\$ 680	\$ 6,611	\$ 9,596	\$ 9,625	\$ 9,848	\$ 9,340	\$ 9,888	\$ 9,129	\$ 64
Parks and Recreation	2,825	2,868	2,868	2,940	2,776	2,591	2,407	2,376	1,848	1,483
Planning and Inspection	6,872	12,509	5,307	3,549	3,576	5,340	4,114	4,778	4,353	3,023
Other Programs	9,352	10,397	9,508	6,956	7,792	6,833	5,943	5,699	6,396	4,815
Operating Grants and Contributions	3,922	4,444	4,028	4,105	5,650	6,485	4,732	5,418	5,465	4,601
Capital Gains and Contributions	4,490	4,737	4,467	5,775	5,412	13,285	5,095	3,762	4,530	7,613
Total Governmental Activities Program Revenues	28,023	35,635	32,789	32,921	34,831	44,382	31,631	31,921	31,721	21,599
**Business-Type Activities:										
Utilities:										
Electric -										
Retail	322,749	329,518	304,024	270,834	256,872	249,079	251,332	211,111	193,492	188,229
Wholesale	22,296	29,149	50,124	67,840	102,480	172,404	204,723	255,188	170,165	219,798
**Equity in income (losses) of joint ventures	6,111	(3,576)	-	-	-	-	-	-	-	-
Water	30,177	28,232	25,682	23,744	24,251	23,001	21,701	19,645	18,885	18,569
Sewer	32,090	27,036	22,380	9,443	9,287	8,330	23,178	12,948	12,065	12,017
**Equity in income (losses) of joint ventures	(3,654)	(2,239)								
Water Recycling	2,774	4,319	8,919	4,363	1,911	3,178	1,504	966	852	897
Solid Waste	19,575	18,460	17,142	15,843	15,619	16,185	15,624	14,688	14,405	13,527
Cemetery	632	519	426	454	356	465	564	511	525	470
Sports and Open Space Authority	420	2,056	1,415	1,506	1,745	1,605	1,317	1,287	1,317	1,436
Santa Clara Golf and Tennis Club	2,929	2,973	2,795	2,917	2,993	3,108	3,200	3,020	2,913	2,842
Santa Clara Convention Center	6,933	6,119	6,086	6,845	21,947	12,059	6,654	4,033	3,478	3,424
Santa Clara Stadium Authority	-	5	-	-	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	443,032	442,571	438,993	403,789	437,461	489,414	529,797	523,397	418,097	461,209
Total Primary Government Program Revenues	471,055	478,206	471,782	436,710	472,292	533,796	561,428	555,318	449,818	482,808
Net (Expense) Revenue:										
Governmental Activities	(129,065)	(116,945)	(135,833)	(147,074)	(152,662)	(127,434)	(128,405)	(126,278)	(128,554)	(123,233)
Business-Type Activities	20,043	49,011	31,552	(17,660)	(53,543)	(42,900)	2,332	(37,048)	7,676	(3,350)
Total Primary Government Net (Expense) Revenue	\$ (109,022)	\$ (67,934)	\$ (104,281)	\$ (164,734)	\$ (206,205)	\$ (170,334)	\$ (126,073)	\$ (163,326)	\$ (120,878)	\$ (126,583)

CITY OF SANTA CLARA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)
(continued)

Table 2

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Revenue and other changes in Net Position										
Governmental Activities:										
Taxes:										
Sales	\$ 44,159	\$ 41,280	\$ 35,845	\$ 31,876	\$ 34,894	\$ 40,516	\$ 43,176	\$ 38,066	\$ 35,696	\$ 35,976
Ad Valorem Property	31,651	43,880	57,172	61,834	61,695	54,536	49,736	39,388	39,928	40,868
Transient occupancy	13,673	11,755	9,910	8,302	9,138	11,269	10,542	9,601	7,863	7,160
Other	4,333	3,034	3,731	3,049	3,931	4,504	4,731	4,856	6,173	5,853
Internal Governmental, unrestricted:										
Motor Vehicle in-lieu	51	120	539	345	394	507	684	668	2,489	5,267
Contribution in-lieu of taxes	15,219	15,343	14,913	13,448	15,150	14,732	14,722	12,860	11,993	11,905
Investment earnings	6,058	7,900	21,770	18,179	20,665	31,462	33,838	31,544	33,786	38,568
Net increase (decrease) in the fair value of investments	(3,567)	(707)	(8,905)	413	16,985	1,415	4,674	(16,596)	(1,290)	(25,380)
Equity in income (losses) of joint ventures	(286)	(285)	(225)	(1)	69	1,225	-	-	-	-
Rents and Royalties	13,658	13,115	2,851	3,274	3,383	2,850	2,474	5,001	5,852	13,734
Gain (loss) on retirement of assets	-	-	4,651	2	4	4	-	-	-	-
Other	4,434	4,104	2,989	2,917	2,845	3,049	2,687	3,803	3,292	4,437
Co-op Agreements Activities	-	(5)	-	-	-	-	-	-	-	-
Extraordinary Item-Asset Transferred to Successor Agency	(29,563)	106,602	-	-	-	-	-	-	-	-
Total Government General Revenue, Transfers, and Extraordinary Item	99,820	246,136	145,241	143,638	169,153	166,069	167,264	129,191	145,782	138,388
***Business-Type Activities:										
Investment earnings	3,403	5,922								
Net increase (decrease) in the fair value of investments	(4,695)	(874)								
Gain (loss) on retirement of assets	(2)	71,662								
Total Business-Type General Revenue and Transfers	(1,294)	76,710								
Total Primary Government General Revenue and Transfers	98,526	322,846								
Change in Net Position - Total Primary Government	(10,496)	254,912	40,960	(21,096)	(37,052)	(4,265)	41,191	(34,135)	24,904	11,805
Net Position - Beginning of Year (2012 Restated)	1,790,949	1,536,037	1,498,202	1,519,298	1,556,350	1,560,615	1,519,424	1,553,559	1,528,655	1,516,850
Net Position - End of Year - Total Primary Government	\$ 1,780,453	\$ 1,790,949	\$ 1,539,162	\$ 1,498,202	\$ 1,519,298	\$ 1,556,350	\$ 1,560,615	\$ 1,519,424	\$ 1,553,559	\$ 1,528,655

Source: Finance Office, City of Santa Clara.

* Beginning Fiscal Year 2005-06 Communications expenses are included in the Police expense amounts.

**Equity in income (losses) of joint ventures was restated in Fiscal Year 2011-12 to be presented in the Program Revenues of the Business-Type Activities.

***Amounts shown for Fiscal Year 2011-12 were restated to separately present General Revenues of Business-Type Activities.

CITY OF SANTA CLARA
FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

Table 3

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund:										
Nonspendable	\$ 12,785	\$ 12,466	\$ 46,015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	7,191	10,922	3,670	-	-	-	-	-	-	-
Committed	86,949	86,942	1,675	-	-	-	-	-	-	-
Assigned	4,927	4,033	1,157	-	-	-	-	-	-	-
Unassigned	38,522	33,393	21,138	-	-	-	-	-	-	-
Reserved	-	-	-	24,778	22,278	20,858	22,394	19,656	16,266	15,844
Unreserved:										
Designated	-	-	-	25,938	42,548	53,693	54,725	47,802	55,002	65,799
Undesignated	-	-	-	-	-	1,462	-	-	7,580	689
Total General Fund	150,374	147,756	73,655	50,716	64,826	76,013	77,119	67,458	78,848	82,332
All other Governmental Funds:										
Nonspendable	-	-	11,122	-	-	-	-	-	-	-
Restricted	105,785	125,100	188,584	-	-	-	-	-	-	-
Committed	21,351	32,007	34,794	-	-	-	-	-	-	-
Assigned	-	-	1,418	-	-	-	-	-	-	-
Unassigned	-	-	(22,834)	-	-	-	-	-	-	-
Reserved	-	-	-	93,119	99,361	108,510	78,343	71,167	84,364	78,214
Unreserved, reported in:										
Capital projects funds	-	-	-	113,632	115,740	115,401	136,414	153,503	154,759	170,963
Special revenue funds	-	-	-	602	426	409	7,033	7,771	11,483	11,119
Other purposes	-	-	-	19,305	16,770	13,195	10,712	8,299	-	-
Total All Other Governmental Funds	127,136	157,107	213,084	226,658	232,297	237,515	232,502	240,740	250,606	260,296
Total Governmental Funds	\$ 277,510	\$ 304,863	\$ 286,739	\$ 277,374	\$ 297,123	\$ 313,528	\$ 309,621	\$ 308,198	\$ 329,454	\$ 342,628

Source: Finance Office, City of Santa Clara.
The City implemented GASB 54 in Fiscal year 2010-2011.

CITY OF SANTA CLARA
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

Table 4

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
REVENUES:										
Taxes:										
Sales	\$ 44,160	\$ 41,280	\$ 35,845	\$ 31,876	\$ 34,894	\$ 40,516	\$ 43,176	\$ 38,066	\$ 35,696	\$ 35,976
Ad valorem property	31,651	43,880	57,172	61,834	61,695	54,536	49,736	39,388	39,928	40,868
Transient occupancy	13,673	11,755	9,910	8,302	9,138	11,269	10,542	9,601	7,863	7,160
Other	4,333	4,139	3,731	4,099	4,931	5,459	5,636	5,716	5,005	5,070
Licenses, permits, fees and penalties	6,523	9,222	5,690	4,286	5,000	5,232	5,199	4,946	5,229	4,736
Internal governmental	6,838	8,091	8,017	9,359	8,142	9,760	9,685	8,202	8,744	12,947
Charges for Services	26,621	32,767	28,395	24,647	22,396	22,907	20,417	19,881	15,329	14,862
Contribution in-lieu of taxes	15,219	15,343	14,912	13,448	15,150	14,732	14,722	12,861	11,993	11,905
Interest and rents	20,026	21,329	25,220	25,477	25,878	30,547	29,955	28,253	30,394	31,287
Net (decrease) in the fair value of investments	(3,567)	(707)	(3,571)	449	6,409	258	1,553	(5,473)	(484)	(10,089)
Other	4,627	3,645	2,515	2,829	2,914	3,201	2,557	1,990	4,209	5,429
TOTAL REVENUES	\$ 170,104	\$ 190,744	\$ 187,836	\$ 186,606	\$ 196,547	\$ 198,417	\$ 193,178	\$ 163,431	\$ 163,906	\$ 160,151

Source: Finance Office, City of Santa Clara.

CITY OF SANTA CLARA
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)
(continued)

Table 4

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
EXPENDITURES										
Current:										
General Administration	\$ 17,615	\$ 26,430	\$ 26,623	\$ 25,078	\$ 24,826	\$ 27,341	\$ 29,253	\$ 27,084	\$ 29,631	\$ 23,230
City Clerk	970	703	777	662	768	691	755	554	676	541
City Attorney	1,226	1,328	1,172	1,314	1,136	1,049	1,230	1,137	1,071	1,280
Human Resources	2,055	1,979	1,947	1,804	1,960	1,682	1,752	1,724	1,722	1,664
Finance	7,876	7,588	7,170	7,535	7,458	7,726	6,224	6,206	6,034	6,023
Public Works	16,765	16,231	17,133	17,178	17,853	16,307	17,012	15,503	15,767	14,670
Parks and Recreation	14,063	14,124	13,844	13,906	13,389	12,732	11,486	10,686	10,249	10,657
Public Safety:										
Police	42,991	41,912	42,520	43,959	43,317	40,089	37,450	34,837	30,776	30,197
Fire	32,370	31,522	32,214	33,768	34,292	31,636	30,157	29,112	27,947	27,711
Communications	**	**	**	**	**	**	**	**	3,847	4,002
Planning & Inspection	6,268	**	5,680	5,726	5,402	5,112	4,814	5,410	5,344	5,200
Library	6,564	6,594	6,932	7,406	7,460	7,008	6,897	6,742	6,891	5,883
Community Development	-	-	5,206	6,446	8,207	-	-	-	-	-
Capital Outlay	15,060	46,490	15,361	13,022	27,169	24,991	26,912	29,354	19,242	50,435
Debt Service:										
Principal	24,302	4,294	29,720	10,555	10,000	9,470	8,985	5,918	13,351	12,148
Interest	2,009	7,038	10,335	10,128	10,720	11,294	11,811	12,182	12,984	14,125
Bond Cost Expense	411	5	490	8	-	-	-	-	-	-
Supplemental Educational Revenue Augmentation Fund	-	-	2,025	9,834	-	-	-	-	-	-
Pass Through Payments	-	1,085	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	190,545	207,323	219,149	208,329	213,957	197,128	194,738	186,449	185,532	207,766
EXCESS (DEFICIENCY) OF REVENUES										
OVER (UNDER) EXPENDITURES	(20,441)	(16,579)	(31,313)	(21,723)	(17,410)	1,289	(1,560)	(23,018)	(21,626)	(47,615)
OTHER FINANCING SOURCES (USES):										
Long-term Debt Issuance	-	-	-	-	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-	-	-	-	-
Payment to Bond Escrow Agent	-	-	-	-	-	-	-	-	-	-
Sale of Capital Assets	-	-	5,480	2	4	4	596	1,701	408	51
Co-op Agreements Activities	-	(5)	(8,297)	-	-	-	-	-	-	-
Proceeds from Bond Issuance	19,572	-	41,451	-	-	-	-	-	-	-
Transfers In	17,525	96,634	25,705	31,493	31,477	32,196	25,698	37,055	28,728	25,819
Transfers Out	(14,446)	(20,180)	(23,661)	(29,521)	(30,476)	(29,582)	(23,311)	(35,554)	(28,099)	(22,485)
TOTAL OTHER FINANCING SOURCES (USES)	22,651	76,449	40,678	1,974	1,005	2,618	2,983	3,202	1,037	3,385
NET CHANGE IN FUND BALANCES										
BEFORE EXTRAORDINARY ITEM	\$ 2,210	\$ 59,870	\$ 9,365	\$ (19,749)	\$ (16,405)	\$ 3,907	\$ 1,423	\$ (19,816)	\$ (20,589)	\$ (44,230)
EXTRAORDINARY ITEM-ASSET TRANSFERRED TO LIABILITIES ASSUMED BY SUCCESSOR AGENCY	(29,563)	(31,847)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES AFTER EXTRAORDINARY ITEM	\$ (27,353)	\$ 28,023	\$ 9,365	\$ (19,749)	\$ (16,405)	\$ 3,907	\$ 1,423	\$ (19,816)	\$ (20,589)	\$ (44,230)
DEBT SERVICE AS A PERCENTAGE OF NON-CAPITAL EXPENDITURES	15%	8%	21%	15%	10%	12%	12%	12%	16%	17%

Note: **Included in Police starting in fiscal year 2005-06

Source: Finance Office, City of Santa Clara.

CITY OF SANTA CLARA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(In Thousands)

Table 5

Fiscal Year Ending June 30	Net Local Secured Roll (1)	State Assessed Valuation	Net Unsecured Roll	Net Assessed Valuation	Total Assessed Valuation	Ratio of Net Assessed Valuation To Total Assessed Valuation	% of Growth of Assessed Valuation	Total Direct Tax Rate
2003 / 04	\$ 15,283,368	\$ 2,803	\$ 3,639,274	\$ 18,925,445	\$ 19,033,631	99.43%	-2.04%	1.07%
2004 / 05	14,978,836	2,471	2,991,292	17,972,599	18,081,181	99.40%	-5.03%	1.08%
2005 / 06	15,663,135	1,756	3,037,319	18,702,210	18,813,195	99.41%	4.06%	1.15%
2006 / 07	17,458,047	1,605	2,905,729	20,365,381	20,478,830	99.45%	8.89%	1.14%
2007 / 08	19,148,464	909	2,976,265	22,125,638	22,241,709	99.48%	8.64%	1.08%
2008 / 09	20,545,808	3,689	3,812,579	24,362,076	24,479,723	99.52%	10.11%	1.12%
2009 / 10	20,707,612	3,689	3,844,940	24,556,241	24,674,410	99.52%	0.80%	1.13%
2010 / 11	19,949,252	3,689	3,634,484	23,587,425	23,704,433	99.51%	-3.95%	1.11%
2011 / 12	19,818,648	4,641	3,892,148	23,715,437	23,830,461	99.52%	0.54%	1.14%
2012 / 13	20,475,348	4,641	4,702,675	25,182,664	25,295,792	99.55%	6.19%	1.16%

Notes:

(1) Net of Home Owner Property Tax Relief.

Source: County of Santa Clara, Department of Finance

**CITY OF SANTA CLARA
PROPERTY TAX RATES
(Per \$100 Assessed Valuation)
Direct and Overlapping Governments
Last Ten Fiscal Years**

Table 6

Fiscal Year Ending June 30	Santa Clara County	School Districts	Special Districts	Total
2003 / 04	1.0388%	0.0263%	0.0087%	1.0738%
2004 / 05	1.0388%	0.0344%	0.0092%	1.0824%
2005 / 06	1.0388%	0.1001%	0.0078%	1.1467%
2006 / 07	1.0388%	0.0923%	0.0072%	1.1383%
2007 / 08	1.0388%	0.0389%	0.0071%	1.0848%
2008 / 09	1.0388%	0.0775%	0.0061%	1.1224%
2009 / 10	1.0388%	0.0841%	0.0074%	1.1303%
2010 / 11	1.0388%	0.0658%	0.0072%	1.1118%
2011 / 12	1.0388%	0.0973%	0.0064%	1.1425%
2012 / 13	1.0388%	0.1108%	0.0069%	1.1565%
<p>Tax rate limit: A state constitutional amendment (Proposition 13) commencing with fiscal 1979 provided that the tax rate was limited to 1% of full cash value, levied only by the County and shared with all other jurisdictions. All jurisdictions may levy a tax rate for voter approved debt.</p> <p>Due date for current taxes: First installment - November 1; second installment - February 1.</p> <p>Penalties for delinquency: 10% and 1.5% of tax per month after date taxes become delinquent.</p> <p>Collected by government unit: County of Santa Clara.</p> <p>Basis upon which collections are distributed: Taxing jurisdictions assessed valuations and tax rates for voter approved debt to taxing jurisdictions, County rate (1% of full cash value) shared by all jurisdictions.</p> <p>Compensation paid to collecting government unit for fiscal year 2012-13 is \$263,881</p>				

Note: Tax rates stated are the rates applicable to the tax rate area 7-000 as typical tax rate area within the City. Rates are based on \$100 assessed valuation.

Source: County of Santa Clara, Department of Finance

**CITY OF SANTA CLARA
PRINCIPAL PROPERTY TAX PAYERS
2012-13 AND 2003-04 COMPARISON FOR GENERAL FUND
(In Thousands)**

Table 7

Taxpayers	2012-13		2003-04	
	Assessed Valuation	Percentage of Total Assessed Valuation	Assessed Valuation	Percentage of Total Assessed Valuation
Intel Corporation	\$ 1,102,266	4.36%	\$ 1,484,347	7.80%
Sobrato Interest (formerly Sobrato Development Company)	704,703	2.79%	610,983	3.21%
Nvidia Corporation (formerly Nvidia Land Development LLC)	370,958	1.47%		0.00%
Oracle America Inc. (formerly Sun Microsystems)	280,529	1.11%	348,589	1.83%
Xeres Ventures LLC	265,484	1.05%		0.00%
Yahoo Inc.	219,104	0.87%		0.00%
Marvell Semiconductor Inc. (formerly Marvell Technology Inc.)	215,311	0.85%		0.00%
Agilent Technologies, Inc.	195,749	0.77%	208,846	1.10%
Applied Materials Inc.	186,975	0.74%	644,718	3.39%
M West Propco XIII LLC	173,952	0.69%		0.00%
3Com Corporation		0.00%	290,023	1.52%
Hope Drive Associates, LLC		0.00%	269,077	1.41%
National Semiconductor Corporation		0.00%	226,304	1.19%
BRE Sant Tomas I LLC		0.00%	164,308	0.86%
Cable and Wireless Internet Services INC.		0.00%	149,894	0.79%
Top Ten Total	\$ 3,715,031	14.70%	\$ 4,397,089	23.10%
City Total	<u>\$ 25,295,792</u>		<u>\$ 19,033,631</u>	

Source: Santa Clara County Assessor 2012-13 and 2003-04 Combined Tax Rolls through HdL Coren & Cone.

**CITY OF SANTA CLARA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(In Thousands)**

Table 8

Fiscal Year Ending June 30	Gross Tax Levy	Current Tax Collections	Percentage of Current Levy Collected	Delinquent Tax Collected	Total Collections	Percentage of Total Levy Collected
2003 / 04	\$ 16,182	\$ 16,106	99.53%	(3)	\$ 16,103	99.51%
2004 / 05	15,892	15,841	99.68%	-	15,841	99.68%
2005 / 06	16,624	16,565	99.65%	-	16,565	99.65%
2006 / 07	18,197	18,128	99.62%	-	18,128	99.62%
2007 / 08	19,720	19,669	99.74%	-	19,669	99.74%
2008 / 09	21,123	21,061	99.71%	-	21,061	99.71%
2009 / 10	21,674	21,631	99.80%	-	21,631	99.80%
2010 / 11	20,894	20,867	99.87%	-	20,867	99.87%
2011 / 12	21,044	21,044	100.00%	-	21,044	100.00%
2012 / 13	22,313	22,313	100.00%	-	22,313	100.00%

Sources: City of Santa Clara
County of Santa Clara, Department of Finance

CITY OF SANTA CLARA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(In Thousands)

Table 9

Fiscal Year Ending June 30	Governmental Activities				Former Redevelopment Agency	Business Activities	Santa Clara Stadium Authority	Total Primary Government	Population	Debt per Capita	Total Personal Income (\$000)	Debt/Income Ratio
	Public Financing Authority				Tax Allocation Bonds (2)	Revenue Bonds (1)	Revenue Bonds					
	Certificates of Participation	Insurance Funding Bonds	Assessment Bonds	Total Governmental Activities								
2003 / 04	\$ 70,010	\$ 20,000	\$ 7,490	\$ 97,500	\$ 151,214	\$ 280,609	\$ -	\$ 529,323	105,831	\$ 5,002	\$ 2,677,383	19.77%
2004 / 05	66,725	20,000	6,700	93,425	141,938	275,360	-	510,723	107,200	4,764	2,720,598	18.77%
2005 / 06	63,345	20,000	5,875	89,220	140,225	269,883	-	499,328	109,106	4,577	2,765,258	18.06%
2006 / 07	59,850	20,000	5,015	84,865	135,325	258,015	-	478,205	110,771	4,317	3,831,569	12.48%
2007 / 08	56,240	-	4,110	60,350	130,640	230,970	-	421,960	115,503	3,653	4,121,147	10.24%
2008 / 09	52,500	-	3,155	55,655	125,335	227,390	-	408,380	117,242	3,483	4,225,531	9.66%
2009 / 10	48,620	-	2,155	50,775	119,660	223,170	-	393,605	118,830	3,312	4,291,695	9.17%
2010 / 11	43,822	-	-	43,822	138,511	223,920	-	406,253	118,169	3,438	4,727,907	8.59%
2011 / 12	39,528	-	-	39,528	-	210,646	132,630	382,804	118,813	3,222	4,399,786	8.70%
2012 / 13	34,784	-	-	34,784	-	199,676	396,140	630,600	120,284	5,243	4,530,093	13.92%

Sources: Note 11, Note 2; Statement of Net Position; MuniServices LLC

(1) Fiscal Year 2011-12 amounts have been restated to include related premiums, discounts, and adjustments.

(2) Beginning Fiscal Year 2011-12, Tax Allocation Bonds Direct Debt amounts for the Former Redevelopment Agency are shown in the Successor Agency of the City of Santa Clara's Statistical Section, Table 4.

**CITY OF SANTA CLARA
POPULATION AND ASSESSED VALUATION
Last Ten Fiscal Years
(In Thousands)**

Table 10

Fiscal Year Ending June 30	Population	Total Assessed Valuation
2003 / 04	105.8	\$ 19,033,631
2004 / 05	107.2	18,081,181
2005 / 06	109.1	18,813,195
2006 / 07	110.8	20,478,830
2007 / 08	115.5	22,241,709
2008 / 09	117.2	24,479,723
2009 / 10	116.3 (1)	24,674,410
2010 / 11	118.2	23,704,433
2011 / 12	118.8	23,830,461
2012 / 13	120.3	25,295,792

Notes: (1) Population was revised based on 2010 U.S. Census results.

Sources: State of California, Department of Finance
County of Santa Clara, Department of Finance

CITY OF SANTA CLARA
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
June 30, 2013

Table 11

Description	% Applicable	Debt
Direct Debt:		
Certificates of Participation Series 2002 B	100%	\$ 6,885,000
2010 Lease Financing	100%	8,341,000
2013 Refunding Certificates of Participation	100%	18,540,000
Total Gross Direct Debt		33,766,000
Unamortized Premium/Discount	100%	1,018,066
Total Net Direct Debt		34,784,066
Overlapping Debt:		
Santa Clara County General Fund Obligations	8.20%	67,211,862
Santa Clara County Pension Fund Obligations	8.20%	31,066,206
Santa Clara Valley Water District Benefit Assessment District	8.20%	10,090,507
Santa Clara County Board of Education Certificates of Participation	8.20%	852,488
San Jose-Evergreen Community College District Pension Obligations	0.07%	34,639
West Valley-Mission Community College District General Fund Obligations	27.55%	18,025,379
Foothill-DeAnza Community College District	1.25%	7,763,338
San Jose-Evergreen Community College District	0.07%	220,389
West Valley Community College District	27.55%	84,991,606
Fremont Union High School District	2.77%	8,297,538
Campbell Union High School District General Fund Obligations	1.55%	175,546
Campbell Union School District	3.42%	5,013,751
Campbell Union High School District	1.55%	2,418,853
El Camino Hospital District	1.27%	1,790,398
San Jose Unified School District	0.21%	1,167,967
Cupertino Union School District	4.61%	7,576,334
Santa Clara Unified School District	66.45%	284,882,082
San Jose Unified School District Certificates of Participation	0.21%	63,600
Santa Clara County	8.20%	66,051,426
Foothill-DeAnza Community College District Certificates of Participation	1.25%	215,140
Santa Clara Unified School District Certificates of Participation	66.45%	8,924,369
Santa Clara County Vector Control District Certificates of Participation	8.20%	283,206
Total Overlapping Debt		607,116,624
Total Gross Direct and Overlapping Bonded Debt		640,882,624 (1)
Direct Unamortized Premium/Discount		1,018,066
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT		\$ 641,900,690
2012 / 13 Assessed Value	\$ 25,295,792,018	
Ratios to Assessed Valuation:		
Direct Debt	\$ (34,784,066)	0.133%
Total Gross Debt		2.534%
Total Net Debt		2.538%

Note: (1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds.
Source: California Municipal Statistics, Inc.

**CITY OF SANTA CLARA
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(In Thousands)**

Table 12

Fiscal Year Ending June 30	Assessed Valuation	Debt Limit- 15% of Assessed Valuation*	Debt Applicable to Limit	Legal Debt Margin
2003 / 04	\$ 18,925,445	\$ 2,838,817	\$ 20,000	\$ 2,818,817
2004 / 05	17,972,599	2,695,890	20,000	2,675,890
2005 / 06	18,702,210	2,805,332	20,000	2,785,332
2006 / 07	20,365,381	3,054,807	20,000	3,034,807
2007 / 08	22,125,638	3,318,846	-	3,318,846
2008 / 09	24,362,076	3,654,311	-	3,654,311
2009 / 10	24,556,241	3,683,436	-	3,683,436
2010 / 11	23,587,425	3,538,114	-	3,538,114
2011 / 12	23,715,437	3,557,316	-	3,557,316
2012 / 13	25,182,664	3,777,400	-	3,777,400

Notes: * Section 1309 of the City Charter of the City states: "Bonded Debt Limit.

The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen percent (15%) of the total assessed valuation of property within the City, exclusive of revenue bonds or 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 the provisions of the State Constitution and this Charter."

Sources: County of Santa Clara, Department of Finance
City of Santa Clara

**CITY OF SANTA CLARA
PLEGGED REVENUE COVERAGE
ELECTRIC REVENUE BOND
Last Ten Fiscal Years
(In Thousands)**

Table 13

Fiscal Year Ending June 30	Gross Revenue (1)	Less Operating Expense (2)	Net Revenue Available For Debt Service	Principal	Interest	Letter Of Credit Fees	Total	Coverage (3)
2003 / 04	\$ 208,042	\$ 178,600	\$ 29,442	\$ 5,160	\$ 8,432	\$ 262	\$ 13,854	2.13
2004 / 05	253,561	217,981	35,580	5,840	10,389	262	16,491	2.16
2005 / 06	283,611	251,676	31,935	11,080	11,216	266	22,562	1.42
2006 / 07	297,586	246,378	51,208	11,820	11,346	212	23,378	2.19
2007 / 08	318,895	283,206	35,689	12,370	11,295	2,423	26,088	1.37
2008 / 09	346,533	323,670	22,863	3,580	8,602	2,460	14,642	1.56
2009 / 10	296,833	276,402	20,431	4,220	7,235	838	12,293	1.66
2010 / 11	269,610	233,939	35,671	4,425	8,022	1,793	14,240	2.50
2011 / 12	285,423	238,074	47,349	6,255	9,616	1,017	16,888	2.80
2012 / 13	291,696	266,246	25,450	6,560	9,899	813	17,272	1.47

Note: (1) In fiscal year 2005 / 06 Gross Revenue also includes \$21.5 million fund transfer from Cost Reduction Fund to pay for the Enron settlement cost. Direct expense includes Enron's net settlement cost of \$21.5 million.

(2) In fiscal year 2007 / 08 Letter of Credit include \$1.611 million refunding premium for 1998A, \$302 thousand issuance cost for 2008B and \$315 thousand issuance cost for 2008A.

(3) The required coverage is 1.00.

Source: City of Santa Clara

**CITY OF SANTA CLARA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years**

Table 14

Year	Population	Personal Income (\$000)	Per Capita Buying Income	Median Age	Public School Enrollment	County Unemployment Rate	City Unemployment Rate
2003 / 04	105,831	\$ 2,677,383	\$ 25,282	35.2	13,188	8.2%	7.7%
2004 / 05	107,200	2,720,598	26,465	35.7	13,839	6.2%	5.9%
2005 / 06	109,106	2,765,258	26,513	35.3	13,317	5.5%	4.8%
2006 / 07	110,771	3,831,569	34,590	-	13,366	5.0%	4.3%
2007 / 08	115,503	4,121,147	35,680	34.4	13,802	4.7%	4.3%
2008 / 09	117,242	4,225,531	36,738	34.4	14,729	11.8%	10.9%
2009 / 10	116,308	4,291,695	36,607	34.9	14,446	11.3%	10.4%
2010 / 11	118,169	4,727,907	40,010	34.3	14,731	10.3%	9.4%
2011 / 12	118,813	4,399,786	37,031	33.8	14,686	8.7%	8.0%
2012 / 13	120,284	4,530,093	37,662	34.1	14,705	6.8%	6.2%

Note: (-) Data unavailable

Sources:

- Population data by the California Department of Finance Projections as provided by MuniServices LLC.
- Starting in FY 2006-07 Personal Income Data is determined using 2005 American Community Survey Data and adjusted for inflation in accordance with rates provided by the Bureau of Labor Statistics as provided by MuniServices LLC.
- Prior Years Personal Income Data are from Sales and Marketing Power Management-Survey of Buying Power.
- 2009/10 Population was revised based on 2010 U.S. Census results and the California Department of Finance demographics estimates now incorporate 2010 Census counts as the benchmark.
- Public School Enrollment data provided by the Santa Clara Unified School District.
- Unemployment Data by the State of California Employment Development Department.

**CITY OF SANTA CLARA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

Table 15

Company	2013		2004	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Applied Materials, Inc.	8,500	7.1%		
Intel Corporation	7,001	5.9%	8,000	15.7%
AAA-Affordable Tutoring	4,324	3.6%		0.0%
California's Great America	2,500	2.1%		0.0%
Avaya Inc.	2,000	1.7%		0.0%
City of Santa Clara	1,412	1.2%		0.0%
EMC Corporation	1,338	1.1%		0.0%
Macy's	1,200	1.0%		0.0%
Santa Clara University	1,200	1.0%		0.0%
ON Semiconductor Corporation	1,100	0.9%		0.0%
National Semiconductor Corporation			2,000	3.9%
Oracle (formerly Sun Microsystems)			3,500	6.9%
Nortel Networks			1,500	2.9%
Kaiser Foundation Hospitals			2,500	4.9%
Agilent Technologies			3,000	5.9%
Nvidia Corporation			1,500	2.9%
3Com Corporation			1,000	2.0%
Integrated Device Technology			3,000	5.9%
United Defense			800	1.6%
Total Top Ten	30,575	25.6%	26,800	52.6%
All Others	88,642	74.4%	24,100	47.4%
Total Employment	119,217	100%	50,900	100%

Source: Fiscal Year 2013: ReferenceUSA database, Infogroup, Inc., Papillion, Nebraska; Finance Office, City of Santa Clara
Fiscal Year 2004: Northern California Business Directory, California Employment Development Department

CITY OF SANTA CLARA
FULL-TIME EQUIVALENT BUDGETED CITY EMPLOYEES BY PROGRAM/FUNCTION
Last Ten Fiscal Years

Table 16

	Fiscal Year Ending June 30									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
City Council	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
City Clerk	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
City Attorney	6.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
City Manager	8.00	8.00	8.00	9.00	9.00	9.00	8.00	8.00	8.00	8.00
Information Technology	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Human Resources	14.50	14.50	14.50	15.00	15.00	15.00	15.00	15.00	15.00	16.00
Finance	58.00	58.00	58.00	62.00	62.00	63.00	54.00	54.00	55.00	55.00
Parks & Recreation	82.00	82.00	82.00	83.00	83.00	83.00	84.00	84.00	84.00	85.00
Library	42.00	42.00	42.75	42.75	42.75	42.75	42.75	42.75	42.75	43.75
Planning & Inspection	40.00	40.00	40.00	40.00	40.00	39.00	39.00	39.00	39.00	39.00
Engineering	38.00	38.00	38.00	38.00	38.00	38.00	44.00	44.67	44.67	46.00
Purchasing	**	**	**	**	**	**	9.00	9.00	9.00	9.00
Building Maintenance	11.50	11.50	12.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50
Street	63.00	63.00	63.00	64.00	64.00	64.00	58.00	58.00	58.00	59.00
Automotive Services	16.00	18.00	18.00	19.00	19.00	19.00	19.00	19.00	19.00	20.00
Police	222.00	222.00	227.00	227.00	227.00	227.00	227.00	227.00	199.00	199.00
Fire	179.50	179.50	179.50	179.50	179.50	179.50	179.50	179.50	179.50	180.00
Communications	*	*	*	*	*	*	*	*	29.00	29.00
Electric Utility	135.00	135.00	144.00	144.00	144.00	144.00	144.00	144.00	144.00	138.00
Water Utility	45.80	45.80	46.15	45.45	45.45	45.50	45.50	45.50	44.50	44.50
Sewer Utility	14.20	14.20	13.85	14.55	14.55	14.50	13.50	13.50	13.50	13.50
TOTAL	992.00	994.00	1,010.75	1,020.25	1,020.25	1,020.25	1,019.25	1,019.92	1,020.92	1,021.75

Note: * Included in Police starting in 2005-06

** Included in Finance starting 2007-08

Source: City of Santa Clara Annual Budget 2012-13

CITY OF SANTA CLARA
OPERATING INDICATORS BY FUNCTION/ACTIVITY
Last Ten Fiscal Years

Table 17

Fiscal Year Ending June 30

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Culture and Recreation:										
Number of library items circulated	2,525,555	2,527,883	2,466,152	2,782,561	2,647,837	2,564,484	2,545,942	2,657,430	2,625,227	2,188,632
Fire Protection:										
Number of calls answered	8,232	8,135	8,659	8,671	7,488	7,614	7,686	6,549	6,065	5,933
Number of inspections conducted	9,097	9,775	10,234	8,565	9,707	8,436	9,041	10,460	10,026	10,290
Police Protection:										
* Number of calls for service	59,158	57,018	62,004	64,797	57,245	57,769	55,909	58,021	55,814	36,832
Electric System:										
Maximum annual demand	471.1 MW	463.01 MW	471.37 MW	459.8 MW	489.9 MW	479.6 MW	486.5 MW	461.2 MW	399.7 MW	405 MW
Total annual energy	3,102,166 Mwh	3,052,818 Mwh	2,950,301 Mwh	2,909,151 Mwh	2,971,436 Mwh	2,984,161 Mwh	2,931,407 Mwh	2,764,831 Mwh	2,573,056 Mwh	2,507,000 Mwh
Sewer System:										
Number of service connections	25,530	25,300	25,420	25,540	26,125	26,084	26,014	25,920	25,897	25,531
Peak flow (5-day average,WPCP)	121 MG	121 MG	120 MGD	109 MGD	109 MGD	109 MGD	125 MGD	118 MGD	109 MGD	109 MGD
Maximum daily capacity of treatment plant (WPCP)	167 MGD									
Peak flow (5-day average,City)	16 MGD	17 MGD	17 MGD	17 MGD	n/a	n/a				
Water System:										
Number of service accounts	25,530	25,300	25,420	25,540	25,482	25,310	25,277	25,136	24,905	26,478
Daily average consumption	19MG	19 MG	18.6 MG	18.1 MG	19.4 MG	21 MG	22 MG	21 MG	21 MG	21 MG
Maximum daily capacity of plant:										
Potable Water	87 MGD	89 MGD	89 MGD	87 MGD	80 MGD					
Recycled Water	15 MGD									

Note: * Data Based on Calendar Year

Source: City of Santa Clara

CITY OF SANTA CLARA
CAPITAL ASSETS STATISTICS BY FUNCTION
Last Ten Fiscal Years

Table 18

	Fiscal Year Ending June 30									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Culture and Recreation:										
Number of community centers	4	4	4	4	4	4	4	4	4	4
Number of parks	32	32	32	32	32	32	32	31	30	30
Park acreage	273	273	273	273	282	282	282	282	277	277
Number of golf courses	1	1	1	1	1	1	1	1	1	1
Number of swimming pools (1)	5	5	5	5	5	5	4	4	4	4
Number of tennis courts	28	28	28	28	28	28	28	28	27	27
Number of lawn bowling greens	1	1	1	1	1	1	1	1	1	1
Number of lighted soccer fields	3	3	3	3	3	3	3	3	3	3
Number of lighted softball fields	7	7	7	7	7	7	7	7	7	7
Number of neighborhood park buildings	8	8	8	8	8	8	8	8	8	8
Number of gymnastic centers	1	1	1	1	1	1	1	1	1	1
Number of skate parks	1	1	1	1	1	1	1	1	1	1
Number of community theaters	1	1	1	1	1	1	1	1	1	-
Number of libraries	2	2	2	2	2	2	2	2	2	2
Cemetery	2	2	2	2	2	2	2	2	2	2
Fire Protection:										
Number of stations	10	10	10	10	10	10	10	10	10	10
Police Protection:										
Number of stations	2	2	2	2	2	2	2	2	2	2
Electric System:										
Number of meters	52,957	52,867	52,327	52,090	51,832	51,514	50,858	50,069	49,775	48,753
Miles of high voltage lines	586	582	579	573	573	548	479	479	477	475
Number of substations (1)	26	26	26	24	23	23	23	23	22	19
Sewerage System:										
Miles of sanitary sewers	288	286	285	285	279	279	282	282	282	277
Miles of storm sewers	141	141	140	140	140	140	138	138	138	137
Number of treatment plants	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary
Water System:										
Miles of water mains	335	335	335	335	335	335	335	334	301	301
Number of fire hydrants	3,315	3,315	3,315	3,315	3,313	3,285	3,261	3,249	3,249	3,143
Miles of recycled water mains	33	33	23	21	20	20	20	19	19	19
Streets:										
Miles of Streets	249	249	249	249	249	249	249	249	249	248
Number of Street Lights	8,077	8,046	7,993	7,990	7,976	8,481	8,181	8,179	8,170	8,163
Number of Traffic Signals	191	188	188	188	188	187	187	184	182	178

(1) Certain amounts in the prior years have been reclassified in order to be consistent with current years presentation.

**CITY OF SANTA CLARA
STATEMENT OF INSURANCE COVERAGE
June 30, 2013**

Table 19

TYPE OF POLICY	INSURANCE COMPANY	LIMITS*	ANNUAL PREMIUM	TERM YEARS	EXPIRATION DATE **
<u>Liability</u>					
Comprehensive General	Self-insured (Since 1987)	\$5 million	n/a	-	Ongoing
Excess Liability	Starr Indemnity & Liability Company	\$20 million	\$152,400	1	7/1/2013
Workers' Compensation	Self-insured (since 1973)	\$500 thousand	n/a	-	Ongoing
Excess Workers' Compensation	CSAC Excess Ins. Authority	\$5 million	\$475,073	1	7/1/2013
<u>Property Coverage</u>					
All Risks, including flood, excluding earthquake	Public Entity Property Insurance Program (PEPIP) Lexington Insurance and various excess carriers	\$1 billion	\$522,465	1	7/1/2013
Boiler and Machinery	Lexington Insurance Co., CNA Insurance Co., and Foreign Excess Insurance Companies	\$100 million	\$22,433	1	7/1/2013
<u>Financial Loss Bonds</u>					
Crime Coverage Bond	CSAC Excess Insurance Authority	\$10 million	\$8,233	2	7/1/2013

Notes: * Limits are per occurrence

** All policies have been renewed

Source: City of Santa Clara

**SUCCESSOR AGENCY CITY OF SANTA CLARA
STATISTICAL SECTION**

This part of the City of Santa Clara's Comprehensive Annual Report provides detailed information to better understand the data presented within the financial statements, note disclosures, and required supplementary information.

TABLES

REVENUE CAPACITY

1-3

Contains information to help the reader assess the City's most significant local revenue source, the property tax.

DEBT CAPACITY

4

Presents information to assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA
BAYSHORE NORTH PROJECT AREA
Historical Tax Increment
Fiscal Years 2004-05 Through 2012-13
(In Thousands)**

Table 1

	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
Real Property Value	\$2,443,683	\$2,337,717	\$2,302,910	\$2,627,293	\$2,441,511	\$2,029,853	\$1,851,088	\$1,611,794	\$1,837,145
Other Property Value	468,788	492,292	423,299	388,607	377,401	353,950	334,725	297,334	301,559
Total Project Value	<u>2,912,471</u>	<u>2,830,009</u>	<u>2,726,209</u>	<u>3,015,900</u>	<u>2,818,912</u>	<u>2,383,803</u>	<u>2,185,813</u>	<u>1,909,128</u>	<u>2,138,704</u>
Less Base Value	(8,838)	(8,838)	(8,838)	(8,838)	(8,838)	(8,838)	(8,838)	(8,838)	(8,838)
Increment Over Base Value	2,903,633	2,821,171	2,717,371	3,007,062	2,810,074	2,374,965	2,176,975	1,900,290	2,129,866
Redevelopment Property Tax Trust Fund (RPTFF) ⁽¹⁾	13,366	-	-	-	-	-	-	-	-
Tax Increment Revenue	-	15,035	28,629	31,656	29,597	25,036	22,945	20,052	22,475
Supplemental Tax Revenue	-	-	(37)	94	1,627	1,306	713	(632)	57
Total Tax Revenue	<u>13,366</u>	<u>15,035</u>	<u>28,592</u>	<u>31,750</u>	<u>31,224</u>	<u>26,342</u>	<u>23,658</u>	<u>19,420</u>	<u>22,532</u>
Less:									
AB 1484 True-Up Payment ⁽²⁾	(378)	-	-	-	-	-	-	-	-
Pass Through Payments	-	(1,085)	-	-	-	-	-	-	-
SERAF Payment	-	-	(1,975)	(9,592)	-	-	-	(2,360)	(2,871)
Housing Set-Aside	-	(3,007)	(8,578)	(9,525)	(9,367)	(7,903)	(7,098)	(5,826)	(6,760)
County Administrative Charge	-	-	(312)	(321)	(286)	(262)	(251)	(219)	(258)
Net Tax Revenue	<u>\$ 12,988</u>	<u>\$ 10,943</u>	<u>\$ 17,727</u>	<u>\$ 12,312</u>	<u>\$ 21,571</u>	<u>\$ 18,177</u>	<u>\$ 16,309</u>	<u>\$ 11,015</u>	<u>\$ 12,643</u>

(1) With the State dissolving all RDAs on 02/01/2012, the structure of Tax Increment Revenue has changed. Starting in fiscal year 2012-13, the County's property tax distribution to the Successor Agency was changed to the Redevelopment Property Tax Trust Fund (RPTTF).

(2) On June 28, 2012, AB 1484 became law which made a number of significant changes to ABX126. In particular, the new Health and Safety Code Section 34183.5 required the Santa Clara County Auditor-Controller to conduct a "true-up" of the June 1, 2012 distribution from the RPTTF for each former RDA. In accordance with the new law, the Successor Agency was required to make a "true-up" payment of \$378,540.37 by July 12, 2012.

**SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA
 BAYSHORE NORTH PROJECT AREA
 Ten Largest Assesseees - Taxable Value
 June 30, 2013**

Table 2

ASSESSEE	ASSESSED PROPERTY USE	ASSESSED PROPERTY VALUATION	PERCENT OF TOTAL
1 Sobrato Interest	Commercial Offices Building	\$ 392,568,293	13.48%
2 Prudential Insurance Company of America	Commercial Offices Building	169,596,859	5.82%
3 Yahoo Inc	Commercial Offices Building	156,571,582	5.38%
4 Carr NP Properties LLC	Commercial Offices Building/Secured	112,685,404	3.87%
5 City of Santa Clara/Hyatt Equities LLC	Commercial Offices Building	102,633,227	3.52%
6 AB and Legacy Santa Clara Busn Pk	Commercial Offices Building/Secured	88,671,849	3.04%
7 Santa Clara Towers LP	Commercial Offices Building/Secured	85,297,487	2.93%
8 Lake Marriott LLC	Commercial Offices Building/Secured	80,239,863	2.76%
9 Landing SC LLC	Commercial Offices Building/Secured	73,485,418	2.52%
10 Mission Real Estate LP	Unsecured	68,216,617	2.34%
	TOTAL	<u>\$ 1,329,966,599</u>	<u>45.66%</u>
	TOTAL AGENCY ASSESSED VALUE	<u>\$ 2,912,471,293</u>	

**SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA
BAYSHORE NORTH PROJECT AREA
Assessment Appeal Activity of Top 20 Assesseees
2012-13 Impacts**

Table 3

TAX ROLL NUMBER	ASSESSEE	ASSESSED VALUATION/ORIGINAL	S/U (1)	APPEAL NUMBER	HEARING DATE DEADLINE	STATUS	APPLICANT'S OPINION VALUATION	LAND USE
104-40-034	Carr NP Properties LLC	\$ 112,668,059	S	12.2321		Pending	\$ 95,000,000	Commercial
104-55-005	Hyatt Regency Santa Clara	92,399,770	S	12.2766		Pending	52,000,000	Commercial
104-55-005	Hyatt Regency Santa Clara	90,588,011	S	11.3761		Pending	50,000,000	Commercial
104-40-019	AB/Legacy SA	90,445,285	S	13.1070		Pending	72,600,000	Commercial
104-40-019	Silicon Valley California LLC	88,671,849	S	12.1474		Pending	64,100,000	Commercial
104-49-029	Lake Marriot LLC	80,239,863	S	12.6717		Pending	35,000,000	Commercial
104-49-029	Lake Marriot LLC	78,666,534	S	11.8109		Pending	30,000,000	Commercial
104-52-020	Cognac Great America LLC	73,485,418	S	12.6240		Pending	40,000,000	Commercial
104-52-020	Cognac Great America LLC	72,044,528	S	11.7574		Pending	40,000,000	Commercial
104-16-114	Sobrato Development	68,216,617	S	12.4642		Pending	46,790,015	Commercial
104-41-030	Sobrato Development	66,300,000	S	12.4649		Pending	40,800,000	Commercial
104-41-030	SI 34 LLC	65,000,000	S	12.0456		Pending	40,000,000	Commercial
12-041128	Quality Tech	63,702,529	U	12.6758		Pending	16,100,000	N/A
11-023248	Cedar Fair	57,469,120	U	11.8188		Pending	40,000,000	N/A
104-49-018	Aslan Newcastle Great America	46,614,000	S	12.3546		Pending	13,983,000	Commercial
10-037856	Savis Communications Inc	45,935,890	U	10.5814		Pending	40,000,000	N/A
104-16-113	Sobrato Development	43,562,471	S	12.4643		Pending	36,475,670	Commercial
104-04-153	Sobrato Development	40,800,000	S	12.4658		Pending	34,680,000	Commercial
104-04-152	Sobrato Development	40,800,000	S	12.4659		Pending	34,680,000	Commercial
104-04-152	SI 41 LLC	40,000,000	S	12.0020		Pending	34,000,000	Commercial
		\$ 1,357,609,944					\$ 856,208,685	

(1) S=secured roll, U=unsecured roll

Source: Santa Clara County Assessor's Office

**SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA
BAYSHORE NORTH PROJECT AREA
Computation of Direct and Overlapping Bonded Debt
June 30, 2013**

Table 4

2012-13 Assessed Valuation:	\$ 2,912,471,293
Base Year Valuation:	<u>8,837,956</u>
Incremental Valuation:	\$ 2,903,633,337

<u>DIRECT DEBT:</u>	Total Debt 6/30/2013	% Applicable	Project Area's Share of Debt 6/30/13
1999 Tax Allocation Bonds, Series A	\$ 31,550,000	100%	\$ 31,550,000
1999 Tax Allocation Bonds, Series B	12,035,000	100%	12,035,000
2002 Refunding Tax Allocation Bonds	5,670,000	100%	5,670,000
2003 Tax Allocation Bonds	43,960,000	100%	43,960,000
2011 Tax Allocation Bonds	31,286,295	100%	31,286,295
TOTAL DIRECT DEBT			\$ 124,501,295

Ratio to Incremental Valuation: 4.66%

OVERLAPPING TAX AND ASSESSMENT DEBT:

Santa Clara Unified School District	\$ 428,710,000	8.265%	\$ 35,432,882
West Valley-Mission Community College District	308,533,073	3.354%	10,348,199
Santa Clara County	805,800,000	0.944%	7,606,752
Santa Clara Valley Water District Benefit Assessment District	123,100,000	0.944%	1,162,064
El Camino Hospital District	141,310,000	0.010%	14,131
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 54,564,028

OVERLAPPING GENERAL FUND DEBT:

Santa Clara County General Fund Obligations	\$ 819,956,840	0.944%	\$ 7,740,393
Santa Clara County Pension Obligations	378,994,822	0.944%	3,577,711
Santa Clara County Board of Education Certificates of Participation	10,400,000	0.944%	98,176
West Valley-Mission Community College District Certificates of Participation	65,435,000	3.354%	2,194,690
Santa Clara Unified School District Certificates of Participation	13,430,000	8.265%	1,109,990
City of Santa Clara General Fund Obligations	33,766,000	11.514%	3,887,817
Santa Clara County Vector Control District Certificates of Participation	3,455,000	0.944%	32,615
TOTAL OVERLAPPING GENERAL FUND DEBT			\$ 18,641,392

COMBINED TOTAL DIRECT AND OVERLAPPING DEBT

\$ 197,706,715

TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT

\$ 143,142,687

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the project area

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations

Ratios to 2011-12 Assessed Valuation:

Combined Total Direct and Overlapping Debt	6.81%
Net Combined Total Direct and Overlapping Debt	4.93%

Source: California Municipal Statistics, Inc.