



City of Santa Clara

The Center of What's Possible

Comprehensive Annual Financial Report

**Fiscal Year Ended
June 30, 2015**

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

FISCAL YEAR ENDED JUNE 30, 2015



**THE
MISSION CITY**

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

PREPARED BY DEPARTMENT OF FINANCE

Introductory Section

CITY OF SANTA CLARA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Gary Ameling
Director of Finance/
Assistant City Manager

November 30, 2015

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, 2015. 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, 2015 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, 2015 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 18.41 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 is estimated at 120,973, 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

The City of Santa Clara was severely impacted by the last recession. Several years past the technical end of the recession, economically sensitive revenues coupled with new ongoing monies flowing into the General Fund from Levi's Stadium, are now allowing services to be restored to pre-recession levels. 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) not only resulted in the loss of the funding to complete economic development projects and affordable housing projects, but also ended funding for General Fund administration of these programs. In addition, long-standing agreements between the City and the former RDA to pass through lease revenues from former City-owned land to support general government services have been terminated, eliminating about \$14 million of annual lease revenues.

The City is projecting that regional economic growth will continue, leading to sustained revenue growth, although at a somewhat slower pace than experienced during the last several years. Over the last few years, Silicon Valley has seen job growth that has outpaced the rest of the state and nation. During fiscal year 2014-15, the City's unemployment rate decreased 1.3% from the prior year to 3.6%. 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 ensuring that ongoing expenditures are in alignment with ongoing revenues.

FINANCIAL INFORMATION

Long-term Financial Planning

The City Council's adopted budget principles for fiscal year 2014-15 reflected the economic challenges that the City faced including the need to rebuild reserves and utilize a multi-pronged strategy to ensure ongoing expenditures are in 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.
- Continue to pursue ways to ensure ongoing revenues and expenditures are balanced, recognizing that the City's General Fund has been impacted by the dissolution of the City's Redevelopment Agency and rising pension rates, and that the use of one-time monies is only a temporary solution.
- The implementation of strategies to balance the budget 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 2014-15 adopted Capital Improvement Project (CIP) Budget totaled \$68.3 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 the final construction costs 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 fourth 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

Levi's 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 National Football League's (NFL's) 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.

Construction of the stadium began in April 2012 and Levi's Stadium opened in August 2014. From the opening event through March 31, 2015, there were 10 NFL games, 9 large-scale non-NFL events, and 186 small special events held at the Stadium.

Recovery and economic growth since the last recession have resulted in restarting a number of significant private development projects that were previously approved by the City, and spurred a number of new developments. These projects are providing construction jobs and tenant employment, leading to secondary jobs, new rental housing and home sales, and consumer and business spending, thereby enhancing both property tax and sales tax revenues. Below is a sampling of current activity:

- *Target, Sprouts, Mission City Grill, Habit Burger, Panera Bread, Peet's Coffee, Chipotle, Fractured Prune Doughnuts* and other new and retained businesses are all thriving in the newly remodeled Santa Clara Town Centre.
- *Whole Foods* will be the anchor for the 120,000 square foot retail center, *MarketPlace*, now under construction at the Irvine Company's *Santa Clara Square Project*.
- A number of housing projects are underway including 551 apartments at the *Gallery at Central Park* by *Promethius*, and 186 unit apartment project *The Villas on the Boulevard* by *SummerHill Apartment Communities*.
- City Council approved an Exclusive Negotiating Rights Agreement with Related California for the potential development of *City Place Santa Clara* on 240 acres in the Bayshore North Area. The development concept includes a mixed use of retail, entertainment, office and residential uses. CEQA environmental work is underway.

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

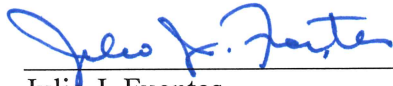
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Excellence in Financial Reporting to the City of Santa Clara for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. The Certificate of Achievement 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-three 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/Assistant City Manager

**CITY OF SANTA CLARA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

ROSTER OF COUNCIL AND COMMISSION MEMBERS

CITY COUNCIL

Mayor	Jamie L. Matthews
Councilmember	Dominic J. Caserta
Councilmember	Debi Davis
Councilmember	Lisa M. Gillmor
Councilmember	Patrick Kolstad
Councilmember	Jerry Marsalli
Councilmember	Teresa O'Neill

BOARD OF LIBRARY TRUSTEES

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

CULTURAL COMMISSION

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

HOUSING REHABILITATION LOAN COMMITTEE

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

PLANNING COMMISSION

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

CIVIL SERVICE COMMISSION

Mario Bouza, Brian Doyle, Andrew Kristalyn,
Fran A. Palacio, Pat Staffelbach

HISTORICAL & LANDMARKS COMMISSION

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

PARKS AND RECREATION COMMISSION

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

SENIOR ADVISORY COMMISSION

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

YOUTH COMMISSION

Samia Abbasi, Ajaipal Chahal, Karla Cisneros, Devleena
Das, Sarisha Kurup, Vyvy Nguyen, Tamara Pantic, Sheryl
Ratnam, Andrew Raushhuber, Alyssa Riley, Tara Singh,
Michelle Vo, Shana Vu, Ryan Winter, Ashley Wong

**CITY OF SANTA CLARA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

EXECUTIVE MANAGEMENT TEAM

CITY MANAGER

Julio J. Fuentes

CITY CLERK/CITY AUDITOR

Rod Diridon, Jr.

ASSISTANT CITY MANAGER

Sheila Tucker

CITY ATTORNEY

Richard E. Nosky, Jr.

ASSISTANT CITY MANAGER

Vacant

CHIEF OF POLICE

Michael J. Sellers

**ECONOMIC DEVELOPMENT OFFICER/
ASSISTANT CITY MANAGER**

Ruth Shikada

FIRE CHIEF

William Kelly

**DIRECTOR OF FINANCE/
ASSISTANT CITY MANAGER**

Gary Ameling

DIRECTOR OF ELECTRIC UTILITY

John Roukema

**CHIEF OPERATING OFFICER – UTILITIES/
ASSISTANT CITY MANAGER**

Alan Kurotori

DIRECTOR OF WATER & SEWER UTILITIES

Christopher de Groot

DEPUTY CITY MANAGER

Tamera Haas

**DIRECTOR OF INFORMATION
TECHNOLOGY/CIO**

Gaurav Garg

DIRECTOR OF PUBLIC WORKS

Rajeev Batra

CITY LIBRARIAN

Hilary Keith

DIRECTOR OF PLANNING & INSPECTION

Kevin Riley

DIRECTOR OF PARKS & RECREATION

James Teixeira

DIRECTOR OF HUMAN RESOURCES

Elizabeth Brown



Government Finance Officers Association

Certificate of
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for Excellence
in Financial
Reporting

Presented to

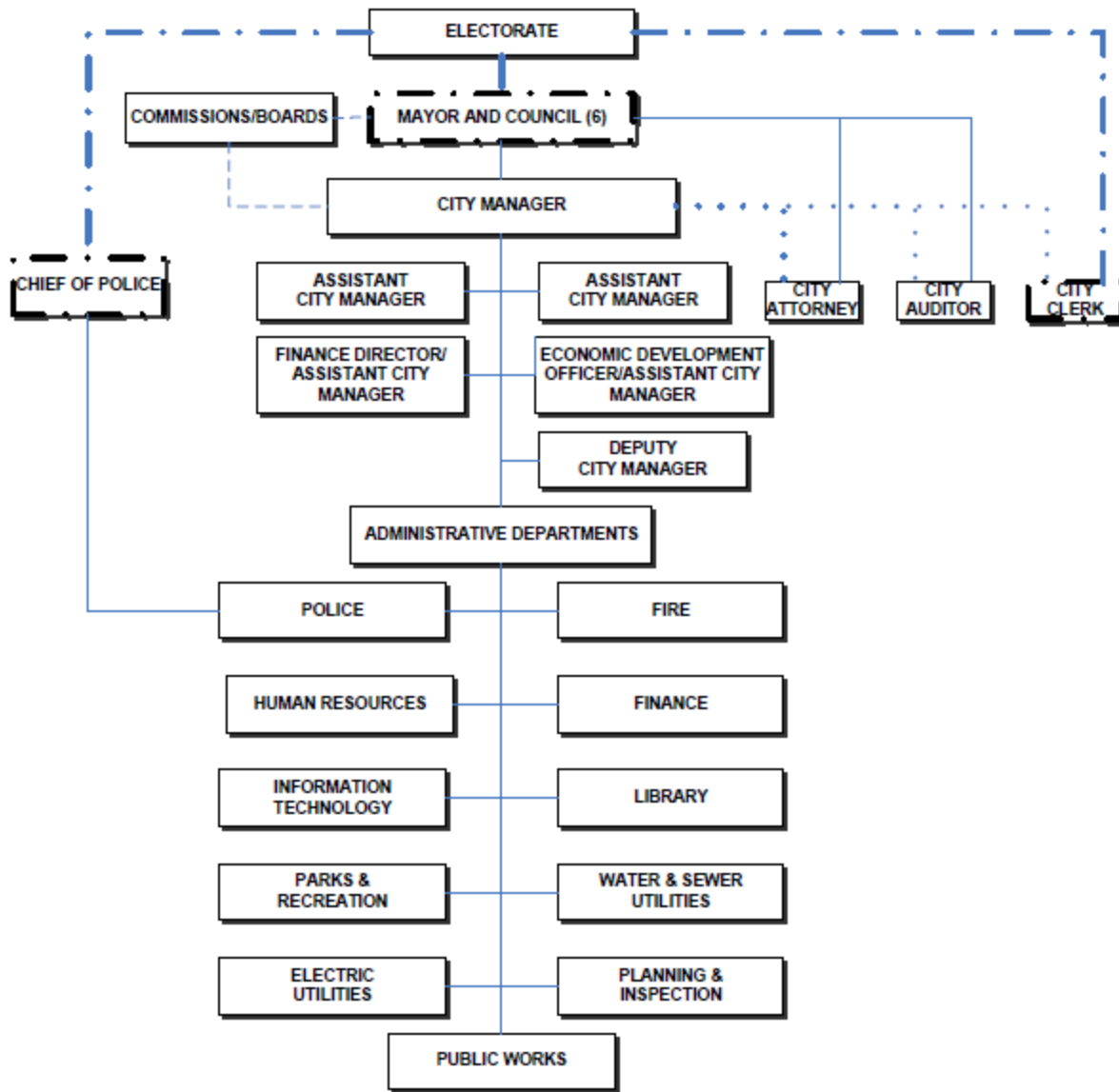
**City of Santa Clara
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

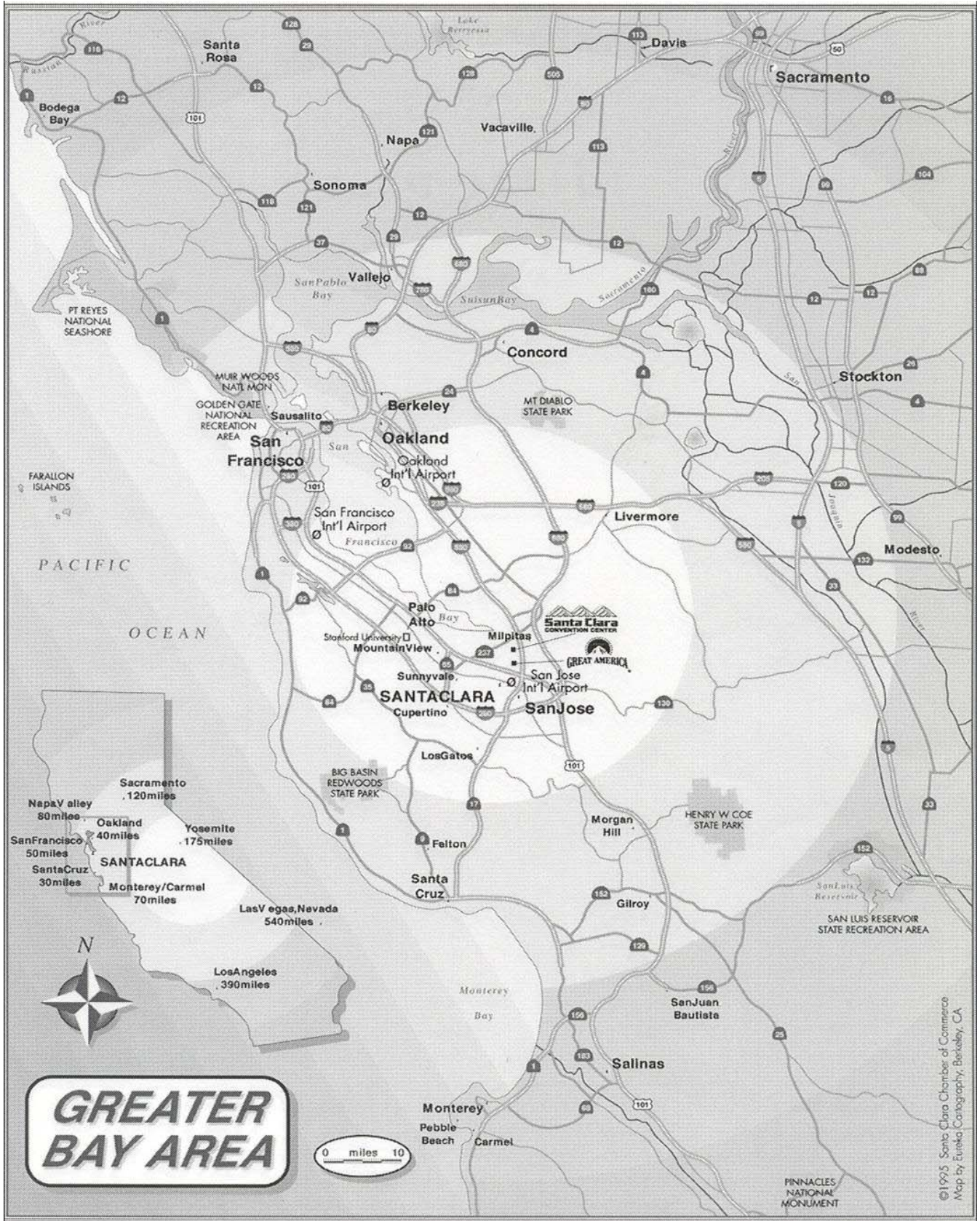
CITY OF SANTA CLARA ORGANIZATION CHART



(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.



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Financial Section

*Independent Auditor's Report
on Basic Financial Statements*

Management's Discussion and Analysis

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, 2015, 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 year ended March 31, 2015. 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 financial statements of the Santa Clara Stadium Authority Enterprise Fund as of and for the year ended March 31, 2015, which is a major fund and represents 44.3%, 0.7%, and 19.9% respectively, of the assets, net position, and revenues 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 and required a prior period adjustment to the financial statements, as discussed in Note 19E:

- Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

Redevelopment Dissolution

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 the City as 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 (Asset Transfer Review) by the State. Also, pursuant to Health and Safety Code Section 34179.5, the Successor Agency was required to obtain due diligence reviews (DDRs) of Housing funds (Housing Successor DDR) and non-housing funds (OFA DDR) to determine the unobligated balances for transfer to taxing entities. These matters are not settled and are subject to litigation, administrative reviews and ongoing discussions between the City, the Successor Agency and the State as described below.

Superior Court Lawsuit

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 and seeks to enforce the DOF's order on the OFA DDR and the Controller's Order regarding the Asset Transfer Review. 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 County's petition was held on October 31, 2014. The judge issued a ruling on behalf of the County determining that the assets needed to be returned to the Successor Agency to be disposed of in accordance with the Dissolution Laws. Subsequent to the judge's ruling, a Writ of Mandate was issued ordering the City, SOSA, the Housing Authority and the Stadium Authority to comply with the DOF determination on the OFA DDR and the State Controller's Order on the Asset Transfer Review. The City parties submitted a return on the writ setting out the reasons why it couldn't comply with some portions of the writ, but in compliance with the writ, the City returned to the Successor Agency \$23M in rent revenues received from the properties transferred to the City as well as additional funds received by the City during the OFA and DDR period (January 1, 2011-June 30, 2012). The City is in the process of returning certain properties to the Successor Agency.

The City, the Successor Agency and SOSA have filed a cross-petition and complaint requesting a writ of mandate to overturn certain decisions of the DOF, the County and the State Controller's Office related to the Other Funds Due Diligence Review and the State Controller's Asset Transfer Review. A hearing was held on the cross-petition in the above case on April 24, 2015. The Judge issued a ruling denying the cross-petition. A hearing was scheduled for October 16, 2015 to hear the remaining issues in the case but has been postponed. Until the remaining issues are heard, or a settlement has been reached, no judgment will be entered in the case. Given the unique issues presented by the County petition and the City's cross petition as well as the fact that no appellate court has interpreted the application of the Dissolution Laws to facts presented in the litigation, it is impossible to predict a potential outcome.

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 Required Supplementary information as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 30, 2015, 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.

Maze & Associates

Pleasant Hill, California
November 30, 2015

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, 2015. 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, 2015 are as follows:

- During fiscal year 2014-15, the City implemented Governmental Accounting Standards Board (GASB) statements No. 68 and No. 71 which required the recording of net pension liability and pension related deferred inflows and outflows. See Note 14 for details of this adjustment.
- The assets of the City, as a whole, exceeded its liabilities by \$1.4 billion in fiscal year 2014-15. Of this amount, \$(188) million represents unrestricted net position, a decrease of \$616 million from fiscal year 2013-14. Approximately \$406 million of the decrease is due to the implementation of the GASB 68 and 71 while \$220 million is due to the increase in the Santa Clara Stadium Authority's unrestricted deficit.
- The City's total net position, as adjusted, decreased by \$349 million primarily due to a \$305 million decrease in governmental activities and \$101 million decrease in business activities because of the implementation of GASB 68 and 71, offset by an increase of \$57 million in the City's governmental and business activities net position.
- As of June 30, 2015, the City of Santa Clara's governmental funds reported combined fund balances of \$241 million, an increase of \$26 million from the prior year. The increase is primarily due to a \$4 million increase in tax revenues, a \$7 million increase in charges in services, a \$3 million increase in revenues from other agencies, and a \$6 million increase in developer contributions in capital improvement projects. At June 30, 2015, \$59 million is in the unassigned fund balance and available for spending at the City's discretion.
- At the close of fiscal year 2014-15, the General Fund had assets of \$200 million and a fund balance of \$144 million. This represents an increase in fund balance of \$15 million, or 12% from prior fiscal year. Of the total fund balance, \$121 million was unrestricted (the total of committed, assigned, and unassigned components of fund balance). A one-time special item of \$9 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 twelve month period from April 1, 2014 through March 31, 2015. As of March 31, 2015, buildings, infrastructure and land improvements equaled \$836 million and the assets of the Stadium Authority exceeded its liabilities by \$6 million.
- The City's total outstanding long-term debt decreased by \$94 million during the current fiscal year primarily due to the repayment of 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, 2015. As noted earlier, the City's total assets exceed total liabilities by \$1,389 million at the end of the fiscal year, a decrease in net position of \$349 million.

Please note that financial information in the following tables for the prior fiscal year ended June 30, 2014 was not adjusted for implementation of GASB 68 and 71 because not all of the information was available to adjust prior year amounts.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Cash and investments	\$ 268	\$ 241	\$ 464	\$ 535	\$ 732	\$ 776
Other assets	159	158	212	218	371	376
Capital assets	549	554	1,499	1,385	2,048	1,939
Total Assets	976	953	2,175	2,138	3,151	3,091
Deferred outflows on derivative instruments	-	-	16	17	16	17
Deferred outflows pension related	23	-	7	-	30	-
Total Deferred Outflow of Resources	23	-	23	17	46	17
Long-term liabilities outstanding	24	26	788	890	812	916
Net pension liability	279	-	95	-	374	-
Other liabilities	112	107	448	347	560	454
Total Liabilities	415	133	1,331	1,237	1,746	1,370
Deferred inflows on derivative instruments	-	-	1	-	1	-
Deferred inflows pension related	47	-	14	-	61	-
Total Deferred Inflows of Resources	47	-	15	-	62	-
Net investment in capital assets	525	528	760	496	1,285	1,024
Restricted	198	190	94	96	292	286
Unrestricted	(186)	102	(2)	326	(188)	428
Total Net Position	\$ 537	\$ 820	\$ 852	\$ 918	\$ 1,389	\$ 1,738

The largest portion of the City's net position, \$1,285 million (93%), 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 \$292 million (21%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(188) million (-14%) is unrestricted and is negative due to the implementation of GASB 68 and 71.

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 Cemetery Enterprise Fund and Santa Clara Golf and Tennis Club.

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

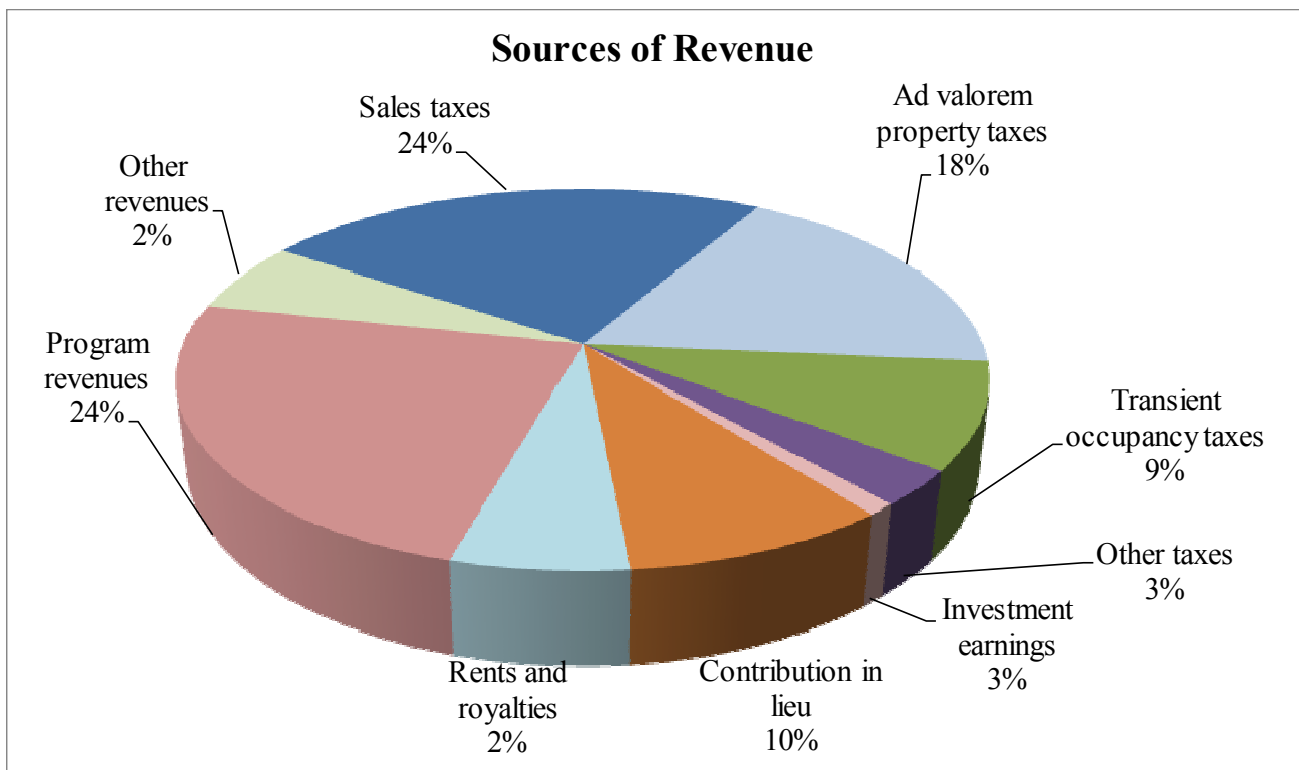
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 35	\$ 25	\$ 577	\$ 465	\$ 612	\$ 490
Operating grants and contributions	8	6	-	-	8	6
Capital grants and contributions	6	10	1	33	7	43
General revenues:						
Taxes:						
Sales	50	47	-	-	50	47
Ad valorem property	38	39	-	-	38	39
Transient occupancy	18	15	-	-	18	15
Other	5	5	-	-	5	5
Contribution in lieu of taxes	18	16	-	-	18	16
Investment earnings	2	3	16	3	18	6
Net increase (decrease) in fair value of investments	-	2	1	2	1	4
Rents and royalties	11	4	-	-	11	4
Other	13	5	-	-	13	5
Total revenues	<u>204</u>	<u>177</u>	<u>595</u>	<u>503</u>	<u>799</u>	<u>680</u>
Expenses:						
General Administration	19	15	-	-	19	15
Human Resources	1	1	-	-	1	1
Finance	1	1	-	-	1	1
Public Works	30	30	-	-	30	30
Parks and Recreation	16	16	-	-	16	16
Public Safety:						
Police	54	47	-	-	54	47
Fire	35	34	-	-	35	34
Planning and Inspection	8	7	-	-	8	7
Library	9	8	-	-	9	8
Interest on long-term debt	1	1	-	-	1	1
Utilities						
Electric-						
Retail	-	-	344	333	344	333
Wholesale	-	-	33	29	33	29
Water	-	-	30	28	30	28
Sewer	-	-	18	17	18	17
Water Recycling	-	-	3	2	3	2
Solid Waste	-	-	20	18	20	18
Cemetery	-	-	1	1	1	1
Santa Clara Golf and Tennis Club	-	-	3	3	3	3
Santa Clara Convention Center	-	-	9	9	9	9
Santa Clara Stadium Authority	-	-	98	22	98	22
Total expenses	<u>174</u>	<u>160</u>	<u>559</u>	<u>462</u>	<u>733</u>	<u>622</u>
Increase (decrease) in net position before transfers	30	17	36	41	66	58
Transfers in (out)	1	3	(1)	(3)	-	-
Increase (decrease) in net position before special item	31	20	35	38	66	58
Special item	(9)	(80)	-	-	(9)	(80)
Net position - July 1, as adjusted	515	880	817	880	1,332	1,760
Net position - June 30	<u>\$ 537</u>	<u>\$ 820</u>	<u>\$ 852</u>	<u>\$ 918</u>	<u>\$ 1,389</u>	<u>\$ 1,738</u>

Governmental Activities - governmental activities decreased the City's net position by \$284 million, as adjusted. This is primarily due to the \$305 million prior year adjustment due to the implementation of the GASB 68 and 71. The financial information for the prior fiscal year ended June 30, 2014 was not adjusted for implementation of GASB 68 and 71 because not all of the information was available to adjust prior year amounts.

Business-type Activities – business-type activities decreased the City's net position by \$66 million, as adjusted. This decrease is due to the \$101 million adjustment due to the implementation of the GASB 68 and 71, net of the rate increases in the Electric, Water, Sewer, and Water Recycling utility services, and net increases in the capital assets in 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 2014-15 and fiscal year 2013-14 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	
	2015	2014	2015	2014
General Administration	\$ 19	\$ 15	\$ 18	\$ 15
Human Resources	1	1	1	-
Finance	1	1	-	(1)
Public Works	30	30	15	12
Parks and Recreation	16	16	13	13
Public Safety:				
Police	54	47	46	44
Fire	35	34	30	30
Planning & Inspection	8	7	(7)	(4)
Library	9	8	8	8
Interest on long-term debt	1	1	1	1
Totals	<u>\$ 174</u>	<u>\$ 160</u>	<u>\$ 125</u>	<u>\$ 118</u>

In fiscal year 2014-15, total costs of services increased \$14 million and net costs increased \$7 million. The increased cost for Governmental Activities was primarily due to an increase in public safety cost related to the stadium events.

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	
	2015	2014	2015	2014
Utilities:				
Electric -				
Retail	\$ 344	\$ 333	\$ (5)	\$ (2)
Wholesale	33	29	5	-
Water	30	28	(2)	(3)
Sewer	18	17	(15)	(17)
Water Recycling	3	2	-	(1)
Solid Waste	20	18	(1)	(2)
Cemetery	1	1	-	-
Santa Clara Golf and Tennis Club	3	3	1	-
Santa Clara Convention Center	9	9	2	2
Santa Clara Stadium Authority	98	22	(5)	(11)
Totals	<u>\$ 559</u>	<u>\$ 462</u>	<u>\$ (20)</u>	<u>\$ (34)</u>

The City's business-type total costs of services increased \$96 million and net costs of services decreased by \$14 million as of June 30, 2015. The retail costs of services for the Electric Utility were \$344 million, an increase of \$11 million from the prior year. This cost increase can be attributed to an increase in power purchase costs. The net cost of services decrease is due to the loss in joint ventures related to electric and sewer enterprises.

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, 2015, the City's governmental funds reported a combined fund balance of almost \$241 million, an increase of \$26 million in comparison with the prior fiscal year. This is mainly due to increases in key revenue categories including taxes, licenses and permits, revenues from other agencies, and charges for services. Approximately 24% or \$59 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 (\$86 million), 3) committed for particular purposes (\$75 million), or 4) assigned for particular purposes (\$7 million).

Governmental fund revenues increased \$27 million, or 14%, from prior year to \$216 million. The majority of the increase, \$18 million, is due to an increase in tax revenues, charges for services, and licenses and permits in the General Fund. Non-major Governmental funds also experienced an increase of \$7 million.

Governmental fund expenditures were \$183 million, an increase of \$10 million from the prior year. The increase is primarily attributable to the elimination of the unpaid furloughs, higher pension costs, and increased public safety costs in the General Fund due to the Stadium-related events. Public safety costs are fully reimbursed with the reimbursements being reflected as charges for services.

General Fund

Revenues

The City's General Fund revenues totaled \$192 million in fiscal year 2014-15. This represents an increase of \$20 million, or 12%, compared to the prior year.

Sales tax revenue is the largest revenue source for the City's General Fund and accounts for approximately 26% of direct General Fund revenues. Sales tax revenue increased by \$3 million, or 6%, over the prior year for a total of \$50 million.

Property tax revenues for fiscal year 2014-15 were \$38 million, a decrease of \$1 million from the prior year. This decrease is primarily due to one-time monies received in 2013-14 as a result of Redevelopment Agency dissolution.

Transient occupancy taxes were \$18 million in fiscal year 2014-15 compared with \$15 million in fiscal year 2013-14, an increase of 20%. 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 \$10 million in fiscal year 2014-15 compared with \$7 million in fiscal year 2013-14. The increase is due to greater construction activity and the related building permit fees.

Charges for services totaled \$38 million in fiscal year 2014-15 compared to \$32 million in the prior fiscal year. This increase can be largely attributed to increased development activity and fee increases.

Contributions in-lieu of taxes were approximately \$17 million in fiscal year 2014-15 which remained steady compared to the previous year.

Interest and rent revenues were \$10 million in fiscal year 2014-15 compared to \$7 million in fiscal year 2013-14. This increase is primarily due to ground lease and performance rent revenues from the Santa Clara Stadium Authority.

Expenditures

General Fund expenditures totaled \$160 million for fiscal year 2014-15 compared to \$147 million in the prior year. This amount excludes encumbrances and re-appropriations.

Salary and benefits expenditures were \$124 million in fiscal year 2014-15 compared with \$115 million in fiscal year 2013-14, an increase of \$9 million. This increase is primarily due to the elimination of unpaid furloughs, higher pension costs, and an increase in the public safety expenditures compared to the prior year.

Other operating expenditures, including materials, services, and supplies, internal service fund charges and minor capital outlays, were \$36 million in fiscal year 2014-15, an increase of \$4 million from the previous fiscal year.

Transfers out for fiscal year 2014-15 were \$10 million compared to \$23 million in the prior year. This decrease of \$13 million was primarily due to fewer transfers to the various capital projects.

Fund Balance

As of June 30, 2015, total fund balance in the General Fund was \$144 million, up \$15 million from fiscal year 2013-14 primarily due to increases in taxes, charges for services, and license and permit revenues. Table 5A shows the breakdown of various components compared with the prior fiscal year.

Table 5A
General Fund Balance for the Fiscal Year Ended June 30, 2015
(in millions)

	<u>2015</u>	<u>2014</u>	<u>Net Change</u>
Nonspendable	\$ 13	\$ 13	\$ -
Restricted	10	9	1
Committed	55	78	(23)
Assigned	7	5	2
Unassigned	<u>59</u>	<u>24</u>	<u>35</u>
Total General Fund Balance	<u>\$ 144</u>	<u>\$ 129</u>	<u>\$ 15</u>

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 in the following table:

Original Budget Compared to Final Budget

Table 5B
General Fund Budget for the Fiscal Year Ended June 30, 2015
(in millions)

	Original Budgeted Amount	Final Budgeted Amount	Net Change
Revenues	\$ 169	\$ 169	\$ -
Expenditures	\$ 165	\$ 166	\$ 1
Other financing sources (uses)	\$ (5)	\$ (8)	\$ (3)

Adjustments to the original budget were based on the following:

- The increase in budgeted Expenditures is due to a \$1.2 million increase in the building inspection contractual services appropriation.
- The increase in budgeted Other Financing Uses is due to a \$1.85 million transfer from the Land Sale Reserve to purchase property for development and a \$900 thousand transfer from Capital Project Reserve for public right-of way landscaping improvement.

Final Budget Versus Actual

Table 5C
General Fund Final Budget Versus Actual for the Fiscal Year Ended June 30, 2015
(in millions)

	Final Budgeted Amount	Actual Amount	Variance
Revenues	\$ 169	\$ 186	\$ 17
Expenditures	\$ 166	\$ 159	\$ (7)
Other financing sources (uses)	\$ (8)	\$ (8)	\$ -

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

- The final budgeted revenues resulted in a \$17 million positive variance mainly due to increases in property and transient occupancy taxes, intergovernmental revenues, and development-related charges for services.
- Actual expenditures were \$7 million lower than the final budget as a result of lower departmental costs. See the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget Actual (Non-GAAP Basis) for additional details.

Santa Clara Housing Successor Agency

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 the Successor Agency housing funds generated by the former RDA.

The SCHSA's revenues were approximately \$3 million in fiscal year 2014-15, which is very comparable to the prior year. Revenues received were mostly loan repayments on low income loans. Expenditures were \$140 thousand, also very comparable to the prior year representing mostly administration costs related to the housing programs.

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 \$852 million at the end of fiscal year 2014-15, a decrease of \$66 million or 7% under the prior fiscal year. Enterprise operating revenues were \$540 million, up \$132 million from last year's revenues, primarily due to the opening of Levi's Stadium and increased utility rates. Enterprise Fund operating expenses were \$491 million, up \$71 million from the prior year. The increase can be largely attributed to increases in materials, supplies and services and depreciation in the Stadium Authority.

Non-operating revenues were \$68 million, up \$6 million from the prior year due primarily to an increase in interest revenue from Stadium Authority's Stadium Builder Licenses (SBLs) financing activities. Non-operating expenses were \$82 million, up \$39 million from the prior year due primarily to interest expense from Stadium Authority bonds and the loss in joint venture equity in the Sewer fund.

Electric Utility

This fund accounts for the operation of the City's electric utility services. Retail operating revenues were \$333 million in fiscal year 2014-15 compared with \$309 million in fiscal year 2013-14. The main reason for this increase was due to 5% rate increase effective January 1, 2015.

Retail operating expenses were \$331 million in fiscal year 2014-15 compared with \$320 million in fiscal year 2013-14, an increase of \$11 million or 3%. 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 \$27 million in the current fiscal year, down from \$29 million in fiscal year 2013-14. The cost of wholesale power purchases increased from \$29 million in fiscal year 2013-14 to \$33 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 \$2 million in fiscal year 2014-15, the same as fiscal year 2013-14 due primarily to a stable and low interest rate environment. Interest expense was \$9 million in current year, which was also the same as in fiscal year 2013-14.

The Electric Utility Fund had a net position of \$591 million at June 30, 2015, a decrease of \$72 million from the prior fiscal year. Of this amount, \$356 million was net investment in capital assets and \$235 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 \$31 million in fiscal year 2014-15, unchanged from the prior fiscal year. The flat revenue can be contributed to water conservation efforts.

Operating expenses were \$30 million in fiscal year 2014-15, compared to \$28 million in fiscal year 2013-14. The increase is primarily due to an increase in the cost of materials, services and supplies compared to the prior year. The Water Utility Fund's net position at June 30, 2015 decreased to \$49 million due to implementation of GASB 68 and 71.

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 \$41 million in fiscal year 2014-15, up from \$34 million in fiscal year 2013-14, an increase of 21%. The increase was primarily due to an increase in developer conveyance fees.

Operating expenses were \$18 million in fiscal year 2014-15, compared with \$17 million in fiscal year 2013-14. The majority of this increase is due to higher materials, supplies, and services.

The Sewer Utility Fund had a net position of \$170 million at June 30, 2015, an increase of \$10 million from the prior fiscal year. Of this amount, \$21 million was net investment in capital assets, \$91 million was restricted for joint venture capital project and \$57 million was unrestricted. The Sewer Utility, together with the City of San Jose, owns the San Jose/Santa Clara Regional Wastewater Facility which is administered by the City of San Jose. The Utility's ownership share is approximately 17.4% of the assets, capital and operating costs. In fiscal year 2013-14, the City of San Jose reported that the loss of the Utility's equity in the Regional Wastewater Facility was \$10 million (fiscal year 2014-15 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 wastewater reclamation system. Operating revenues remained the same as the prior year at approximately \$3 million. Operating expenses were \$3 million in fiscal year 2014-15 compared to \$2 million in fiscal year 2013-14. The increase was primarily due to an increase in material, services and supplies. The net position as of June 30, 2015 decreased slightly to \$4 million.

Solid Waste

This fund accounts for the administration of the City's garbage and rubbish collection service. Operating revenues remained relatively unchanged from the prior year. Operating expenses were \$20 million in fiscal year 2014-15, an increase of \$1 million from fiscal year 2013-14, mainly due to increases in materials, services and supplies expenditures. Net position at June 30, 2015 was \$1 million, a decrease of \$3 million from fiscal year 2013-14, due to the implementation of GASB 68 and 71.

Cemetery

This fund accounts for the Mission City Memorial Park's operations. Operating revenues were up 23% while operating expenses were down 24% due to a decrease in materials, services, and supplies expenditures. Net position (deficit) at June 30, 2015 was \$(2) million, a decrease of \$1 million from fiscal year 2013-14, due to the implementation of GASB 68 and 71. This fund has frequently run a deficit in its operation and capital activities, which has been covered by an advance from General Fund reserves.

Santa Clara Golf and Tennis Club

This fund accounts for the operations of the City's public golf course. Operating revenues were \$2 million in fiscal year 2014-15 down \$1 million from the prior fiscal year. This decrease is primarily due to less days available for use due to Stadium events. Operating expenses remained at \$3 million, the same as the previous fiscal year. Net position at June 30, 2015 was \$(115) thousand.

Santa Clara Convention Center

This fund accounts for the operations of the Santa Clara Convention Center. Operating revenues were \$7 million in fiscal year 2014-15, unchanged from the prior fiscal year. Operating expenses stayed at \$9 million as in fiscal year 2014-15. Net position at June 30, 2015 was \$33 million.

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. Operating revenues decreased slightly from fiscal year 2013-14 to \$66 thousand in fiscal year 2014-15. Operating expenses were flat compared to the prior year. Net position at June 30, 2015 was \$2 million.

Santa Clara Stadium Authority (Stadium Authority)

These funds account for the development and operation of Levi's Stadium. As of March 31, 2015, the Stadium Authority recorded approximately \$101 million in operating revenue and incurred \$78 million in operating expenses. The substantially higher operating activity in the current fiscal year versus the prior fiscal year is due to the opening and operations of Levi's Stadium beginning in August 2014. Net position at March 31, 2015 was \$6 million, an increase of \$19 million from the previous year.

CAPITAL ASSETS

At June 30, 2015, the City's capital assets totaled \$549 million in Governmental Activities, and \$1,499 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, 2015
(in millions)

	<u>2015</u>	<u>2014</u>	<u>Net Change</u>
Governmental Activities:			
Land	\$ 114	\$ 112	\$ 2
Construction in progress	9	22	(13)
Land improvements	21	20	1
Buildings	210	195	15
Infrastructure	474	467	7
Machinery and equipment	70	68	2
Less accumulated depreciation	(349)	(330)	(19)
Totals	<u>\$ 549</u>	<u>\$ 554</u>	<u>\$ (5)</u>
Business-Type Activities:			
Land	\$ 28	\$ 19	\$ 9
Construction in progress	46	783	(737)
Land improvements	24	24	-
Buildings	938	91	847
Infrastructure	960	930	30
Machinery and equipment	23	22	1
Less accumulated depreciation	(520)	(484)	(36)
Totals	<u>\$ 1,499</u>	<u>\$ 1,385</u>	<u>\$ 114</u>

The decrease of \$5 million in the Governmental Funds asset base was primarily the increase in accumulated depreciation. The \$13 million construction in progress decrease and the \$15 million increase in buildings is mainly due to the completion of the Tasman Drive Parking Structure which was transferred to buildings.

The \$114 million increase in Enterprise Funds capital assets was primarily due to the construction of Levi's Stadium, and an increase in infrastructure work. The \$737 million decrease in construction in progress was due to completion of Levi's Stadium during fiscal year 2014-15 and the asset being recorded as buildings. Infrastructure increased by \$30 million due to various electric, water, and sewer projects.

The Capital Improvement Project Budget for fiscal year 2014-15 and Five-Year Financial Plan for fiscal year 2015-16 through fiscal year 2019-20 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 2014-15 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, 2015 the City's debt was comprised of the following:

Table 7
Outstanding Debt at June 30, 2015
(in millions)

	Balance	Balance	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Net Change</u>
Governmental Activity Debt:			
Refunding Certificates of Participation, Series 2013	18	19	(1)
Lease Agreement Between City of Santa Clara and City of Santa Clara Public Facilities Financing Corporation	7	8	(1)
Business-Type Debt:			
Electric Utility Revenue Bonds, net of unamortized discount	227	204	23
Electric Bank of America Loan Agreement	-	24	(24)
StadCo Subordinated Loan	189	227	(38)
StadCo Agency Advance	18	21	(3)
StadCo CFD Advance	37	29	8
Stadium Funding Trust Loan	317	375	(58)
Total Debt	<u>\$ 813</u>	<u>\$ 907</u>	<u>\$ (94)</u>

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.

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.

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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, and Capital Projects 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, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and investments (Note 8):			
Pooled cash and investments	\$ 261,614,517	\$ 383,151,479	\$ 644,765,996
Investments with fiscal agent	-	46,468,753	46,468,753
Receivables (net of allowance for uncollectible):			
Accounts	5,788,296	65,584,231	71,372,527
Interest	360,313	368,058	728,371
Intergovernmental	12,343,709	-	12,343,709
Materials, supplies and prepaid	420,053	13,237,709	13,657,762
Derivative financial instruments (Note 11D)	-	666,648	666,648
Land held for development (Note 2H)	24,718,866	-	24,718,866
Total Current Assets	<u>305,245,754</u>	<u>509,476,878</u>	<u>814,722,632</u>
Noncurrent Assets			
Cash for construction (Note 8)	5,783,492	2,515,839	8,299,331
Investment with fiscal agent (Note 8)	703,643	25,956,748	26,660,391
Deposits (Note 8)	-	6,157,601	6,157,601
Interfund balances (Note 9)	6,598,024	(6,573,312)	24,712
Long term loans, net (Note 2BB)	101,168,299	-	101,168,299
Capital assets (Note 10)			
Land and construction in progress	122,443,223	73,933,749	196,376,972
Capital assets being depreciated, net	426,780,880	1,425,261,453	1,852,042,333
Investment in joint ventures (Note 13)	4,750,343	125,885,331	130,635,674
Other	2,564,812	12,027,594	14,592,406
Total Noncurrent Assets	<u>670,792,716</u>	<u>1,665,165,003</u>	<u>2,335,957,719</u>
Total Assets	<u>976,038,470</u>	<u>2,174,641,881</u>	<u>3,150,680,351</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on derivative instruments (Note 11D)	-	9,234,917	9,234,917
Deferred charge on refunding	-	6,704,712	6,704,712
Deferred outflows pension related items (Note 14)	22,726,148	7,308,473	30,034,621
Total Deferred Outflows of Resources	<u>\$ 22,726,148</u>	<u>\$ 23,248,102</u>	<u>\$ 45,974,250</u>

CITY OF SANTA CLARA
STATEMENT OF NET POSITION
June 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
LIABILITIES			
Current Liabilities			
Accrued liabilities	\$ 24,043,347	\$ 45,928,493	\$ 69,971,840
Interest payable	423,806	9,895,985	10,319,791
Accrued compensated absences (Note 2K)	1,366,864	459,731	1,826,595
Payable to Successor Agency (Note 22E)	40,367,306	-	40,367,306
Unearned revenue, current portion	561,332	11,893,063	12,454,395
Landfill closure liability (Note 12)	-	831,815	831,815
Derivative financial instruments (Note 11D)	-	68,400	68,400
Long-term debt-due within one year (Note 11)	1,620,000	16,662,674	18,282,674
Total Current Liabilities	<u>68,382,655</u>	<u>85,740,161</u>	<u>154,122,816</u>
Noncurrent Liabilities			
Long-term portion estimated claims (Note 20)	20,463,154	-	20,463,154
Accrued compensated absences (Note 2K)	11,194,984	3,765,737	14,960,721
Landfill closure liabilities (Note 12)	-	572,494	572,494
Accrued liabilities	-	2,297,371	2,297,371
Unearned revenue	13,744,546	362,885,538	376,630,084
Long-term derivative financial instruments (Note 11D)	-	9,166,517	9,166,517
Long-term debt-due after one year (Note 11)	22,959,472	771,721,180	794,680,652
Net pension liability-Due after one year (Note 14)	278,636,469	94,606,046	373,242,515
Total Noncurrent Liabilities	<u>346,998,625</u>	<u>1,245,014,883</u>	<u>1,592,013,508</u>
Total Liabilities	<u>415,381,280</u>	<u>1,330,755,044</u>	<u>1,746,136,324</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on derivative instruments (Note 11D)	-	666,648	666,648
Deferred inflow from refunding	-	524,940	524,940
Deferred inflows pension related items (Note 14)	46,845,386	13,474,650	60,320,036
Total Deferred Inflows of Resources	<u>46,845,386</u>	<u>14,666,238</u>	<u>61,511,624</u>
NET POSITION (Note 19)			
Net investment in capital assets	524,644,631	760,150,312	1,284,794,943
Restricted for:			
Capital projects	40,430,221	93,891,261	134,321,482
Debt service	1,045,227	-	1,045,227
Housing activities	128,481,153	-	128,481,153
Special revenue funds and other	28,359,514	-	28,359,514
Total Restricted Net Position	<u>198,316,115</u>	<u>93,891,261</u>	<u>292,207,376</u>
Unrestricted Net Position	<u>(186,422,794)</u>	<u>(1,572,872)</u>	<u>(187,995,666)</u>
Total Net Position	<u>\$ 536,537,952</u>	<u>\$ 852,468,701</u>	<u>\$ 1,389,006,653</u>

CITY OF SANTA CLARA
STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:					
General Administration	\$ 21,324,333	\$ (2,501,158)	\$ 415,700	\$ 104,884	\$ 287,276
City Clerk	1,068,513	(680,451)	-	146,727	-
City Attorney	1,350,926	(1,156,806)	1,944	-	-
Human Resources	2,339,353	(1,684,601)	-	-	-
Finance	8,589,260	(7,231,718)	1,194,694	-	-
Public Works	30,964,759	(1,251,823)	4,207,126	5,214,541	5,561,290
Parks and Recreation	16,134,714	(80)	3,040,066	171,765	-
Public Safety:					
Police	55,214,493	(961,833)	6,609,582	1,056,541	-
Fire	35,432,681	(92,255)	5,201,058	465,518	-
Planning & Inspection	7,593,794	(514)	13,944,046	985,567	-
Library	8,850,826	-	233,945	94,397	-
Interest on long term debt	853,512	-	-	-	-
Total Governmental Activities	189,717,164	(15,561,239)	34,848,161	8,239,940	5,848,566
Business-type Activities:					
Utilities:					
Electric -					
Retail	335,453,623	8,928,334	349,837,830	-	-
Wholesale	32,635,438	-	27,300,976	-	-
Water	27,250,155	2,231,735	31,462,244	-	-
Sewer	16,412,266	1,568,731	33,363,684	-	-
Water Recycling	2,805,238	96,641	3,381,340	-	-
Solid Waste	18,298,811	1,417,587	20,403,940	-	-
Cemetery	613,855	61,828	649,673	-	-
Sports and Open Space Authority	10,316	87,468	65,749	-	-
Santa Clara Golf and Tennis Club	2,753,922	-	2,206,742	-	-
Santa Clara Convention Center	9,006,594	-	7,112,064	-	-
Santa Clara Stadium Authority	97,194,023	1,168,915	101,374,609	-	1,533,280
Total Business-type Activities	542,434,241	15,561,239	577,158,851	-	1,533,280
Total	\$ 732,151,405	\$ -	\$ 612,007,012	\$ 8,239,940	\$ 7,381,846
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 on retirement of assets					
Other					
Transfers (Note 9A)					
Special item (Note 23A)					
Total General Revenues, Special item and Transfers					
Change in net position					
Net position - beginning, as previously reported					
GASB 68 implementation (Note 14)					
Net position - beginning, as adjusted (Note 19E)					
Net Position - ending					

CITY OF SANTA CLARA
STATEMENT OF ACTIVITIES
For the year ended June 30, 2015
Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (18,015,315)	\$ -	\$ (18,015,315)
(241,335)	-	(241,335)
(192,176)	-	(192,176)
(654,752)	-	(654,752)
(162,848)	-	(162,848)
(14,729,979)	-	(14,729,979)
(12,922,803)	-	(12,922,803)
(46,586,537)	-	(46,586,537)
(29,673,850)	-	(29,673,850)
7,336,333	-	7,336,333
(8,522,484)	-	(8,522,484)
(853,512)	-	(853,512)
<u>(125,219,258)</u>	<u>-</u>	<u>(125,219,258)</u>
-	5,455,873	5,455,873
-	(5,334,462)	(5,334,462)
-	1,980,354	1,980,354
-	15,382,687	15,382,687
-	479,461	479,461
-	687,542	687,542
-	(26,010)	(26,010)
-	(32,035)	(32,035)
-	(547,180)	(547,180)
-	(1,894,530)	(1,894,530)
-	4,544,951	4,544,951
<u>-</u>	<u>20,696,651</u>	<u>20,696,651</u>
<u>(125,219,258)</u>	<u>20,696,651</u>	<u>(104,522,607)</u>
49,649,079	-	49,649,079
37,574,373	-	37,574,373
18,185,857	-	18,185,857
5,172,739	-	5,172,739
49,681	-	49,681
17,492,882	-	17,492,882
1,702,462	15,601,536	17,303,998
496,173	543,845	1,040,018
(40,098)	-	(40,098)
11,189,332	-	11,189,332
-	63,905	63,905
12,667,655	-	12,667,655
1,430,940	(1,430,940)	-
(9,224,078)	-	(9,224,078)
<u>146,346,997</u>	<u>14,778,346</u>	<u>161,125,343</u>
21,127,739	35,474,997	56,602,736
820,082,151	918,058,045	1,738,140,196
<u>(304,671,938)</u>	<u>(101,064,341)</u>	<u>(405,736,279)</u>
515,410,213	816,993,704	1,332,403,917
<u>\$ 536,537,952</u>	<u>\$ 852,468,701</u>	<u>\$ 1,389,006,653</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 2014-15. 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 SUCCESSOR AGENCY FUND

The Santa Clara Housing Successor Agency Fund accounts for the activities related to the housing assets assumed by the City as Housing Successor to the Redevelopment Agency. The activities are governed by Community Redevelopment Law and must be used to provide housing for people with low and moderate incomes.

**CITY OF SANTA CLARA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2015**

	<u>General Fund</u>	<u>Santa Clara Housing Successor Agency</u>
ASSETS		
Cash and investments (Note 8):		
Pooled cash and investments	\$ 177,007,408	\$ 5,127,344
Investments with fiscal agent - current	-	-
Cash restricted for construction	-	-
Receivables (net of allowance for uncollectibles):		
Accounts	5,553,576	2,500
Interest	360,313	-
Loans	-	76,471,738
Intergovernmental	8,238,836	-
Due from other funds (Note 9B)	258,013	-
Materials, supplies and prepaids	17,789	-
Land held for development (Note 2H)	-	21,456,366
Investments with fiscal agent - noncurrent (Note 8)	-	-
Advances to other funds (Note 9C)	8,826,271	-
Other	22,680	-
Total Assets	<u>\$ 200,284,886</u>	<u>\$ 103,057,948</u>
LIABILITIES		
Accrued liabilities	\$ 15,439,403	\$ 7,335
Due to other funds (Note 9B)	-	-
Payable to Successor Agency (Note 4, 5, 23A)	40,367,306	-
Unearned revenue	561,332	-
Advances from other funds (Note 9C)	16,437	-
Total Liabilities	<u>56,384,478</u>	<u>7,335</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - Lease revenues	279,016	-
Unavailable revenue - Loans	-	68,446,375
Unavailable revenue - Grants	-	8,025,363
Total Deferred Inflows of Resources	<u>279,016</u>	<u>76,471,738</u>
FUND BALANCES (Note 19)		
Nonspendable	13,247,267	-
Restricted	9,546,205	21,853,428
Committed	55,121,394	4,725,447
Assigned	6,760,528	-
Unassigned	58,945,998	-
Total Fund Balances	<u>143,621,392</u>	<u>26,578,875</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 200,284,886</u>	<u>\$ 103,057,948</u>

**CITY OF SANTA CLARA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2015**

Non-Major Governmental Funds	Total Governmental Funds
\$ 63,315,613	\$ 245,450,365
-	-
5,783,492	5,783,492
106,053	5,662,129
-	360,313
30,481,173	106,952,911
4,104,873	12,343,709
22,529	280,542
-	17,789
3,262,500	24,718,866
703,643	703,643
-	8,826,271
-	22,680
<u>\$ 107,779,876</u>	<u>\$ 411,122,710</u>
\$ 3,420,656	\$ 18,867,394
165,922	165,922
-	40,367,306
-	561,332
-	16,437
<u>3,586,578</u>	<u>59,978,391</u>
-	279,016
30,463,484	98,909,859
3,223,711	11,249,074
<u>33,687,195</u>	<u>110,437,949</u>
-	13,247,267
54,994,215	86,393,848
15,511,888	75,358,729
-	6,760,528
-	58,945,998
<u>70,506,103</u>	<u>240,706,370</u>
<u>\$ 107,779,876</u>	<u>\$ 411,122,710</u>

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CITY OF SANTA CLARA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2015

TOTAL GOVERNMENTAL FUND BALANCE \$ 240,706,370

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	(1,349,339)
Interest payable	(423,806)

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and, therefore, are not reported in the Governmental Funds.	549,224,103
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LONG TERM ASSETS

Long-term receivable associated with lease agreements are not current assets or financial resources and, therefore, are not reported in the Governmental Funds	2,542,132
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INVESTMENT IN NON-BUSINESS TYPE JOINT VENTURE	4,750,343
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DEFERRED OUTFLOWS OF RESOURCES

Pension related	22,434,725
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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	16,164,152
Accounts receivable	126,167
Materials, supplies and prepaid	402,264
Deferred outflows pension related items	291,423
Accrued liabilities	(5,175,953)
Long-term portion of estimated claims	(20,463,154)
Compensated absences - current	(17,525)
Compensated absences - long-term	(143,553)
Internal balances	(2,326,430)
Net pension liability	(3,772,391)
Deferred inflows pension related items	(537,298)

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	(5,784,612)
Long-term debt	(24,579,472)
Non-current portion of accrued compensated absences excluding Internal Service Funds	(11,051,431)
Net pension liability	(274,864,078)

DEFERRED INFLOW OF RESOURCES

Unavailable 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.	96,693,403
Pension related	(46,308,088)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 536,537,952
--	----------------

**CITY OF SANTA CLARA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2015**

	<u>General Fund</u>	<u>Santa Clara Housing Successor Agency</u>
REVENUES		
Taxes:		
Sales	\$ 49,649,079	\$ -
Ad valorem	37,574,373	-
Transient occupancy	18,185,857	-
Other	5,172,739	-
Licenses, permits, fines, and penalties	9,508,479	-
Intergovernmental	3,574,032	-
Charges for services	38,051,814	-
Contributions in-lieu of taxes	17,492,882	-
Interest and rents	10,471,420	37,491
Net increase (decrease) in the fair value of investments	496,173	-
Other	1,465,589	2,721,788
Total Revenues	191,642,437	2,759,279
EXPENDITURES		
Current:		
General Administration	13,323,904	140,078
City Clerk	1,060,026	-
City Attorney	1,328,889	-
Human Resources	2,321,519	-
Finance	8,455,182	-
Public Works	15,422,223	-
Parks and Recreation	14,241,197	-
Public Safety:		
Police	53,874,973	-
Fire	34,938,832	-
Planning & Inspection	7,620,454	-
Library	7,517,873	-
Capital outlay	24,935	-
Debt service (Note 11):		
Principal payments	-	-
Interest and fiscal fees	-	-
Bond issuance cost	-	-
Total Expenditures	160,130,007	140,078
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	31,512,430	2,619,201
OTHER FINANCING SOURCES (USES)		
Transfers in (Note 9A)	2,473,052	-
Transfers (out) (Note 9A)	(10,417,547)	-
Total Other Financing Sources (Uses)	(7,944,495)	-
CHANGE IN NET POSITION BEFORE SPECIAL ITEM	23,567,935	2,619,201
Special item (Note 23A)	(9,224,078)	-
NET CHANGE IN FUND BALANCE	14,343,857	2,619,201
Fund balances - beginning	129,277,535	23,959,674
Fund balances - ending	\$ 143,621,392	\$ 26,578,875

**CITY OF SANTA CLARA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2015**

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 49,649,079
-	37,574,373
-	18,185,857
-	5,172,739
-	9,508,479
10,192,424	13,766,456
960,165	39,011,979
-	17,492,882
183,156	10,692,067
-	496,173
10,117,863	14,305,240
<u>21,453,608</u>	<u>215,855,324</u>
5,220,197	18,684,179
-	1,060,026
-	1,328,889
-	2,321,519
-	8,455,182
3,002,096	18,424,319
264,908	14,506,105
468,928	54,343,901
204,898	35,143,730
-	7,620,454
93,361	7,611,234
11,219,028	11,243,963
1,576,000	1,576,000
924,434	924,434
2,187	2,187
<u>22,976,037</u>	<u>183,246,122</u>
<u>(1,522,429)</u>	<u>32,609,202</u>
11,679,509	14,152,561
(1,877,746)	(12,295,293)
<u>9,801,763</u>	<u>1,857,268</u>
8,279,334	34,466,470
-	(9,224,078)
8,279,334	25,242,392
62,226,769	215,463,978
<u>\$ 70,506,103</u>	<u>\$ 240,706,370</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, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 25,242,392

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 366,574

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 10,730,310

Depreciation expense is deducted from the fund balance
 (Depreciation expense is net of Internal Service Fund depreciation of
 \$2,021,288 which has already been allocated to serviced funds.) (19,864,981)

Retirements and transfers of capital assets (net of Internal Service Fund retirements of \$115,928) (3,580)

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. 2,180,095

JOINT VENTURES - LOSS FROM EQUITY (40,098)

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.

Repayment of debt principal is added back to fund balance 1,576,000

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 (473,328)

Non-current portion of accrued compensated absences (1,327,927)

Interest payable 73,109

Unavailable revenue 835,173

Pension related expense 1,904,583

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 63,029

Change in Net Position of Internal Service Funds reported with Business-Type Activities (133,612)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 21,127,739

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**CITY OF SANTA CLARA
MAJOR PROPRIETARY FUNDS**

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 2014-15.

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.

SANTA CLARA STADIUM AUTHORITY FUND

The Santa Clara Stadium Authority Fund was established in 2011 to provide for development and operation of Levi's Stadium (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, 2015

	Business-type Activities-Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
ASSETS			
Current assets:			
Cash and investments (Note 8):			
Pooled cash and investments	\$ 238,643,608	\$ 21,717,080	\$ 58,498,360
Investments with fiscal agent	8,869,238	-	-
Receivables (net of allowance for uncollectible):			
Accounts	42,937,502	3,144,871	3,365,198
Interest	274,555	27,568	61,095
Due from other funds (Note 9B)	1,889,167	191,507	16,537
Materials, supplies and prepaids	12,441,972	734,135	-
Derivative financial instrument (Note 11D)	666,648	-	-
Total current assets	<u>305,722,690</u>	<u>25,815,161</u>	<u>61,941,190</u>
Noncurrent assets:			
Cash for construction (Note 8)	-	303,090	1,507,553
Investment with fiscal agent (Note 8)	14,420,513	-	-
Deposits (Note 8)	6,157,601	-	-
Capital assets (Note 10):			
Land	22,872,234	661,268	725,328
Buildings, infrastructure and land improvements	861,953,802	75,006,373	35,042,129
Equipment	10,416,267	4,401,742	3,876,509
Construction in progress	41,224,610	2,238,940	1,806,070
	<u>936,466,913</u>	<u>82,308,323</u>	<u>41,450,036</u>
Less accumulated depreciation	376,833,487	41,411,470	20,117,256
Net capital assets	<u>559,633,426</u>	<u>40,896,853</u>	<u>21,332,780</u>
Investment in joint ventures (Note 13)	34,581,763	-	91,303,568
Advances to other funds (Note 9C)	16,437	-	-
Other assets	-	-	-
Total noncurrent assets	<u>614,809,740</u>	<u>41,199,943</u>	<u>114,143,901</u>
Total assets	<u>920,532,430</u>	<u>67,015,104</u>	<u>176,085,091</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on derivative instruments (Note 11D)	9,234,917	-	-
Deferred charges on refunding	6,704,712	-	-
Deferred outflows pension related items (Note 14)	5,335,643	1,147,384	450,104
Total deferred outflows of resources	<u>21,275,272</u>	<u>1,147,384</u>	<u>450,104</u>

**CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2015**

Business-type Activities-Enterprise Funds				
Water Recycling Utility	Santa Clara Stadium Authority (as of March 31, 2015)	Non-Major Enterprise Funds	TOTAL	Internal Service Funds (Note 2B)
\$ 4,468,781	\$ 52,689,344	\$ 6,836,693	\$ 382,853,866	\$ 16,461,765
-	37,599,515	-	46,468,753	-
51,437	13,111,971	2,973,252	65,584,231	126,167
4,840	-	-	368,058	-
-	-	224,407	2,321,618	41,516
-	-	61,602	13,237,709	402,264
-	-	-	666,648	-
4,525,058	103,400,830	10,095,954	511,500,883	17,031,712
-	-	705,196	2,515,839	-
-	11,536,235	-	25,956,748	-
-	-	-	6,157,601	-
-	-	3,589,127	27,847,957	-
-	846,416,382	103,594,105	1,922,012,791	-
-	1,071,335	3,344,688	23,110,541	29,606,811
808,746	-	7,426	46,085,792	-
808,746	847,487,717	110,535,346	2,019,057,081	29,606,811
-	11,405,471	70,094,195	519,861,879	21,329,002
808,746	836,082,246	40,441,151	1,499,195,202	8,277,809
-	-	-	125,885,331	-
-	-	-	16,437	-
-	12,027,594	-	12,027,594	-
808,746	859,646,075	41,146,347	1,671,754,752	8,277,809
5,333,804	963,046,905	51,242,301	2,183,255,635	25,309,521
-	-	-	9,234,917	-
-	-	-	6,704,712	-
56,454	-	318,888	7,308,473	291,423
56,454	-	318,888	23,248,102	291,423

CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2015

	Business-type Activities-Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
LIABILITIES			
Current liabilities:			
Accrued liabilities	28,054,585	1,886,851	39,747
Interest payable	2,826,132	-	-
Unearned revenue	854,187	-	-
Due to other funds (Note 9B)	-	-	17,717
Accrued compensated absences (Note 2K)	362,159	67,283	15,945
Current portion of landfill closure liability (Note 12)	-	-	-
Current portion of long-term debt (Note 11)	7,280,000	-	-
Current portion derivative financial instruments (Note 11D)	68,400	-	-
Total current liabilities	<u>39,445,463</u>	<u>1,954,134</u>	<u>73,409</u>
Noncurrent liabilities:			
Advance from other funds (Note 9C)	-	-	-
Unearned revenue	-	-	-
Long-term accrued liabilities	-	-	-
Long-term portion estimated claims	-	-	-
Long-term comp absences (Note 2K)	2,966,506	551,129	130,607
Landfill closure liability (Note 12)	-	-	-
Long-term debt (Note 11)	219,548,285	-	-
Long-term derivative financial instruments (Note 11D)	9,166,517	-	-
Net pension liability (Note 14)	69,068,338	14,852,557	5,826,469
Total noncurrent liabilities	<u>300,749,646</u>	<u>15,403,686</u>	<u>5,957,076</u>
Total liabilities	<u>340,195,109</u>	<u>17,357,820</u>	<u>6,030,485</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on derivative instruments (Note 11D)	666,648	-	-
Deferred inflow from refunding	524,940	-	-
Deferred inflows pension related items (Note 14)	9,837,338	2,115,436	829,858
Total deferred inflows of resources	<u>11,028,926</u>	<u>2,115,436</u>	<u>829,858</u>
NET POSITION (Note 19)			
Net investment in capital assets	356,094,892	40,896,853	21,332,780
Restricted for capital projects and other agreements	-	-	91,303,568
Unrestricted	234,488,775	7,792,379	57,038,504
Total net position	<u>\$ 590,583,667</u>	<u>\$ 48,689,232</u>	<u>\$ 169,674,852</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, 2015**

Business-type Activities-Enterprise Funds				
Water Recycling Utility	Santa Clara Stadium Authority (as of March 31, 2015)	Non-Major Enterprise Funds	TOTAL	Internal Service Funds (Note 2B)
533,816	13,609,877	1,803,617	45,928,493	5,175,953
-	7,069,853	-	9,895,985	-
-	10,047,335	991,541	11,893,063	-
-	67,379	-	85,096	2,367,946
516	-	13,828	459,731	17,525
-	-	831,815	831,815	-
-	9,382,674	-	16,662,674	-
-	-	-	68,400	-
<u>534,332</u>	<u>40,177,118</u>	<u>3,640,801</u>	<u>85,825,257</u>	<u>7,561,424</u>
-	-	8,826,271	8,826,271	-
-	362,885,538	-	362,885,538	-
-	2,297,371	-	2,297,371	-
-	-	-	-	20,463,154
4,229	-	113,266	3,765,737	143,553
-	-	572,494	572,494	-
-	552,172,895	-	771,721,180	-
-	-	-	9,166,517	-
730,778	-	4,127,904	94,606,046	3,772,391
<u>735,007</u>	<u>917,355,804</u>	<u>13,639,935</u>	<u>1,253,841,154</u>	<u>24,379,098</u>
1,269,339	957,532,922	17,280,736	1,339,666,411	31,940,522
-	-	-	666,648	-
-	-	-	524,940	-
104,084	-	587,934	13,474,650	537,298
<u>104,084</u>	<u>-</u>	<u>587,934</u>	<u>14,666,238</u>	<u>537,298</u>
808,746	300,575,889	40,441,152	760,150,312	8,277,809
-	-	2,587,693	93,891,261	-
<u>3,208,089</u>	<u>(295,061,906)</u>	<u>(9,336,326)</u>	<u>(1,870,485)</u>	<u>(15,154,685)</u>
<u>\$ 4,016,835</u>	<u>\$ 5,513,983</u>	<u>\$ 33,692,519</u>	<u>852,171,088</u>	<u>\$ (6,876,876)</u>
			<u>297,613</u>	
			<u>\$ 852,468,701</u>	

CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For the year ended June 30, 2015

	Business-type Activities-Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
Operating revenues:			
Charges for services	\$ 332,937,622	\$ 30,711,116	\$ 41,157,032
Rents, royalties and licensing	-	-	-
Insurance refunds and other	-	-	-
Other	-	-	-
Total operating revenues	<u>332,937,622</u>	<u>30,711,116</u>	<u>41,157,032</u>
Operating expenses:			
Salaries and benefits	26,712,416	5,159,980	2,352,183
Materials, services and supplies	283,860,444	23,159,724	14,958,673
General and administrative	-	-	-
Amortization	139,366	10,597	6,984
Depreciation	20,023,306	1,250,698	705,621
Total operating expenses	<u>330,735,532</u>	<u>29,580,999</u>	<u>18,023,461</u>
Operating income (loss)	<u>2,202,090</u>	<u>1,130,117</u>	<u>23,133,571</u>
Nonoperating revenues (expenses):			
Interest revenue	1,623,008	140,198	324,643
Net change in the fair value of investments	420,573	41,953	73,846
Rents and royalties	3,455,122	-	-
Other revenue	16,035,553	751,128	2,242,674
Interest expense	(9,094,230)	-	-
Other expense	(4,765,651)	-	-
Equity in income (losses) of joint ventures	(4,719,095)	-	(10,036,022)
Gain (loss) on retirement of assets	63,905	-	-
Renewable energy credits	2,128,628	-	-
Wholesale power sales	27,300,976	-	-
Wholesale power purchases	(32,635,438)	-	-
Total nonoperating revenues	<u>(186,649)</u>	<u>933,279</u>	<u>(7,394,859)</u>
Income (loss) before contributions and transfers	2,015,441	2,063,396	15,738,712
Contributions	-	-	-
Transfers in (Note 9A)	-	550,000	-
Transfers (out) (Note 9A)	(549,651)	(120,541)	(98,470)
Change in net position	<u>1,465,790</u>	<u>2,492,855</u>	<u>15,640,242</u>
Total net position - beginning as previously reported	662,901,176	62,062,846	160,258,823
GASB 68 implementation (Note 14)	(73,783,299)	(15,866,469)	(6,224,213)
Total net position - beginning as adjusted (Note 19E)	<u>589,117,877</u>	<u>46,196,377</u>	<u>154,034,610</u>
Total net position - ending	<u>\$ 590,583,667</u>	<u>\$ 48,689,232</u>	<u>\$ 169,674,852</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, 2015**

Business-type Activities-Enterprise Funds

Water Recycling Utility	Santa Clara Stadium Authority (as of March 31, 2015)	Non-Major Enterprise Funds	Total	Internal Service Funds
\$ 3,381,218	\$ 61,643,937	\$ 29,596,338	\$ 499,427,263	\$ 13,560,467
-	39,730,672	65,749	39,796,421	-
-	-	-	-	506,235
-	-	754,647	754,647	-
<u>3,381,218</u>	<u>101,374,609</u>	<u>30,416,734</u>	<u>539,978,331</u>	<u>14,066,702</u>
303,376	-	1,624,875	36,152,830	1,841,502
2,597,360	56,671,082	27,094,571	408,341,854	2,292,301
-	9,517,887	-	9,517,887	7,491,626
-	-	7,171	164,118	-
-	11,391,345	3,601,103	36,972,073	2,021,288
<u>2,900,736</u>	<u>77,580,314</u>	<u>32,327,720</u>	<u>491,148,762</u>	<u>13,646,717</u>
<u>480,482</u>	<u>23,794,295</u>	<u>(1,910,986)</u>	<u>48,829,569</u>	<u>419,985</u>
24,533	13,469,697	19,457	15,601,536	-
7,473	-	-	543,845	-
-	-	21,434	3,476,556	-
122	-	-	19,029,477	482,913
-	(20,757,624)	-	(29,851,854)	-
-	(25,000)	-	(4,790,651)	-
-	-	-	(14,755,117)	-
-	-	-	63,905	(115,928)
-	-	-	2,128,628	-
-	-	-	27,300,976	-
-	-	-	(32,635,438)	-
<u>32,128</u>	<u>(7,312,927)</u>	<u>40,891</u>	<u>(13,888,137)</u>	<u>366,985</u>
512,610	16,481,368	(1,870,095)	34,941,432	786,970
-	1,533,280	-	1,533,280	-
-	-	78,000	628,000	-
(550,000)	-	(740,278)	(2,058,940)	(426,328)
<u>(37,390)</u>	<u>18,014,648</u>	<u>(2,532,373)</u>	<u>35,043,772</u>	<u>360,642</u>
4,834,889	(12,500,665)	40,634,588		(3,207,604)
(780,664)	-	(4,409,696)		(4,029,914)
<u>4,054,225</u>	<u>(12,500,665)</u>	<u>36,224,892</u>		<u>(7,237,518)</u>
<u>\$ 4,016,835</u>	<u>\$ 5,513,983</u>	<u>\$ 33,692,519</u>		<u>\$ (2,846,962)</u>

431,225
\$ 35,474,997

CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the year ended June 30, 2015

	Business-type Activities-Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 331,209,832	\$ 30,943,644	\$ 41,480,696
Payments to suppliers	(281,899,244)	(23,338,899)	(14,945,677)
Payments to employees for salaries and benefits	(26,516,165)	(5,111,293)	(2,376,265)
Internal activity - payments to other funds	-	-	-
Claims paid	-	-	-
Rents, royalties and licenses received	3,496,887	-	-
Other receipts (payments)	11,221,281	751,128	2,242,674
Net cash provided (used) by operating activities	<u>37,512,591</u>	<u>3,244,580</u>	<u>26,401,428</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Renewable energy credits	2,128,628	-	-
Wholesale resource sales	27,300,976	-	-
Wholesale resource purchases	(32,635,438)	-	-
Wholesale trading escrow deposit	1,335,886	-	-
Charges for joint project contribution	-	-	(7,526,943)
(Increase) decrease in due from other funds	447,196	334,193	110,009
Increase (decrease) in due to other funds	-	-	17,717
Advances from other funds	-	-	-
Transfers in	-	550,000	-
Transfers (out)	(549,651)	(120,541)	(98,470)
Cash Flows from Noncapital Financing Activities	<u>(1,972,403)</u>	<u>763,652</u>	<u>(7,497,687)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Contribution from Successor Agency	-	-	-
Contribution from Community Facilities District	-	-	-
Acquisition and construction of capital assets, net	(44,066,254)	(6,211,411)	(3,886,608)
Proceeds form sale of assets	63,905	-	-
Proceeds from debt	6,000,000	-	-
Landfill closure payment	-	-	-
Principal payments on capital debt	(6,485,000)	-	-
Interest paid on capital debt	(8,492,033)	-	-
Cash Flows from Capital and Related Financing Activities	<u>(52,979,382)</u>	<u>(6,211,411)</u>	<u>(3,886,608)</u>

CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the year ended June 30, 2015

Business-type Activities-Enterprise Funds				
Water Recycling Utility	Santa Clara Stadium Authority (as of March 31, 2015)	Non-Major Enterprise Funds	Totals	Internal Service Funds
\$ 3,353,572	\$ 185,753,110	\$ 29,928,735	\$ 622,669,589	\$ 13,737,461
(2,630,871)	(63,448,190)	(27,545,261)	(413,808,142)	(1,941,670)
(300,887)	-	(1,700,423)	(36,005,033)	(1,873,372)
-	-	-	-	(242,464)
-	-	-	-	(5,225,065)
-	37,836,728	21,434	41,355,049	-
122	-	749,865	14,965,070	482,913
421,936	160,141,648	1,454,350	229,176,533	4,937,803
-	-	-	2,128,628	-
-	-	-	27,300,976	-
-	-	-	(32,635,438)	-
-	-	-	1,335,886	-
64,180	-	-	(7,462,763)	-
-	13	(35,230)	856,181	(68,438)
-	(45,423)	(1,730,508)	(1,758,214)	(772,115)
-	-	370,930	370,930	-
-	-	78,000	628,000	-
(550,000)	-	(740,278)	(2,058,940)	(426,328)
(485,820)	(45,410)	(2,057,086)	(11,294,754)	(1,266,881)
-	3,957,551	-	3,957,551	-
-	676,066	-	676,066	-
(73,383)	(132,044,744)	(431,966)	(186,714,366)	(4,066,745)
-	-	-	63,905	-
-	42,745,022	-	48,745,022	-
-	-	(336,313)	(336,313)	-
-	(134,556,346)	-	(141,041,346)	-
-	(20,835,867)	-	(29,327,900)	-
(73,383)	(240,058,318)	(768,279)	(303,977,381)	(4,066,745)

CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the year ended June 30, 2015

	Business-type Activities-Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
CASH FLOWS FROM INVESTING ACTIVITIES			
Net increase in the fair value of investments	420,573	41,953	73,846
Interest and dividends	1,790,916	146,815	325,371
Payments made by fiscal agent	12,204,910	-	-
Deposits made with fiscal agent	(13,198,088)	-	-
Cash Flows from Investing Activities	<u>1,218,311</u>	<u>188,768</u>	<u>399,217</u>
Net increase (decrease) in cash and cash equivalents	(16,220,883)	(2,014,411)	15,416,350
Cash and cash equivalents at beginning of period	254,864,491	24,034,581	44,589,563
Cash and cash equivalents at end of period	<u>\$ 238,643,608</u>	<u>\$ 22,020,170</u>	<u>\$ 60,005,913</u>
Cash and cash equivalents:			
Pooled cash and investments	\$ 238,643,608	\$ 21,717,080	\$ 58,498,360
Cash designated for construction	-	303,090	1,507,553
Total cash and cash equivalents	<u>\$ 238,643,608</u>	<u>\$ 22,020,170</u>	<u>\$ 60,005,913</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 2,202,090	\$ 1,130,117	\$ 23,133,571
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
(Decrease) Increase in due to retirement system	(213,266)	(45,860)	(17,990)
Amortization	139,366	10,597	6,984
Depreciation	20,023,306	1,250,698	705,621
Change in assets and liabilities:			
Receivables, net	(1,279,601)	230,412	323,664
Prepaid expense	-	-	-
Inventory	808,673	(155,373)	-
Accrued liabilities	677,136	(21,686)	12,996
Long-term portion estimated claims	-	-	-
Compensated absences	409,517	94,547	(6,092)
Unearned revenue	20,346	-	-
Other receipts	19,490,675	751,128	2,242,674
Other expenses	(4,765,651)	-	-
Net cash provided (used) by operating activities	<u>\$ 37,512,591</u>	<u>\$ 3,244,580</u>	<u>\$ 26,401,428</u>
NONCASH TRANSACTIONS:			
Joint Ventures			
Nonoperating income (loss)	\$ (4,719,095)	\$ -	\$ (10,036,022)
Capital Contribution	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SANTA CLARA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the year ended June 30, 2015**

Business-type Activities-Enterprise Funds				
Water Recycling Utility	Santa Clara Stadium Authority (as of March 31, 2015)	Non-Major Enterprise Funds	Totals	Internal Service Funds
7,473	-	-	543,845	-
25,774	13,469,697	19,457	15,778,030	-
-	240,216,211	-	252,421,121	-
-	(262,632,820)	-	(275,830,908)	-
<u>33,247</u>	<u>(8,946,912)</u>	<u>19,457</u>	<u>(7,087,912)</u>	<u>-</u>
(104,020)	(88,908,992)	(1,351,558)	(93,183,514)	(395,823)
<u>4,572,801</u>	<u>141,598,336</u>	<u>8,893,447</u>	<u>478,553,219</u>	<u>16,857,588</u>
<u>\$ 4,468,781</u>	<u>\$ 52,689,344</u>	<u>\$ 7,541,889</u>	<u>\$ 385,369,705</u>	<u>\$ 16,461,765</u>
\$ 4,468,781	\$ 52,689,344	\$ 6,836,693	\$ 382,853,866	\$ 16,461,765
-	-	705,196	2,515,839	-
<u>\$ 4,468,781</u>	<u>\$ 52,689,344</u>	<u>\$ 7,541,889</u>	<u>\$ 385,369,705</u>	<u>\$ 16,461,765</u>
\$ 480,482	\$ 23,794,295	\$ (1,910,986)	\$ 48,829,569	\$ 419,985
(2,256)	-	(12,746)	(292,118)	(11,648)
-	-	7,171	164,118	-
-	11,391,345	3,601,103	36,972,073	2,021,288
-	-	-	-	-
(27,646)	(6,837,085)	88,067	(7,502,189)	176,994
-	1,386,220	-	1,386,220	-
-	-	(7,943)	645,357	21,984
(33,511)	1,941,731	(447,530)	2,129,136	34,088
-	-	-	-	1,812,421
4,745	-	(62,802)	439,915	(20,222)
-	127,666,094	178,582	127,865,022	-
122	799,048	21,434	23,305,081	482,913
-	-	-	(4,765,651)	-
<u>\$ 421,936</u>	<u>\$ 160,141,648</u>	<u>\$ 1,454,350</u>	<u>\$ 229,176,533</u>	<u>\$ 4,937,803</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,755,117)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 1,533,280</u>	<u>\$ -</u>	<u>\$ 1,533,280</u>	<u>\$ -</u>

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**CITY OF SANTA CLARA
FIDUCIARY FUNDS**

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, 2015

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Pooled cash and investments (Note 8)	\$ 558,874	\$ 17,376,004
Investments with fiscal agent - current (Note 8)	-	2
Receivables (net of allowance for uncollectibles):		
Interest	23,363	-
Due from City (Note 4, 5, 23A)	40,367,306	-
Cash designated for construction (Note 8)	36,115,043	-
Investments with fiscal agent - noncurrent (Note 8)	12,597,579	-
Total Assets	89,662,165	17,376,006
LIABILITIES		
Accrued liabilities	-	7,161,845
Interest payable	1,184,169	-
Due to bondholders	-	2,678,782
Due to Other Agencies	62,734	-
Due to City (Note 22D)	4,355,641	-
Due to Stadium Authority - current (Note 22D)	5,417,672	-
Due to Stadium Authority - noncurrent (Note 22D)	12,027,594	-
Long-term debt - due within one year (Note 22C)	9,229,651	-
Long-term debt - due after one year (Note 22C)	97,742,563	-
Refundable deposits	-	7,535,379
Total Liabilities	130,020,024	\$ 17,376,006
NET POSITION		
Held in trust for private purpose	(40,357,859)	
Total Net Position	\$ (40,357,859)	

CITY OF SANTA CLARA
PRIVATE PURPOSE TRUST FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2015

	Private Purpose Trust Funds
Additions	
Redevelopment property tax trust fund	\$ 9,364,638
Investment income:	
Interest	111,040
Net (decrease) in fair value of plan investments	(86,604)
Total additions	9,389,074
Deductions	
General and administrative	549,853
Interest and Fees	6,153,061
Total deductions	6,702,914
Change in net position before special item	2,686,160
Special item (Note 23A)	40,367,306
Change in net position	43,053,466
Net position held in trust for private purpose:	
Beginning of year	(83,411,325)
End of year	\$ (40,357,859)

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CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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 120,973 accounts for 6.4% of the total Santa Clara County estimated population of 1.9 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 Supplementary Information section in the Non-Major Enterprise Funds.

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 Supplementary Information section in the Non-Major Governmental Fund. The individual COPs and the related facilities are described in Note 11B.

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

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 1 – DEFINITION OF THE REPORTING ENTITY (continued)

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 Levi's Stadium. 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, 2015. 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, 2015, there were no financial activities in the Bayshore North Project Enhancement Authority.

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.

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.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

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:

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 Successor Agency Fund - This fund accounts for the activities related to the housing assets assumed by the City as Housing Successor to the Redevelopment Agency. The activities are governed by Community Redevelopment Law and must be used to provide housing for people with low and moderate incomes.

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.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

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.

Santa Clara Stadium Authority Fund - The Stadium Authority was established to provide for development and operation of Levi's 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.

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

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

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, 2015, the City implemented the following GASB Statements:

The GASB issued Statement No. 68 *"Accounting and Financial Reporting For Pension Plans-An Amendment of GASB Statement No. 27."* This statement revised and established 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. This standard was adopted for fiscal year ended June 30, 2015. Please refer to the financial statements and Note 14 for details concerning the fiscal materiality of this pronouncement.

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. This standard was adopted for fiscal year ended June 30, 2015. The adoption of this standard does not have an impact to the City's financial statements.

The GASB issued Statement No. 71 *"Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68."* The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68. This statement becomes effective for periods beginning after June 15, 2014. This standard was adopted for fiscal year ended June 30, 2015. Please refer to the financial statements and Note 14 for details concerning the fiscal materiality of this pronouncement.

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

The GASB issued Statement No. 72 *"Fair Value Measurement and Application."* The objective of this statement is to address accounting and financial reporting issues related to fair value measurements. This statement becomes effective for periods beginning after June 15, 2015. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 73 *"Accounting and Financial Reporting for Pensions and Related assets that Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68."* The objective of this statement is to address accounting and financial reporting issues related to pensions. This statement becomes effective for periods beginning after June 15, 2015. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 74 *"Financial Reporting for Postemployments Benefits Plans Other Than Pension Plans."* The objective of this statement is to address the financial reports of defined benefits OPEB plans that are administered through trusts that meet specified criteria. This statement becomes effective for

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

periods beginning after June 15, 2016. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 75 *"Accounting and Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans."* The objective of this statement is to address reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement becomes effective for periods beginning after June 15, 2017. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 76 *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments."* The objective of this statement is to modify the hierarchy of authoritative standards for accounting and reporting on governmental entities. This statement becomes effective for periods beginning after June 15, 2015. The City is currently evaluating the impact on the financial statements.

D. 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.

E. 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.

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.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

F. 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.

G. Restricted Assets

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

H. 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.

I. 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 \$5,000 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.

	Useful Lives Years	Capitalization Threshold
Buildings and improvements	20-50	\$ 20,000
Land improvements	20-50	20,000
Machinery and equipment	3-25	5,000
Infrastructure	10-50	20,000

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

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.

J. 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.

K. 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 separation from 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 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.

The accrual for compensated absences comprised the following at June 30, 2015. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$ 11,620,717	\$ 3,785,553	\$ 15,406,270
Additions	1,766,365	658,030	2,424,395
Payments	825,234	218,115	1,043,349
Ending Balance	<u>\$ 12,561,848</u>	<u>\$ 4,225,468</u>	<u>\$ 16,787,316</u>
Current Portions	<u>\$ 1,366,864</u>	<u>\$ 459,731</u>	<u>\$ 1,826,595</u>

L. 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 also maintains excess general liability with coverage up to \$45 million.

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 \$1,000 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.

M. 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.

N. Pensions

For purposes of measuring the net pension liability and deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Santa Clara, California Public Employees' Retirements systems (CalPERS) plans (Plans) and additions to and deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

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 reports 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 reports 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 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.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

S. Bond Discounts/Premiums

In governmental funds, bond discounts and premiums are recognized in the current period. Bond discounts and premium for proprietary funds and entity-wide financial statements are deferred and amortized over the term of the bonds using the straight-line method of accounting.

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, 2015, was \$28.7 billion, an increase of 6.69% compared to the previous year. The average tax rate was 1.13% per \$100 of assessed valuation.

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 OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

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.

BB. 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.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

CC. 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.

DD. 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.

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

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING (continued)

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.

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. The validity of that order was the subject of litigation in Sacramento Superior Court (Sharma vs. City of Santa Clara). Additionally, 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 (temporary restraining order (TRO)). 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. Therefore, the lease revenues received beginning on July 27, 2013, are reported in the City's General Fund accrued liabilities account.

On December 1, 2014, the Court issued a Peremptory Writ of Mandate directing the City to comply with the Controller's order of September 10, 2013 followed by a final order on May 13, 2015. The City is in the process of transferring title of the assets to the Successor Agency and the City transferred the lease revenues it was holding to the Successor Agency on July 23, 2015.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

**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 2064 for an additional ten years, basic rent will increase to \$6,281,494. For fiscal year ended June 30, 2015, Cedar Fair paid additional rent of \$576 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; however, due to the TRO, the lease revenues received after July 26, 2013, are recorded in the City’s General Fund accrued liabilities account. These revenues were subsequently transferred to the Successor Agency on July 23, 2015, per the December 1, 2014 and May 13, 2015 Superior Court Orders.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

**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 from the Theme Park ground lease prior to December 31, 2019, when the current option expires:

Fiscal Year	Amount
2016	\$ 5,300,000
2017	5,300,000
2018	5,300,000
2019	5,300,000
2020	2,650,000
Total	\$ 23,850,000

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 the City annually 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 for the year ended June 30, 2015, totaled \$134,694. Due to the TRO, the lease revenues received after July 26, 2013, are recorded in the City’s General Fund accrued liabilities account.

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

Fiscal Year	Amount
2016	\$ 134,694
2017	134,694
2018	134,694
2019	151,531
2020	151,531
Thereafter	1,571,346
Total	\$ 2,278,490

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 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

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

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 for the fiscal year ended June 30, 2015 totaled \$3.1 million. Due to the TRO, the lease revenues received after July 26, 2013, are recorded in the City’s General Fund accrued liabilities account. These revenues were subsequently transferred to the Successor Agency on July 23, 2015, per the December 1, 2014 and May 13, 2015 Superior Court Orders.

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, 2015, Lessee paid rent of \$1.2 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; however, due to the TRO, the lease revenues received after July 26, 2013, are recorded in the City’s General Fund accrued liabilities account. These revenues were subsequently transferred to the Successor Agency on July 23, 2015, per the December 1, 2014 and May 13, 2015 Superior Court Orders.

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

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 1,210,000
2017	1,210,000
2018	1,220,083
2019	1,331,000
2020	1,331,000
Thereafter	<u>60,364,204</u>
Total	<u><u>\$ 66,666,287</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,

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

and eventual operation of a high quality hotel and related facilities, 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. In 2013, Hyatt Equities, L.L.C. sold its interest to Inland American Lodging Acquisitions, Inc.; the terms and conditions of the lease agreements remain in effect. 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, 2015, Lessee paid \$1.7 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, 2015, Lessee paid \$320 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; however, due to the TRO, the lease revenues received after July 26, 2013, are recorded in the City’s General Fund accrued liabilities account. These revenues were subsequently transferred to the Successor Agency on July 23, 2015, per the December 1, 2014 and May 13, 2015 Superior Court Orders.

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

Fiscal Year	Ground Lease Amount	Ballroom Lease Amount	Total
2016	\$ 400,000	\$ 321,432	\$ 721,432
2017	400,000	321,432	721,432
2018	400,000	321,432	721,432
2019	400,000	321,432	721,432
2020	400,000	321,432	721,432
Thereafter	5,933,333	4,767,908	10,701,241
Total	<u>\$ 7,933,333</u>	<u>\$ 6,375,068</u>	<u>\$ 14,308,401</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

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

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, 2015, Lessee paid \$1.0 million in minimum and percentage rents. Lessee has agreed to pay any impositions, including but not limited to taxes and assessments levied against the parcel.

Previously, the former RDA paid all lease revenues received from this lease to the City 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, all future lease revenues received from the lease of the Hilton Hotel parcel are paid to the City’s General Fund; however, due to the TRO, the lease revenues received after July 26, 2013, are recorded in the City’s General Fund accrued liabilities account. These revenues were subsequently transferred to the Successor Agency on July 23, 2015, per the December 1, 2014 and May 13, 2015 Superior Court Orders.

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

Fiscal Year	Amount
2016	\$ 400,000
2017	400,000
2018	400,000
2019	400,000
2020	400,000
Thereafter	13,633,334
Total	<u>\$ 15,633,334</u>

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). 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

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 5 – THE IRVINE COMPANY GROUND LEASE (continued)

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. The validity of that order was the subject of litigation in Sacramento Superior Court (Sharma vs. City of Santa Clara). Additionally, 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 (temporary restraining order (TRO)). 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. Therefore, the Parcel 2 lease revenues received beginning on July 27, 2013, are recorded in the City's General Fund accrued liabilities account.

On December 1, 2014, the Court issued a Peremptory Writ of Mandate directing the City to comply with the Controller's order of September 10, 2013 followed by a final order on May 13, 2015. The City is in the process of transferring title of the assets to the Successor Agency and the City transferred the lease revenues it was holding to the Successor Agency on July 23, 2015.

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, 2015, the former RDA has appropriated \$16.3 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. 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, 2015, 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.

Due to the 2011 property conveyance agreements, all future lease revenues received from the lease of Parcel 2 are paid to the City's General Fund; however, due to the TRO, the Parcel 2 lease revenues received after July 26, 2013, are recorded in the City's General Fund accrued liabilities account. These revenues were

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 5 – THE IRVINE COMPANY GROUND LEASE (continued)

subsequently transferred to the Successor Agency on July 23, 2015, per the December 1, 2014 and May 13, 2015 Superior Court Orders.

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

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 4,031,481
2017	4,031,481
2018	4,031,481
2019	4,031,481
2020	4,031,481
Thereafter	<u>244,408,528</u>
Total	<u>\$ 264,565,933</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 specified in the leases. For the fiscal year ended June 30, 2015, Lessee paid rent of \$1.2 million for Parcel 1 and \$688 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:

<u>Fiscal Year</u>	<u>Parcel 1</u>	<u>Parcel 3</u>	<u>Total</u>
2016	\$ 2,259,022	\$ 1,089,174	\$ 3,348,196
2017	2,259,022	1,089,174	3,348,196
2018	2,259,022	1,089,174	3,348,196
2019	2,259,022	1,089,174	3,348,196
2020	2,259,022	1,089,174	3,348,196
Thereafter	<u>163,402,561</u>	<u>78,783,604</u>	<u>242,186,165</u>
Total	<u>\$ 174,697,671</u>	<u>\$ 84,229,474</u>	<u>\$ 258,927,145</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.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 5 – THE IRVINE COMPANY GROUND LEASE (continued)

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, 2015, 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 management fee identified in the Convention Center budget and approved by the City Council. In fiscal year ended June 30, 2015, the Convention Center paid the Chamber \$47 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 (\$166 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 2014-15, the City paid a total of \$299 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,

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 6 - ENTERPRISE FUND MANAGEMENT AGREEMENTS (continued)

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 (\$886 million as of March 31, 2015) and allows for the design and construction work required to construct the Stadium Project. The Stadium Authority is generally responsible for amounts due to the design-builder, except that StadCo is responsible for the payment of costs of tenant improvements.

The Restated Credit Agreement dated as of June 19, 2013 was entered into by and among Stadium Funding Trust (FinanceCo), SCSA, and Goldman Sachs Bank. Under the Restated Credit Agreement, FinanceCo is issuing private placement notes and obtaining a loan from a consortium of lenders and will loan SCSA up to \$450 million and StadCo up to \$400 million. Additionally SCSA and StadCo entered into The Restated StadCo Obligations Agreement on June 19, 2013 under which StadCo will loan up to \$500 Million to SCSA to pay costs associated with the development of Levi's Stadium.

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. The Stadium Management Agreement has an initial term of 25 years, plus a 15 year renewal option. 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.

Ground Lease

On February 28, 2012, the SCSA entered into a lease (the Ground Lease) with the City whereby the City leases the Stadium site to the SCSA. The Ground Lease was amended on June 19, 2013.

The Ground Lease has an initial term of 40 years. The first lease year will commence on the first day following the substantial completion of construction and end on the next following March 31st. The subsequent lease years will start on April 1st and end on the following March 31st. The SCSA will have five successive extension options, each four years in duration, which would commence following the initial term expiration date.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 6 - ENTERPRISE FUND MANAGEMENT AGREEMENTS (continued)

The Ground Lease provides that the City will receive a fixed ground rent (Fixed Ground Rent) of \$180 thousand for the first year of Stadium operations payable by the SCSA. Beginning in the second year of Stadium operations and annually thereafter through the tenth year of Stadium operations, the Fixed Ground Rent will increase annually by \$35 thousand. Beginning in the 11th year of Stadium operations, Fixed Ground Rent will be increased to equal \$1 million, and thereafter will be increased by \$100 thousand every five years through the end of the initial term of the Ground Lease. If the term of the Ground Lease is extended, then, during the first extension term, the Fixed Ground Rent will equal \$1.58 million; and if and to the extent the Ground Lease is further extended, the Fixed Ground Rent will be increased by \$80 thousand every four years thereafter through the expiration of the term of the Ground Lease.

The Ground Lease also provides that the City will receive a performance based rent equal to fifty percent of the net income from non-NFL events, less certain credits, payable by the SCSA. If certain of the credits are not used within the year incurred or the next five succeeding years, the credits will expire.

Stadium Lease

On March 28, 2012, the SCSA entered into a lease (the Stadium Lease) with StadCo whereby the Stadium Authority leases the Stadium to StadCo. On June 19, 2013, the same parties entered into an Amended and Restated Stadium Lease Agreement.

The Stadium Lease has an initial term of 40 years commencing on the first day following the substantial completion of construction and includes five successive options to extend the term by four years each. The Stadium Lease is divided into two seasons:

- the Tenant Season, which includes the NFL season (including preseason, regular season and postseason NFL games) and runs from August 1 through January 31; and
- the Stadium Authority Season, which runs from February 1 through July 31.

Pursuant to the Stadium Lease, the Stadium Authority and StadCo will be entitled to receive and collect separate revenues. Rent payable by StadCo to the SCSA will be \$24.5 million per year. This amount was established pursuant to the Stadium Lease in connection with the take out financing which occurred on June 19, 2013. The Stadium Lease allows for one opportunity to adjust the rent as of April 1, 2015 if operating expenses or debt service are either more or less than projected in determining the initial rent. The lease also provides for a fair market rent adjustment in year 33. No rent adjustment has been made as of June 30, 2015.

The SCSA may elect to expand the Tenant Season to consist of the entire lease year, from April 1 through the next succeeding March 31 (Stadium Authority Put Right), by delivering written notice to StadCo. The Stadium Authority Put Right may be exercised at any time during lease year 13, or at any time that the Management Company Revolving Loan balance exceeds \$20 million. The expansion of the Tenant Season will be effective as of the applicable Tenant Season Expansion Date as set forth in the Stadium Lease. Effective from and after the Tenant Season Expansion Date, and continuing through the remainder of the Stadium Lease term, the Tenant Season will consist of the entire lease year.

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,

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 7 – FAIRWAY GLEN DEVELOPMENT PROJECT AGREEMENTS (continued)

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.

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 (temporary restraining order (TRO)). 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. Therefore, the Nantucket (Parcel R-3) lease revenues received beginning on July 27, 2013, are recorded in the City's General Fund accrued liabilities account. These revenues were subsequently transferred to the Successor Agency on July 23, 2015, per the December 1, 2014 and May 13, 2015 Superior Court Orders.

In January 1996, the former RDA and a developer entered into a New Disposition and Development Agreement (New DDA). The New DDA provided for the execution and recordation of a Master Lease for Parcel R-3 between SOSA and the former RDA and for the subleasing of Parcel R-3 from the former RDA by the developer. Concurrently, SOSA and the former RDA entered into a Cooperation Agreement. Under the New DDA, the former RDA has ground subleased Parcel R-3 and the Developer has constructed thereon 252 housing units. 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 terms of Sublease, 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). In addition, the former RDA receives percentage and participation rents calculated in accordance with formulas specified in the sublease. 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 Apartments in August 2005. 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 December 31, 1996, including two ten-year option terms.

In fiscal year 2014-15, rent received from the Parcel R-3 Sublease consisted of \$210 thousand, \$248 thousand and \$0 thousand in minimum, percentage and participation rents, respectively. Due to the 2011 Assignment, all amounts received by SOSA under the foregoing agreements are paid to the City; however, due to the TRO, the lease revenues received after July 26, 2013, are recorded in the City's General Fund accrued liabilities account. These revenues were subsequently transferred to the Successor Agency on July 23, 2015, per the December 1, 2014 and May 13, 2015 Superior Court Orders.

The following schedule summarizes the future minimum lease payments to be received from the R-3 Fairway Glen development project:

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 7 – FAIRWAY GLEN DEVELOPMENT PROJECT AGREEMENTS (continued)

Fiscal Year	R-3 Nantucket
2016	\$ 209,544
2017	209,544
2018	209,544
2019	209,544
2020	209,544
Thereafter	6,600,636
Total	\$ 7,648,356

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 \$799.0 million as of June 30, 2015. This amount includes the City’s cash and cash equivalents of \$713.3 million, and cash and investments with fiscal agents of \$85.7 million.

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

Statement of Net Position	
Pooled cash and investments	\$ 644,765,996
Investments with fiscal agent - current	46,468,753
Cash restricted for construction	8,299,331
Deposits	6,157,601
Investments with fiscal agent - noncurrent	26,660,391
Fiduciary Funds	
Pooled cash and investments	17,934,878
Cash restricted for construction	36,115,043
Investments with fiscal agent - current	2
Investments with fiscal agent - noncurrent	12,597,579
Total Cash and Investment	\$ 798,999,574

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 8 – CASH AND INVESTMENTS (continued)

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	\$ 245,450,365	\$ 382,853,865	\$ 16,461,766	\$ 558,874	\$ 17,376,004	\$ 662,700,874
Investments with fiscal agent - current	-	46,468,753	-	-	2	46,468,755
Cash designated for construction	5,783,492	2,515,839	-	36,115,043	-	44,414,374
Investments with fiscal agent - noncurrent	703,643	25,956,748	-	12,597,579	-	39,257,970
Deposits	-	6,157,601	-	-	-	6,157,601
Total cash and investments	\$ 251,937,500	\$ 463,952,806	\$ 16,461,766	\$ 49,271,496	\$ 17,376,006	\$ 798,999,574

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, 2015

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

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 8 – CASH AND INVESTMENTS (continued)

the City fails to meet its obligations under these debt issues. The 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:

<u>Description</u>	<u>Invested Amount</u>	<u>Nature of Funds</u>	<u>Invested with</u>	<u>Maturity</u>	<u>Credit Rating</u>
Successor Agency Tax Allocation Bonds Series 1999	\$ 13,166,893	Bond Proceeds	Fidelity Money Market	1 day	Aaam

Note: Credit rating represents rating provided by Moody's Investors Service.

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 an investment's value will be adversely affected by a change in interest rates. In general, the longer the time to 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, 2015 was approximately 1.63 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.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk 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, 2015 for each investment type:

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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	
Cash and Investments -							
City Treasury:							
Cash	N/A	\$ 204,202,312	\$ -	\$ -	\$ -	\$ -	\$ 204,202,312
Federal Farm Credit Banks	Aaa	20,013,340	10,000,310	125,834,486	10,047,810	-	165,895,946
Federal Home Loan Banks	Aaa	5,003,135	30,008,960	25,568,605	10,000,000	-	70,580,700
Federal National Mortgage Association	Aaa	10,047,290	-	89,963,630	7,661,903	-	107,672,823
Federal Home Loan Mortgage Corporation	Aaa	7,913,568	-	47,433,070	9,989,850	-	65,336,488
Mutual fund - Fidelity	Aaam	40,230,992	-	-	-	-	40,230,992
State Investment Pool (LAIF)	Not Rated	49,749,397	-	-	-	-	49,749,397
Total Cash and Investments - City Treasury		<u>337,160,034</u>	<u>40,009,270</u>	<u>288,799,791</u>	<u>37,699,563</u>	<u>-</u>	<u>703,668,658</u>
Cash and Investments - Other:							
Federal Farm Credit Bank (Bentzien Trust)	Aaa	-	-	131,690	-	-	131,690
Federal Home Loan Bank (Bentzien Trust)	Aaa	-	-	-	252,044	143,271	395,315
Municipal Notes (Bentzien Trust)	Aaa	-	-	-	-	60,009	60,009
Municipal Notes (Bentzien Trust)	Aa	-	-	-	-	200,622	200,622
Municipal Notes (Bentzien Trust)	A	-	-	40,906	88,419	234,290	363,615
Municipal Notes (Bentzien Trust)	Not Rated	-	-	-	37,887	-	37,887
Corporate Notes (Bentzien Trust)	Aa	-	-	127,980	-	-	127,980
Corporate Notes (Bentzien Trust)	A	-	-	79,271	54,976	-	134,247
Corporate Notes (Bentzien Trust)	Baa	34,913	-	109,415	35,753	50,448	230,529
Corporate Stock (Bentzien Trust)	A & B	1,003,711	-	-	-	-	1,003,711
Corporate Stock (Bentzien Trust)	Not Rated	17,840	-	-	-	-	17,840
Mutual Fund - Dreyfus (Bond Proceeds)	Aaam	20,206,544	-	-	-	-	20,206,544
Mutual Fund - Fidelity (Bond Proceeds)	Aaam	13,166,893	-	-	-	-	13,166,893
Mutual Fund - Union Bank (Debt Fund)	Aaam	705,510	-	-	-	-	705,510
Mutual Fund - Bank of New York (Debt Fund)	Aaam	58,143,003	-	-	-	-	58,143,003
Mutual Fund - Federated Prime (Bentzien Trust)	Aaam	126,545	-	-	-	-	126,545
Mutual Fund - Federated Intercontinental (Bentzien Trust)	Not Rated	78,006	-	-	-	-	78,006
Cash (Bentzien Trust)	Not Rated	353	-	-	-	-	353
US Treasury Notes (Bentzien Trust)	Aaa	-	-	-	-	200,617	200,617
Total Cash and Investments - Other		<u>93,483,318</u>	<u>-</u>	<u>489,262</u>	<u>469,079</u>	<u>889,257</u>	<u>95,330,916</u>
Total Cash and Investments		<u>\$430,643,352</u>	<u>\$ 40,009,270</u>	<u>\$289,289,053</u>	<u>\$ 38,168,642</u>	<u>\$889,257</u>	<u>\$798,999,574</u>

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

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 8 – CASH AND INVESTMENTS (continued)

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.

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	\$ 166,027,636	N/A	20.8%
Federal Home Loan Banks	Aaa	\$ 70,976,015	N/A	8.9%
Federal Home Loan Mortgage Corporation	Aaa	\$ 65,336,488	N/A	8.2%
Federal National Mortgage Association	Aaa	\$ 107,672,823	N/A	13.5%

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 consists 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, 2015

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, 2015 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount	
General Fund	Santa Clara Convention Center	\$ 565,988	A
	Sports and Open Space Authority	65,749	B
	Non-Major Governmental	1,417,746	C
	Communication Technical Services	423,569	D
Non-Major Governmental	General Fund	10,417,547	E
	Electric Utility	549,651	F
	Water Utility	120,541	F
	Sewer Utility	98,470	F
	Cemetery	1,894	F
	Solid Waste	28,647	F
	Automotive Services	2,759	F
	Non-Major Governmental	460,000	G
Water Utility	Water Recycling Utility	550,000	H
Sports and Open Space Authority	Santa Clara Golf and Tennis Club	78,000	I
Total Interfund Transfers		<u>\$ 14,780,561</u>	

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 9 – INTERFUND TRANSACTIONS AND BALANCES (continued)

The reasons for material transfers are set forth below:

- (A) Transfer per the cooperation agreement between General Fund and Santa Clara Convention Center.
- (B) Transfer per the cooperation agreement between General Fund and SOSA to preserve the capital balance of the land proceeds.
- (C) Transfer to General Fund from capital project funds to return the unspent projects funds.
- (D) Transfer the remaining balance of the Communication Technical Service fund to General Fund.
- (E) Transfer to fund various projects in the capital funds and pay governmental debt service.
- (F) Transfer to fund General Fund, Enterprise Funds, and Automotive Services Fund's respective share of financial, human resources software, utility billing and other projects.
- (G) Transfer to fund the various projects in Street and Highways per City grant agreement.
- (H) Transfer to fund Water Recycling activities.
- (I) Transfer lease payments from American Golf, Interland, and others in accordance with lease agreements.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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, 2015.

Receivable Fund	Payable Fund	Amount
General Fund	Non-Major Governmental	\$ 165,922
	Santa Clara Stadium Authority	92,091
Non-Major Governmental	Internal Service Funds	22,529
	Receivable by Governmental Funds	\$ 280,542
Electric Utility	Internal Service Funds	\$ 1,889,167
Water Utility	Internal Service Funds	191,507
Sewer	Internal Service Funds	16,537
Non-Major Enterprise Funds	Internal Service Funds	224,407
	Receivable by Enterprise Funds	\$ 2,321,618
Internal Service Funds	Sewer	\$ 17,717
	Internal Service Funds	23,799
	Receivable by Internal Service Funds	\$ 41,516
	Total	\$ 2,643,676

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, 2015

NOTE 9 – INTERFUND TRANSACTIONS AND BALANCES (continued)

C. Long-Term Interfund Advances

At June 30, 2015, the funds below had made advances which were not expected to be repaid within the next year.

Fund Receiving Advance/Commitment	Fund Making Advance/Commitment	Amount of Advance/Commitment
Cemetery	General Fund	\$ 4,602,138
Santa Clara Golf & Tennis Club	General Fund	4,224,133
General Fund	Electric	16,437
Total		<u>\$ 8,842,708</u>

Cemetery Fund has a \$4,602,138 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 \$4,224,133 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 \$16,437 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 \$24,712 net internal balance at the Statement of Net Position is due to having different fiscal year end dates between the City and the SCSA (refer to Note 1D for more information).

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 10 - CAPITAL ASSETS

A. Capital Assets Summary

Capital Assets at June 30, 2015 are comprised of:

	Balance June 30, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
Governmental Activities					
Non Depreciable Assets:					
Land	\$111,903,009	\$1,732,800	\$ -	\$ -	\$113,635,809
Construction in progress	21,866,400	8,666,520	-	(21,725,506)	8,807,414
Total Non Depreciable Assets	133,769,409	10,399,320	-	(21,725,506)	122,443,223
Capital assets being depreciated:					
Land improvements	20,457,702	-	-	743,020	21,200,722
Buildings	194,961,415	-	-	15,283,708	210,245,123
Infrastructure	467,345,620	2,180,095	-	4,370,740	473,896,455
Machinery & equipment	67,766,910	4,397,735	(3,016,131)	1,328,038	70,476,552
Total Capital assets being depreciated	750,531,647	6,577,830	(3,016,131)	21,725,506	775,818,852
Less accumulated depreciation for:					
Land improvements	(10,367,028)	(932,698)	-	-	(11,299,726)
Buildings	(44,532,343)	(4,050,785)	-	-	(48,583,128)
Infrastructure	(222,791,516)	(12,175,682)	-	-	(234,967,198)
Machinery & equipment	(52,357,439)	(4,727,104)	2,896,623	-	(54,187,920)
Total accumulated depreciation	(330,048,326)	(21,886,269)	2,896,623	-	(349,037,972)
Net Depreciable Assets	420,483,321	(15,308,439)	(119,508)	21,725,506	426,780,880
Governmental Activity Net Capital Assets	\$554,252,730	\$ (4,909,119)	\$ (119,508)	\$ -	\$549,224,103
Business-Type Activities					
Non Depreciable Assets:					
Land	\$19,355,316	\$8,500,491	\$ (7,850)	-	\$27,847,957
Construction in progress	782,616,990	141,252,307	-	(877,783,505)	46,085,792
Total Non Depreciable Assets	801,972,306	149,752,798	(7,850)	(877,783,505)	73,933,749
Capital Assets being depreciated:					
Land Improvements	23,935,017	-	-	-	23,935,017
Buildings	91,044,482	289,382	-	847,065,801	938,399,665
Infrastructure	929,917,483	-	-	29,760,626	959,678,109
Machinery & equipment	22,715,662	659,955	(1,222,154)	957,078	23,110,541
Total Capital Assets being depreciated	1,067,612,644	949,337	(1,222,154)	877,783,505	1,945,123,332
Less accumulated depreciation for:					
Land Improvements	(19,237,225)	(796,991)	-	-	(20,034,216)
Buildings & improvements	(51,274,664)	(14,184,559)	-	-	(65,459,223)
Infrastructure	(398,352,868)	(20,532,955)	-	-	(418,885,823)
Machinery & equipment	(15,244,458)	(1,457,568)	1,219,409	-	(15,482,617)
Total accumulated depreciation	(484,109,215)	(36,972,073)	1,219,409	-	(519,861,879)
Net Depreciable Assets	583,503,429	(36,022,736)	(2,745)	877,783,505	1,425,261,453
Enterprise Activity Net Capital Assets	\$1,385,475,735	\$113,730,062	\$ (10,595)	\$ -	\$1,499,195,202

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

B. Construction in Progress Summary

Construction in Progress for governmental activities as of June 30, 2015 consisted of the following projects:

<u>Governmental Projects</u>	<u>Authorized</u>	<u>Expended</u>	<u>Future Commitments</u>
Transportation Improvements	\$ 19,254,361	\$ 6,801,275	\$ 12,453,086
City Building Improvements	2,614,778	2,006,139	608,639
Total	<u>\$21,869,139</u>	<u>\$8,807,414</u>	<u>\$13,061,725</u>

Construction in Progress for business-type activities as of June 30, 2015 consisted of the following:

<u>Enterprise Fund Projects</u>	<u>Authorized</u>	<u>Expended</u>	<u>Future Commitments</u>
Electric Projects	\$ 102,288,829	\$ 41,224,610	\$ 61,064,219
Water and Sewer Projects	27,677,244	4,853,756	22,823,488
Non-Major Enterprise Funds	7,426	7,426	-
Total	<u>\$ 129,973,499</u>	<u>\$ 46,085,792</u>	<u>\$ 83,887,707</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, 2015

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	\$ 2,239,743
City Clerk	2,427
City Attorney	761
Human Resources	2,342
Finance	120,802
Public Works	12,769,961
Parks and Recreation	1,575,252
Public Safety	
Police	1,318,035
Fire	635,335
Planning & Inspection	10,094
Library	1,190,229
	<u>19,864,981</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>2,021,288</u>
Total Governmental Activities	<u><u>\$ 21,886,269</u></u>

Business-Type Activities:

Utility Funds:	
Electric Utility	\$ 20,023,306
Water Utility	1,250,698
Sewer Utility	705,621
Solid Waste	6,450
Cemetery	19,226
Santa Clara Golf and Tennis Club	800,748
Santa Clara Convention Center	2,774,679
Santa Clara Stadium Authority	11,391,345
	<u>36,972,073</u>
Total Business-Type Activities	<u><u>\$ 36,972,073</u></u>

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 11 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS

A. Summary of Long-Term Obligations

Type of Indebtedness Rate, Issue date and Final Maturity	Authorized and Issued	Outstanding as of June 30, 2014	Additions, Transfers, and Amort. of Discounts	Debt Retired / Defeased	Outstanding as of June 30, 2015	Current Portion
Governmental Activity Debt:						
General Long-Term Debt:						
2010 City of Santa Clara Lease Agreement 3.65%, 07/13/10-07/01/22	\$ 10,207,000	\$ 7,541,000	\$ -	\$ 826,000	\$ 6,715,000	\$ 860,000
2013 Refunding Certificates of Participation 2%-3.75%, 03/28/12-02/01/32	18,540,000	17,705,000	-	750,000	16,955,000	760,000
Unamortized Premium/Discount		963,769	-	54,297	909,472	-
Subtotal Government Activity Debt	28,747,000	26,209,769	-	1,630,297	24,579,472	1,620,000
Business Type Activity Debt:						
Electric Utility:						
2008 Series B Revenue Bonds Adjustable rate, 05/29/08-07/01/27	86,600,000	75,640,000	-	3,760,000	71,880,000	3,975,000
2011 Series A Revenue Bonds 5%-6%, 03/22/11-07/01/32	54,830,000	54,830,000	-	-	54,830,000	-
2013 Series A Revenue Bonds 3%-5%, 04/24/13-07/01/28	64,380,000	64,380,000	-	2,725,000	61,655,000	3,305,000
2014 Bank of America Loan Agreement 2.67%, 06/16/14-07/01/24	31,569,031	24,435,000	6,718,136	-	31,153,136	-
Unamortized Premium/Discount		7,877,726	567,577	-	7,310,149	-
Santa Clara Stadium Authority⁽²⁾:						
StadCo Agency Advance 4.5%-5.5%, 03/28/12-07/01/17	30,249,620	21,402,817	588,778	3,957,551	18,034,044	6,006,450
Stadium Funding Trust Loan:						
Term A loan, 5%, 06/19/13-06/19/18	282,794,108	282,794,108	-	-	282,794,108	-
Term B loan, LIBOR+2%, 06/19/13-06/19/18	167,205,892	92,319,767	34,288,117	91,839,482	34,768,402	-
StadCo CFD Advance⁽¹⁾ 5.73%, 04/01/13-12/31/54	38,000,000	29,360,262	7,868,127	-	37,228,389	-
StadCo Subordinated Loan 5.5%, 03/28/14-03/31/43	233,138,533	227,489,939	-	38,759,313	188,730,626	3,376,224
Subtotal Enterprise Activity Debt	988,767,184	880,529,619	50,030,735	141,041,346	788,383,854	16,662,674
Total Long-Term Debt Obligations	\$ 1,017,514,184	\$ 906,739,388	\$ 50,030,735	\$ 142,671,643	\$ 812,963,326	\$ 18,282,674

(1) Payments are made as the Mello-Roos tax is collected and transmitted to the Community Facilities District (CFD) by the hotels in the District.

(2) Stadium Authority's long-term obligations are based on a March 31 fiscal year end. (see Note 1D)

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

B. City’s Long-term Obligations

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 COPs)

On March 28, 2013, the PFFC issued \$18.54 million to provide funds to refund outstanding 2002A COPs. The 2013 COPs mature annually beginning February 1, 2014 through February 1, 2032 and bear coupon rates ranging from 2.00% to 3.75%. Debt Service is secured by lease payments to be made by the City to the PFFC for 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 of default, as defined in the bond indentures, has occurred or is occurring.

C. Enterprise Funds

Electric Utility

Electric Revenue Refunding Bonds, Series 2008 B

On May 29, 2008, Silicon Valley Power issued \$86.6 million of Variable Rate Demand Subordinated Electric Revenue Bonds, Series 2008B (Electric 2008B Bonds) to refinance \$80.53 million of Electric 1998A Bonds on July 1, 2008. The Electric 2008B Bonds mature annually beginning July 1, 2009 through July 1, 2027. The Electric 2008B Bonds are variable-rate, multi-modal bonds that were initially issued in the weekly mode. Payment of principal and interest on the Electric 2008B Bonds was originally made from proceeds of draws on a Letter of Credit originally 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 changed from “Subordinated Electric Revenue Refunding Bonds” to “Electric Revenue Refunding Bonds” to reflect that all senior electric revenue bonds of Silicon Valley Power had been retired. On November 1, 2012, the Letter of Credit provided by Bank of America, N.A. was replaced by a Letter of Credit provided by The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Electric 2008B Bonds are in a weekly mode and debt service 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, 2015

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

Electric Revenue Refunding Bonds, Series 2011A

On March 22, 2011, Silicon Valley Power issued \$54.83 million of Electric Revenue Refunding Bonds, Series 2011A (Electric 2011A Bonds) to refinance \$49.66 million outstanding principal amount of Electric 2008A Bonds. The Electric 2011A Bonds mature annually beginning on July 1, 2028 through 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, Series 2013A

On April 24, 2013, Silicon Valley Power issued \$64.38 million of Electric Revenue Refunding Bonds, Series 2013A (Electric 2013A Bonds), to provide funds, together with other available moneys, to refinance outstanding Electric 2003A Bonds. The Electric 2013A Bonds mature annually beginning on July 1, 2014 through 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.

Bank of America Loan Agreement, Series 2014

On June 16, 2014, Silicon Valley Power (SVP) entered into a Tax-Exempt Multiple Draw Term Loan with the Bank of America Preferred Funding Corporation (the “Electric 2014 Loan Agreement”) to fund the phase-shifting transformer project and the acquisition of property for future utility use. The loan is a tax-exempt multiple draw term loan that allows SVP to draw funds as needed. The first draw occurred on June 16, 2014 for approximately \$24.4 million, which includes \$15.8 million for the Phase Shifting Transformer engineering, equipment purchase, and initial construction activities and \$8.5 million for the land purchase. The second draw occurred on April 15, 2015 for \$6.0 million to cover the construction and commissioning of the Phase Shifting Transformer. The loan terms allow the City to capitalize interest of \$1,134,031 for up to two years with the initial loan payment due July 1, 2016. The loan carries an interest rate of 2.67% and the final payment is due on July 1, 2024. Debt service on the Electric 2014 Loan Agreement is secured by a pledge of net revenues of the Electric Utility Enterprise Fund on a basis subordinate to the outstanding Electric Revenue Bonds.

Pledges of Future Electric Revenues

The pledge of future Electric Fund revenues ends upon repayment of the \$219.5 million in remaining debt service on the bonds which is scheduled to occur in fiscal year 2032-33. For fiscal year 2014-15, Electric Fund revenues, including operating revenues and non-operating interest earnings, amounted to \$332.1 million and operating costs, including operating expenses, but not interest, depreciation or amortizations, amounted to \$297.8 million. Net revenues available for debt service amounted to \$34.3 million which represents a coverage ratio of 2.30 times debt service of \$14.9 million.

Santa Clara Stadium Authority

StadCo Agency Advance

Pursuant to a series of agreements (the “RDA Funding Agreements”) entered into in 2011 among StadCo, the Stadium Authority, and the Redevelopment Agency of the City of Santa Clara (the “Agency”), the Agency agreed to contribute up to \$41.6 million toward Levi’s Stadium project costs. As of March 31, 2013, the Agency had funded \$11.4 million of this amount to the Stadium Authority, with the remaining Agency

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

commitment, totaling \$30.3 million, to be paid to the Stadium Authority by the Agency (or its successor) in future years.

Recognizing that this future funding had been pledged to the Stadium Authority, StadCo agreed to fund certain Stadium project costs, in exchange for the Stadium Authority's commitment to repay StadCo from the funds the Stadium Authority will receive from the Agency (or its successor). Accordingly, StadCo funded project costs on behalf of the Stadium Authority in the amount of \$30.3 million.

On September 23, 2013, StadCo, the Stadium Authority, the Successor Agency, and the State of California reached a settlement to StadCo's challenge of certain actions relating to the State's elimination of redevelopment agencies throughout California which included the dissolution of the Agency in 2012. In accordance with the settlement, \$30.3 million will be paid to the Stadium Authority, plus interest at an amended rate of 4.50%. This amount is to be paid in installments beginning January 2, 2014 and continuing until July 1, 2017. During the fiscal year ended March 31, 2015, the Successor Agency funded \$4.2 million of the settlement amount. Therefore, the total amount funded by the Successor Agency through March 31, 2015 is \$16.2 million. As of March 31, 2015, \$18.0 million was outstanding.

Stadium Funding Trust Loan

A Restated Credit Agreement by and among FinanceCo, the Stadium Authority and Goldman Sachs Bank was entered into on June 19, 2013. FinanceCo agreed to loan the Stadium Authority up to \$450 million. Under the Restated Credit Agreement, the loan from FinanceCo consists of the Term A Loan and the Term B Loan.

Term A Loan

The Term A Loan was made in the amount of \$282.8 million. This loan bears interest at a fixed rate of 5.00%, payable semi-annually, with annual principal payments due beginning in April 2018. The Term A Loan has a final maturity date of April 1, 2039 and is subject to certain prepayment premiums. The loan was fully drawn at closing. As of March 31, 2015, \$282.8 million was outstanding.

Term B Loan

The Term B Loan is for a maximum amount of \$167.2 million. The Term B Loan bears a variable interest rate of LIBOR plus 2% and has a final maturity date of June 19, 2018. The Term B Loan may be prepaid without penalty, and to the extent that there is a remaining balance on this loan at maturity, it is expected such remaining balance will be refinanced. The applicable interest rate on the Term B Loan varied during the fiscal year ended March 31, 2015 between 2.15% and 2.17%.

On March 31, 2015, the Stadium Authority made a principal payment of \$91.84 million leaving a remaining balance of \$34.8 million, including \$1.1 million of capitalized interest.

StadCo CFD Advance

In May of 2010, the City of Santa Clara completed the proceedings to establish a Community Facilities District (CFD) for the purpose of financing certain publicly owned facilities and public services associated with Levi's Stadium.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

On June 11, 2013, the CFD, the Stadium Authority, and StadCo entered into a Reimbursement Agreement under which the CFD would agree to reimburse the Stadium Authority for costs of certain publicly owned facilities and public services constructed for Levi's Stadium. The reimbursement can only be made from a special tax generated by the CFD, as and when received by the CFD.

StadCo has agreed to advance to the Stadium Authority funds to pay for the CFD Infrastructure (StadCo CFD Advance). To evidence the Stadium Authority's obligation to repay the StadCo CFD Advance, the Stadium Authority and StadCo also executed a note on June 11, 2013. The StadCo CFD Advance has a maximum principal of \$38 million and an interest rate of 5.73%.

As of March 31, 2015, \$37.2 million was outstanding, including \$1.3 million of capitalized interest.

StadCo Subordinated Loan

The StadCo Obligations Agreement dated as of March 28, 2012 was entered into by and among StadCo and the Stadium Authority. The StadCo Obligations Agreement provided subordinated borrowing to the Stadium Authority in an amount not to exceed \$500 million through September 1, 2015 with interest at the 90-day LIBOR rate plus the applicable margin.

A Restated StadCo Obligations Agreement dated as of June 19, 2013 was entered into by and among StadCo and the Stadium Authority to refinance the original StadCo Obligations Agreement. Under the Restated StadCo Obligations Agreement, StadCo will loan the Stadium Authority an amount not to exceed \$500 million at a fixed interest rate of 5.50%.

Mandatory principal repayments will commence one year after substantial completion of construction and the Stadium Authority may prepay the loan at any time without penalty. As of March 31, 2015, \$188.7 million was outstanding.

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, 2015

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 06/30/15	City Pays Variable Rate on Bond 06/30/15
2008 Series B	\$ 68,920	3.47%	Weekly Mode - 65% of LIBOR=0.12051%	Weekly Mode - SIFMA=0.07%

The swap is classified as a debt instrument and had a negative fair market value of \$9,166,517 as of June 30, 2015, and a deferred outflow change of \$480,761 from June 30, 2014. 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, 2015. 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. SVP's net payment on the SWAP increases as the LIBOR swap index decreases. With respect to basis risk, under the swap, the City receives 65% of the weighted average on weekly mode 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, 2015, 65% of the weighted average on weekly mode LIBOR was 0.12051% and the SIFMA rate was 0.07%.

Using rates as of June 30, 2015, 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	
2016	\$ 3,975,000	\$ 50,316	\$ 2,407,613	\$ 6,432,929
2017	4,200,000	47,534	2,274,471	6,522,005
2018	4,440,000	44,594	2,133,793	6,618,387
2019	4,685,000	41,486	1,985,075	6,711,561
2020	4,945,000	38,206	1,828,152	6,811,358
2021-2025	29,025,000	135,198	6,469,205	35,629,403
2026-2028	20,610,000	29,243	1,399,249	22,038,492
	<u>\$ 71,880,000</u>	<u>\$ 386,577</u>	<u>\$ 18,497,558</u>	<u>\$ 90,764,135</u>

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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.

SVP had the following future derivative instruments outstanding at June 30, 2015 with Bache Commodities to hedge cash flows on CAISO NP15 power purchases:

<u>Amount (MWh)</u>					<u>Fair Value</u>		<u>Change in Fair Value</u>	
Long	Short	Effective Date	Maturity Date	Average Price	Classification	Amount	Classification	Amount
52,000	-	Various	Jun-15	\$36.80	Derivative Instrument	\$ 92,560	Deferred inflow	\$ 92,560
31,200	-	Various	Jul-15	43.17	Derivative Instrument	212,888	Deferred inflow	212,888
52,000	-	Various	Aug-15	40.75	Derivative Instrument	317,200	Deferred inflow	317,200
40,000	-	Various	Sep-15	42.40	Derivative Instrument	44,000	Deferred inflow	44,000
30,400	-	Various	Jun-15	31.50	Derivative Instrument	(68,400)	Deferred outflow	(68,400)
						<u>\$598,248</u>		<u>\$598,248</u>

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

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, 2015, 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 becomes 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, 2015.

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 the swap. Under the trading agreements with Merrill Lynch, Pierce, Fenner & Smith, Inc. and Bache Commodities, the trading accounts are prefunded by SVP. If the account value falls below zero, margin calls are invoked. At June 30, 2015, SVP had posted collateral of \$4,032,508 on the interest rate swap and \$2,125,093 was deposited with Merrill Lynch, Pierce, Fenner & Smith, Inc., CAISO and Bache Commodities for wholesale trading. At June 30, 2015, 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, 2015, 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 has a negative fair market value. The cost to terminate would be the negative fair market value of the swap at the time of termination. Any such termination payment owed by the City would be payable from net revenues of the electric system subordinate to the City'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 risk.

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, 2015, 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:

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

For the Year Ending June 30	Government Activities		Business-Type Activities	
	Principal	Interest	Principal ⁽¹⁾	Interest
2016	\$ 1,620,000	\$ 878,975	\$ 7,280,000	\$ 5,628,247
2017	1,674,000	824,530	9,318,031	6,328,256
2018	1,731,000	768,221	11,416,000	6,134,411
2019	1,786,000	709,994	11,897,000	5,874,782
2020	1,859,000	641,553	12,440,000	5,586,274
2021-2025	7,030,000	2,178,107	71,068,000	23,173,059
2026-2030	5,980,000	1,034,576	58,225,000	15,774,102
2031-2033	1,990,000	99,562	38,290,000	3,218,456
	<u>\$ 23,670,000</u>	<u>\$ 7,135,518</u>	<u>\$ 219,934,031</u>	<u>\$ 71,717,587</u>

(1) The second Bank of America, Series 2014 loan draw in the amount of \$6,000,000 on April 15, 2015 and the capitalized interest of \$718,136 and \$415,894 in 2014-15 and 2015-16 are included in the principal of future debt service requirements.

Reconciliation of Long-term Obligations

Principal Outstanding as Reported in Government Activities	\$ 23,670,000
Principal Outstanding as Reported in Business Type Activities	219,518,136
Total Principal Outstanding as Reported	<u>243,188,136</u>
Principal Outstanding - Stadium Authority ⁽¹⁾	561,555,569
Unamortized Discount/Premium	8,219,621
Total Long-term Obligations	<u>\$ 812,963,326</u>

(1) The principal outstanding for Stadium Authority is as of March 31, 2015. Please refer to Santa Clara Stadium Authority Financial Statements Note 5 for details.

F. Defeasances

There is no defeased debt for the City as of June 30, 2015.

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, 2015, is \$4.04 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, 2015, the City has ten outstanding bond issues that are subject to the arbitrage rebate

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

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.

NOTE 12 - SOLID WASTE LANDFILL CLOSURE

At June 30, 2015, the balance of the Solid Waste Landfill Postclosure Obligation was as follows:

<u>Type of Indebtedness</u>	<u>Outstanding as of June 30, 2014</u>	<u>Reduction</u>	<u>Outstanding as of June 30, 2015</u>	<u>Current Portion</u>
Solid Waste				
Landfill Postclosure Obligation	\$ 1,740,622	\$ 336,313	\$ 1,404,309	\$ 831,815

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 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 and corrective action costs.

The City has pledged \$832,000 for postclosure maintenance expenses and \$705,000 for corrective action in 2015-16. These amounts are subject to annual inflation factors, as 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).

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 13 – PARTICIPATION IN JOINT VENTURES (continued)

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

	<u>Date of latest audited financial statement</u>	<u>Participant's address</u>
NCPA	6/30/2014	651 Commerce Dr. Roseville, CA 95678
TANC	6/30/2014	P.O. Box 15129 Sacramento, CA 95851
SJSC	6/30/2014	200 E. Santa Clara St. San Jose, CA 95113
MSR EA	12/31/2014	P.O. Box 4060 Modesto, CA 95352
MSR PPA	12/31/2014	P.O. Box 4060 Modesto, CA 95352
SVACA	6/30/2014	3370 Thomas Road Santa Clara, CA 95051

The City's basic financial statements reflect the following investments in joint ventures as of June 30, 2014 (latest information available):

	<u>Participating percentage</u>	<u>Investment</u>	<u>Method of accounting</u>
NCPA			
Geothermal	44.39%		
Hydroelectric	37.02%		
Combustion Turbine	41.67%	\$32,060,147	Equity
Lodi Energy Center	25.75%		
TANC	21.02%	2,521,616	Equity
SJSC ⁽¹⁾	17.40%	91,303,568	Equity
MSR EA	33.40%	-	Suspended
MSR PPA	35.00%	-	Suspended
SVACA	53.95%	4,750,343	Equity
Total		<u>\$130,635,674</u>	

⁽¹⁾ The investment in San Jose/Santa Clara Regional Wastewater Facility includes the current year contribution.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 13 – PARTICIPATION IN JOINT VENTURES (continued)

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 as of June 30, 2014, the City was contingently liable for long-term debt as follows (in thousands):

	Total Debt	Participating Share	Contingent Liability
NCPA	\$ 889,672	32.26%	\$ 286,973
TANC	314,195	21.02%	66,049
SJSC	57,645	17.40%	10,030
MSR PPA	263,895	35.00%	92,363
MSR EA	901,620	55.48%	500,200
Total	<u>\$ 2,427,027</u>		<u>\$ 955,615</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, 2014 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%	37.0200%
NCPA - Lodi Energy Center (NLEC) ⁽¹⁾	June-2040	25.7500%	29.9159%
TANC - CA-OR Transmission Project (COTP)	May-2024	20.4745%	21.0217%
MSR PPA - San Juan Plant	July-2022	35.0000%	35.0000%

⁽¹⁾ The SVP's debt service share in NLEC on issue one is 29.9159%, on issue two is 0%.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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, 2014 is as follows (latest information available):

Fiscal Year	NGP	NHP	NLEC	COTP	MSR PPA	Total
2015	\$ 2,263,406	\$ 14,575,614	\$ 7,713,818	\$ 8,888,585	\$ 14,243,600	\$ 47,685,023
2016	2,267,016	14,582,142	7,715,155	8,960,672	13,389,600	46,914,585
2017	2,267,879	14,600,914	7,715,876	8,167,346	13,038,900	45,790,915
2018	2,268,241	14,300,656	7,715,539	8,166,685	12,902,400	45,353,521
2019	2,270,099	14,302,720	7,714,299	8,166,204	12,687,500	45,140,822
2020-2024	10,725,654	71,758,482	38,574,715	39,044,070	47,050,500	207,153,421
2025-2029	1,625,891	46,585,821	38,598,712	-	-	86,810,424
2030-2034	-	33,017,819	38,621,287	-	-	71,639,106
2035-2039	-	-	38,615,696	-	-	38,615,696
2040-2041	-	-	14,804,749	-	-	14,804,749
Total	<u>\$ 23,688,186</u>	<u>\$ 223,724,168</u>	<u>\$ 207,789,846</u>	<u>\$ 81,393,562</u>	<u>\$ 113,312,500</u>	<u>\$ 649,908,262</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, 2015

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), 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 Lodi Energy Center, a 280 MW combined cycle natural gas fired power plant, located in Lodi, California. The project received approval from the California Energy Commission in April 2010 and was placed into operation in November 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 340-mile long, 500-kilovolt alternating current transmission project between Southern Oregon and Central California. As Project Manager, TANC is responsible for the overall direction and coordination of all Project operations and maintenance, additions and betterments, and for general and administrative support.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 13 – PARTICIPATION IN JOINT VENTURES (continued)

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, 2014, the most recent data available, TANC's investment in the Project was \$508.9 million, less accumulated depreciation and amortization of \$226.6 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.

Santa Clara has historically been obligated to pay 20.47% of TANC's COTP operating and maintenance expenses and 20.70% of TANC's COTP debt service and 22.16% of the Vernon acquisition debt. Santa Clara has also been entitled to 20.4745% of TANC's share of COTP transfer capability (approximately 278 MW net of third party layoffs of TANC) on an unconditional take-or-pay basis. Starting on July 1, 2014 Santa Clara laid-off 147 MWs of this entitlement to other TANC members under a 25 year agreement. During the term of this agreement the parties taking on the entitlement will pay all associated debt service, operations and maintenance costs, and all administrative and general costs. Santa Clara's portion of the operating and maintenance expenses and the COTP debt service is 10.003 %.

E. San Jose/Santa Clara Regional Wastewater Facility and Clean Water Financing Authority (SJSC)

The City and the City of San Jose jointly own the San Jose/Santa Clara Regional Wastewater Facility. The Regional Wastewater Facility 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 Regional Wastewater Facility. The San Jose/Santa Clara Clean Water Financing Authority (Authority) was created in 1981 to provide financing for capital improvements to the Regional Wastewater Facility.

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, 2015, the City's portion of the plant capacity was approximately 17.4%, 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

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 13 – PARTICIPATION IN JOINT VENTURES (continued)

based on the amount of organic waste processed at the facility. Over the 30-year life of the lease, the estimate payment is a minimum of \$16.5 million. The incoming revenue will be distributed between the City of Santa Clara, City of 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. SBWRP is currently developing a master plan to guide the continued operation and potential expansion of the SBWRP in the absence of the previous regulatory drivers. The master plan was completed in December of 2014 and accepted by the City of San Jose and the Santa Clara Valley Water District during fiscal year 2014-15.

Under the previously 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 current master plan recognizes that primary drivers for the continued operation and expansion of the recycled water system are based in the need for water supply, rather than wastewater discharge reduction.

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 year 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
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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 the 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, 2014, the date of the latest available audited financial statements, the City's unrecognized share of member's deficit of MSR PPA was \$24.6 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, 2014, 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%.

M-S-R PPA San Juan

M-S-R PPA has negotiated with the other joint owners of San Juan Unit 4 and has developed a scenario wherein M-S-R PPA may divest itself of its Ownership Interest at or around the end of 2017. The proposed fleet of agreements required to implement the terms of the restructuring have been filed at the New Mexico PRC. On July 22, 2015, through Resolution 2015-02, the M-S-R PPA approved the San Juan Restructuring Agreements, made a determination that these agreements were exempt from CEQA review, approved the Restructuring Agreements and accepted the Consultant's Report finding that entering the Restructuring Agreements does not impair the ability of the Agency to comply with the Indenture.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 13 – PARTICIPATION IN JOINT VENTURES (continued)

M-S-R PPA Southwest Transmission Project

M-S-R PPA has also developed and issued a Request for Proposals for the Southwest Transmission Project. It received proposals from four qualified entities for purchase of the SWTP and concluded the proposal made by LADWP to acquire M-S-R PPA's interests in the SWTP through SCPPA for a sum of \$60 million offered the greatest potential value to the Agency and its Members. LADWP proposed that the transaction be structured so that SCPPA will purchase the SWTP and LADWP, as the sole SCPPA participant in such project enter into a long-term Transmission Services Agreement to secure SCPPA's financing. LADWP's commitments will provide the security for Revenue Bonds to be sold by SCPPA to finance their purchase of the SWTP. The Closing of the sale under the PSA will be contingent on the execution of the TSA and the sale of the Bonds by SCPPA and is expected to occur sometime between December 2015 and the fourth quarter of 2015-16.

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%.

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 natural gas resources for the benefit of the members. The personnel of its members and contract professional staff perform the administrative and management functions of MSR EA. 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, 2014, the date of the latest available audited financial statements, the City's unrecognized share of member's deficit of MSR EA was \$44.3 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, 2013, 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 December 31, 2014, 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

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 13 – PARTICIPATION IN JOINT VENTURES (continued)

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 four member cities.

During the fiscal year ended June 30, 2015, the City of Santa Clara contributed \$864,231 to SVACA. The City's equity interest in SVACA was \$4,750,343 at June 30, 2014 (the most recent audited information available). Audited financial statements are available from SVACA, located at 3370 Thomas Road, Santa Clara, CA 95051.

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 defined benefit pension plans for Miscellaneous and Safety employees 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. Employees fall under two categories, Classic and PEPRA. Employees hired on or before December 31, 2012 are considered Classic PERS members. Employees hired on or after January 1, 2013 fall into the PEPRA PERS members.

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.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 14 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)

Benefits for employees in the Miscellaneous Plan and Safety Plan vest after five years of CalPERS credited service. The retirement benefits are based on the retiree's age, years of CalPERS credited service, and benefit factor of 2.7% at 55 for the Classic Miscellaneous Plan members and 3% at 50 for the Classic 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 PEPRA 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. PEPRA members have an annual compensation limit on reportable earnings. The compensation limit for calendar year 2015 is \$117,020 for employees covered by Social Security and is adjusted annually with the CPI for all Urban Consumers.

Safety Plan

Participants in this plan are eligible for service retirement 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 Classic 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 Classic 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. PEPRA members have an annual compensation limit on reportable earnings. The compensation limit for calendar year 2015 is \$140,424 for employees not covered by Social Security and is adjusted annually with the CPI for all Urban Consumers.

The Plans provisions and benefits in effect at June 30, 2015 are summarized as follows:

CITY OF SANTA CLARA
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NOTE 14 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)

	Miscellaneous		Safety	
	Prior to January 1, 2013	On or After January 1, 2013	Prior to January 1, 2013	On or After January 1, 2013
Hire date				
Benefit formula	2.7% @ 55	2.0% @ 62	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50	50	50	50 - 57
Monthly benefits, as a % of eligible compensation	2.70%	2.00%	3.00%	2.70%
Required employee contribution rates	8.00%	6.25%		
Public Safety - Fire			9.00%	12.00%
Public Safety - Police			11.25%	12.00%
Required employer contribution rates	25.22%	25.22%	35.34%	35.34%

Employees Covered

At June 30, 2015, the following employees were covered by the benefits terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	819	428
Inactive employees entitled to but not yet receiving benefits	391	51
Active employees	596	259
Total	1,806	738

C. Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

D. Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plans' fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 14 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)

annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

	All Plans
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2%
Investment Rate of Return ⁽¹⁾	7.50%
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power applies, 2.75% thereafter
Mortality	Derived using CalPERS membership data for all funds ⁽²⁾

⁽¹⁾ Net of pension plan investment and administrative expenses, including inflation

⁽²⁾ The mortality table used was developed based on CalPER's specific data. The table includes 20 years of mortality improvement using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

The underlying mortality assumptions and all other actual assumption used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the prior 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website under Actual Assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.5% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.5% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.5% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 ⁽¹⁾</u>	<u>Real Return Years 11+ ⁽²⁾</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	<u>100.00%</u>		

⁽¹⁾ An expected inflation of 2.5% used for this period.

⁽²⁾ An expected inflation of 3.0% used for this period.

E. Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2013	\$ 582,670,916	\$ 356,792,891	\$ 225,878,025
Changes in the year:			
Service cost	10,345,749	-	10,345,749
Interest on the total pension liability	42,969,016	-	42,969,016
Contribution - employer	-	14,887,751	(14,887,751)
Contribution - employees	-	5,439,513	(5,439,513)
Net investment income	-	61,358,126	(61,358,126)
Benefit payments, including refunds of employee contributions	(29,847,146)	(29,847,146)	-
Net changes	23,467,619	51,838,244	(28,370,625)
Balance at June 30, 2014	\$ 606,138,535	\$ 408,631,135	\$ 197,507,400

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2013	\$ 617,227,134	\$ 409,641,308	\$ 207,585,826
Changes in the year:			
Service cost	10,748,085	-	10,748,085
Interest on the total pension liability	45,454,864	-	45,454,864
Contribution - employer	-	12,839,821	(12,839,821)
Contribution - employees	-	4,866,079	(4,866,079)
Net investment income	-	70,347,760	(70,347,760)
Benefit payments, including refunds of employee contributions	(33,072,631)	(33,072,631)	-
Net changes	23,130,318	54,981,029	(31,850,711)
Balance at June 30, 2014	\$ 640,357,452	\$ 464,622,337	\$ 175,735,115
Combined Total	\$1,246,495,987	\$ 873,253,472	\$ 373,242,515

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

	Miscellaneous	Safety
1% Decrease	6.50%	6.50%
Net Pension Liability	\$ 271,308,834	\$ 257,931,627
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$ 197,507,400	\$ 175,735,115
1% Increase	8.50%	8.50%
Net Pension Liability	\$ 135,647,296	\$ 107,818,665

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

F. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$14,647,918 for the Miscellaneous Plan and \$13,178,354 for the Safety Plan. At June 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	\$ 15,257,771	\$ -
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	(28,130,792)
Total	\$ 15,257,771	\$ (28,130,792)

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	\$ 14,776,850	\$ -
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	(32,189,244)
Total	<u>\$ 14,776,850</u>	<u>\$ (32,189,244)</u>
Combined Total	<u>\$ 30,034,621</u>	<u>\$ (60,320,036)</u>

The reported \$15,257,771 for the Miscellaneous Plan and \$14,776,850 for the Safety Plan deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Measurement Period Ended June 30	Miscellaneous Plan	Safety Plan
	Deferred Inflows of Resources	Deferred Inflows of Resources
2015	\$ (7,032,698)	\$ (8,047,311)
2016	(7,032,698)	(8,047,311)
2017	(7,032,698)	(8,047,311)
2018	(7,032,698)	(8,047,311)

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

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

salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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 \$3,804 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, 2014, the most recent valuation available, the actuarially required ARC for fiscal year 2014-15 was \$2.77 million.

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 2015 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, 2013	\$ 2,445,000	100%	\$ -
June 30, 2014	\$ 2,682,000	100%	\$ -
June 30, 2015	\$ 2,769,000	100%	\$ -

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 17 – OTHER POST EMPLOYMENT BENEFITS (continued)

C. Plan Funded Status Information

As of June 30, 2014, the latest valuation date, the funded status of the plan, was as follows:

Actuarial accrued liability (AAL)	\$	40,099,000
Actuarial value of plan assets	\$	<u>11,539,000</u>
Unfunded actuarial accrued liability(UAAL)	\$	<u>28,560,000</u>
Funded ratio (actuarial value of plan assets/AAL)		28.8%
Covered payroll (active plan members)	\$	92,907,000
UAAL as a percentage of covered payroll		30.7%

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.

In the June 30, 2014 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 2014 and a 8% increase for HMO and PPO non-Medicare plans. Future years were reduced by decrements of approximately 0.50% per year to an ultimate rate of 5.0% for HMO and PPO plans by year 2020. For Medicare plans, 8.3% increase for HMO and PPO plans trends were utilized. Future years were reduced by decrements of approximately .56% 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.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 17 – OTHER POST EMPLOYMENT BENEFITS (continued)

- 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, 2016, 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 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.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

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 Rate Stabilization Fund (previously called Cost Reduction Fund) 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 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 \$32.6 million and \$27.3 million, respectively, for the fiscal year ended June 30, 2015 have been separately reported on the statement of revenues, expenses and changes in 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, and 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.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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

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, evaluating potential counterparties' financial condition and assigning 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 WSPP 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 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.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 19 – NET POSITION/FUND EQUITY (continued)

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 are 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.

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, the interest earned on the non-spendable Land Sale fund balance, and other undesignated fund balances. The balances in these accounts are \$48 million, \$12 million, \$1 million, \$10 million respectively, and offset by \$12 million due to the RDA dissolution. 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, 2015

NOTE 19 – NET POSITION/FUND EQUITY (continued)

Fund Balance Classification

	Major Funds			Fund Balance June 30, 2015
	General Fund	Housing Authority	Non-Major Governmental Funds	
Nonspendable:				
Receivables, inventory & prepaid	\$ 40,469	\$ -	\$ -	\$ 40,469
Employee Computer Program	24,886	-	-	24,886
Receivables from Successor	4,355,641	-	-	4,355,641
Advances to other Funds	8,826,271	-	-	8,826,271
Total Nonspendable	13,247,267	-	-	13,247,267
Restricted For:				
Gas tax programs	-	-	17,084,895	17,084,895
Housing & Community	-	21,853,428	777,310	22,630,738
Maintenance districts	-	-	502,057	502,057
Operating grants	-	-	695,756	695,756
Debt service	-	-	1,469,033	1,469,033
Environmental enforcements	99,582	-	-	99,582
Parks & recreation	-	-	3,456,823	3,456,823
Streets and highway	-	-	17,622,175	17,622,175
Public safety	1,004,745	-	24,347	1,029,092
Library	418,190	-	-	418,190
Public facilities	-	-	12,307,798	12,307,798
Special assessments	-	-	1,054,021	1,054,021
Donations	323,401	-	-	323,401
Building inspection	7,700,287	-	-	7,700,287
Construction	-	-	-	-
Total Restricted	9,546,205	21,853,428	54,994,215	86,393,848
Committed to:				
Gas tax programs	-	-	135,246	135,246
Housing programs	-	4,725,447	9,411,585	14,137,032
Parks & recreation	-	-	2,628,218	2,628,218
Storm drain	-	-	2,095,033	2,095,033
Public safety	-	-	164,673	164,673
Library	-	-	524,893	524,893
Public facilities	-	-	-	-
Streets beautification	-	-	552,240	552,240
Special events	-	-	-	-
Land Investment	54,965,475	-	-	54,965,475
Employee computer loan	75,114	-	-	75,114
Historical preservation	80,805	-	-	80,805
Total Committed	55,121,394	4,725,447	15,511,888	75,358,729
Assigned to:				
General Government	3,725,480	-	-	3,725,480
Community activities	2,994,642	-	-	2,994,642
Other purposes	40,406	-	-	40,406
Total Assigned	6,760,528	-	-	6,760,528
Unassigned:	58,945,998	-	-	58,945,998
Total Unassigned	58,945,998	-	-	58,945,998
Total Fund Balances	\$ 143,621,392	\$ 26,578,875	\$ 70,506,103	\$ 240,706,370

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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, 2015, the Working Capital and Capital Projects Reserves were \$48 million and \$12 million, respectively.

In 1985-86, the City Council established a policy regarding the City's General Contingency Reserve, under which two separate reserves were established.

- The Working Capital Reserve is set aside primarily for weathering economic downturns, emergency financial crisis, or disaster situations. The reserve target is equal to the cost of the City’s General Fund operations for three months (90-days or 25% working capital reserve).
- The Capital Projects Reserve, earmarks funds for a five-year capital improvement program. The minimum target for this reserve is \$5 million.

One of the strategic objectives on the 2015-17 Council Goals and Strategic Objectives list is to continue to replenish City reserves and maintain strong, fiscally-sound management policies of City revenues with long term goals in mind.

D. Net Position/Fund Balance Deficits

The funds listed below had an accumulated deficit as of June 30, 2015:

Fund Name	Accumulated Deficit
Enterprise Funds:	
Cemetery	\$ 2,415,161
Santa Clara Golf and Tennis Club	\$ 114,621
Internal Service Funds:	
Workers’ Compensation Insurance Claims	\$ 19,586,837

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.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 19 – NET POSITION/FUND EQUITY (continued)

E. Prior Period Adjustments

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2015.

GASB Statement No. 68 - In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions --an amendment of GASB Statement No. 27. The intension of this Statement is to improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

GASB Statement No. 71 - In 2014, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date --an amendment of GASB Statement No. 68. The intension of this Statement is to eliminate the source of a potential significant understatement of adjusted beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

The implementation of the above Statements required the City to make prior period adjustments. As a result, the beginning net positions of the Governmental Activities, Business-Type Activities, and Internal Service Fund were reduced by \$300,642,024, \$101,064,341, and \$4,029,914 respectively. See Note 14 for additional information.

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, 2015 resulted from the following:

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 20 – RISK MANAGEMENT (continued)

	<u>Special Liability</u>	<u>Workers' Compensation</u>	<u>Total</u>
Liability as of June 30, 2013	\$ 1,580,084	\$ 21,501,765	\$ 23,081,849
Claims and changes in estimates during fiscal 2014	2,399,913	2,818,177	5,218,090
Claim payments	<u>(2,083,572)</u>	<u>(3,110,054)</u>	<u>(5,193,626)</u>
Liability as of June 30, 2014	\$ 1,896,425	\$ 21,209,888	\$ 23,106,313
Claims and changes in estimates during fiscal 2015	3,863,347	4,909,421	8,772,768
Claim payments	<u>(4,033,189)</u>	<u>(2,918,458)</u>	<u>(6,951,647)</u>
Liability as of June 30, 2015	<u>\$ 1,726,583</u>	<u>\$ 23,200,851</u>	<u>\$ 24,927,434</u>
Current Claims Payable	\$ 984,152	\$ 3,480,128	\$ 4,464,280
Long Term Claims Payable	<u>742,431</u>	<u>19,720,723</u>	<u>20,463,154</u>
Liability as of June 30, 2015	<u>\$ 1,726,583</u>	<u>\$ 23,200,851</u>	<u>\$ 24,927,434</u>

With respect to the Special Liability accrual of \$1.7 million, the City has numerous unsettled lawsuits filed or claims asserted against it as of June 30, 2015. 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 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, 2015, are approximately \$1.7 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. 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.

B. 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.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 21 – COMMITMENTS AND CONTINGENCIES (continued)

C. 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, rather, as restricted or committed governmental fund balance. As of June 30, 2014, total governmental fund encumbrance balances for the City are as follows:

General Fund	\$	3,725,480
Nonmajor Governmental Funds		<u>9,355,492</u>
Total Governmental Funds	\$	<u><u>13,080,972</u></u>

D. Bay Area Water Supply and Conservation Agency Revenue Bonds Surcharge

The City contracts with the City and County of San Francisco for the purchase of water from the Hetch Hetchy System operated by the San Francisco Public Utilities Commission (SFPUC). The City is also a member of the Bay Area Water Supply and Conservation Agency (BAWSCA) which represents the interests of all the 24 cities and water districts, as well as two private utilities, that purchase wholesale water from the SFPUC.

In 2009 the City entered into a new 25 year agreement with the SFPUC. One of the ways that the new agreement differs from the old is in how facilities constructed by the SFPUC that benefit the regional customers are treated from a rate and financial perspective. Under the old agreement, facilities were built, capitalized, and added to the rate base with a rate of return (interest), and then paid for over their useful lives through wholesale rates. Under the new agreement, the SFPUC issues revenue bonds and the debt service (which also includes an interest component) is paid for through rates over the life of the bonds.

During the transition from the old to the new contracts, one of the issues addressed was how to deal with the \$370 million in assets that were still being paid for by the wholesale customers under the old agreement. The assets were transferred to the new agreement, assigned a life with an agreed upon rate of return of 5.13%. Also negotiated was a provision to allow the wholesale customers to prepay any remaining existing assets' unpaid principal balance without penalty or premium. This prepayment was executed through the issuance of bonds by BAWSCA which provide a better interest rate given the favorable rate environment.

BAWSCA issued Revenue Bonds in the principal amount of \$335,780,000 in January 2013 to prepay the capital cost recovery payment obligation and fund a stabilization fund. The Bonds mature in October 2034 and are secured by surcharges to the monthly water purchase charges imposed upon the participating members. The Bonds are not a debt obligation of any member, and BAWSCA's failure to pay its Bonds would not constitute a default by any participating member.

Should any participating member fail to pay its share, BAWSCA will rely on the stabilization fund and will pursue all legal remedies to collect the shortfall from the delinquent member. In the interim, other participating members may have their portion adjusted to insure the continued payment of the debt service surcharge.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 21 – COMMITMENTS AND CONTINGENCIES (continued)

The risk of bearing the debt service expense of a defaulting member is not significantly different than the risk each member assumes currently for fluctuations in water purchase charges. Under the Bond indenture, BAWSCA maintains a stabilization fund. If surcharge revenues collected are less than needed (due to a member's failure to pay timely), BAWSCA uses the stabilization fund to fund the debt service deficiency, and increases the surcharge in the subsequent year to make up for the prior year shortfall and reimburse the stabilization fund account. Also, given that each participating agency's governing body adopted a Resolution to participate in the Bond issue, Management believes that default is generally very unlikely.

The annual debt service surcharges are a fixed amount for each participant and are calculated by taking the subsequent fiscal year's debt service, multiplied by each participant's actual water purchase as a percent of total wholesale customer water purchases from the prior fiscal year. One-twelfth of the annual surcharge is included in the monthly bill from SFPUC. Because each participant's share of the debt service surcharge is proportional to the amount of water purchased during the prior fiscal year, the City's share of the debt service will fluctuate from year to year.

The City paid its surcharge of \$322,689 during fiscal year 2014, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2015 is estimated to be \$363,048.

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, 2015

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 Note 22E).

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 is described in Note 22C.

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.

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

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 22 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

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, 2015.

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. 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. 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, which the DOF revised on November 14, 2013, and then on December 17, 2013, the DOF issued its final determination letter. The original meet and confer session between the Successor Agency and DOF was held on April 3, 2013. The DOF has determined that the total amount of unencumbered funds available for distribution to the taxing entities was \$45.5 million. The DOF, the City and the Successor Agency entered into an Installment Payment Plan Agreement on October 30, 2013, providing for the payment by the City and the Successor Agency of \$45.5 million to be distributed to the taxing entities. As an initial payment, the Successor Agency paid to the County Auditor-Controller \$37.9 million. As a term of the Installment Payment Plan Agreement, the City has agreed to forego its share of the funds distributed to the taxing entities, which amount is then credited toward the outstanding balance. As of June 30, 2015, the City and Successor Agency have fully satisfied the payment agreement.

C. Long-Term 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

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 22 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

California on June 28, 2011. The table below shows \$107 million in outstanding debt assumed by the Successor Agency Trust Fund as of June 30, 2015.

The debt services transactions from July 1, 2014 through June 30, 2015 for the Successor Agency are also shown in the table below:

Type of Indebtedness	Authorized and Issued	Outstanding as of June 30,2014	Debt Retired	Outstanding as of June 30,2015	Current Portion	Principal & Interest
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	\$ -	\$ 1,708,863
1999-B Tax Allocation Bonds						
Bayshore North Project						
5.25%-5.5%, maturing through 2017	16,905,000	10,240,000	3,915,000	6,325,000	4,005,000	4,468,300
2003 Tax Allocation Bonds						
Bayshore North Project						
5.0%, maturing through 2023	43,960,000	43,960,000	3,805,000	40,155,000	4,115,000	6,003,000
2011 Tax Allocation Bonds						
Bayshore North Project						
4.35%-7.86%, maturing through 2026	31,411,295	30,263,984	1,199,716	29,064,268	1,109,651	2,100,612
Less Unamortized Discount	-	(133,235)	(11,181)	(122,054)	-	-
Total Debt:	<u>\$123,826,295</u>	<u>\$ 115,880,749</u>	<u>\$8,908,535</u>	<u>\$ 106,972,214</u>	<u>\$9,229,651</u>	<u>\$14,280,775</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

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 22 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

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 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 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 made 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. To the extent other funds are available, such as lease revenues or land sale proceeds, those funds would be used first before RPTTF.

Future Debt Service Requirements

<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	9,229,651	5,030,442
2017	10,186,845	4,927,230
2018	10,386,067	4,550,421
2019	10,623,504	4,132,821
2020	10,903,962	3,668,625
2021-2025	44,055,508	24,999,555
2026	11,708,731	1,511,881
Less: Unamortized Bond Discount	(122,054)	-
Total	<u>\$ 106,972,214</u>	<u>\$ 48,820,975</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

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 22 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

obligations payable by the Successor Agency Trust Fund under the requirement of the Dissolution Legislation. Two reported Court of Appeals decisions (Emeryville vs. Cohen and Sonoma County vs. Cohen) have upheld the validity of similar agreements under the Dissolution Law.

AB 1484 allows the following notes to be reentered into with the approval of the Oversight Board.

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 \$2.40 million on June 30, 2015.

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 \$1.96 million as of June 30, 2015.

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, 2015.

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

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 22 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

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.

As of June 30, 2015 the current principal due is \$5,417,672 and the non-current portion due is \$12,027,594.

On September 23, 2013, the Oversight Board approved a schedule of payments related to the First Amendment to the Stadium Agreements 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
Contribution to Stadium Authority	<u>\$ 30,249,620</u>	<u>\$ 5,004,365</u>	<u>\$ 35,253,985</u>

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) 14-15B

The Successor Agency submitted the ROPS for the period of January 1, 2015 to June 30, 2015 to DOF for review on September 19, 2014. On November 17, 2014, the Department of Finance made a final determination of the amount of RPTTF to be distributed to the Successor Agency for the period of January 1, 2015 through June 30, 2015. The County distributed the RPTTF to the Successor Agency on January 2, 2015 in the amount of \$9.3 million.

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

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 22 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

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.

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 OFA DDR is also the subject of the Successor Agency's cross-petition and cross-complaint referred to below.

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 Asset Transfer Review is currently the subject of litigation. 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 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 Controller's order is subject to the Successor Agency's cross-complaint and cross-petition discussed below.

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 and seeks to enforce the DOF's order on the OFA DDR and the Controller's Order regarding the Asset Transfer Review. The County moved for a preliminary injunction to prohibit the City, the Housing Authority and the

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 22 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

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 County's petition was held on October 31, 2014. The judge issued a ruling on behalf of the County determining that the assets needed to be returned to the Successor Agency to be disposed of in accordance with the Dissolution Laws. Subsequent to the judge's ruling, a Writ of Mandate was issued ordering the City, SOSA, the Housing Authority and the Stadium Authority to comply with the DOF determination on the OFA DDR and the State Controller's Order on the Asset Transfer Review. The City parties submitted a return on the writ setting out the reasons why it couldn't comply with some portions of the writ, but in compliance with the writ, the City returned to the Successor Agency \$23M in rent revenues received from the properties transferred to the City as well as additional funds received by the City during the OFA and DDR period (January 1, 2011-June 30, 2012). The City is in the process of returning certain properties to the Successor Agency.

The City, the Successor Agency and SOSA have filed a cross-petition and complaint requesting a writ of mandate to overturn certain decisions of the DOF, the County and the State Controller's Office related to the Other Funds Due Diligence Review and the State Controller's Asset Transfer Review. A hearing was held on the cross-petition in the above case on April 24, 2015. The Judge issued a ruling denying the cross-petition. A hearing was scheduled for October 16, 2015 to hear the remaining issues in the case but has been postponed. Until the remaining issues are heard, or a settlement has been reached, no judgment will be entered in the case. Given the unique issues presented by the County petition and the City's cross petition as well as the fact that no appellate court has interpreted the application of the Dissolution Laws to facts presented in the litigation, it is impossible to predict a potential outcome.

Information related to the former RDA dissolution can be found on City of Santa Clara website at: <http://santaclaraca.gov/>.

NOTE 23 – SPECIAL ITEMS AND SUBSEQUENT EVENTS

A. Summary of Special Items

The special items resulting from dissolution of the former Redevelopment Agency (RDA) are included in the City's GAAP basis financial statements. A full description of the RDA OFA DDR and RDA Housing DDR is in Note 22B and 22E.

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 23 – SPECIAL ITEMS AND SUBSEQUENT EVENTS (continued)

A summary of the City’s special items at June 30, 2015 are as follows:

	General Fund	Private Purpose Trust Fund
Special items:		
RDA OFA DDR	\$ (10,111,731)	\$ 40,367,306
RDA Housing DDR	923,236	-
Other	(35,583)	-
Total Special items	\$ (9,224,078)	\$ 40,367,306

B. Subsequent Events

On October 27, 2015, the Successor Agency for the Redevelopment Agency of the City of Santa Clara (the “Successor Agency”) prepaid the remaining principal amount of \$37,875,000 with respect to outstanding Redevelopment Agency of the City of Santa Clara Bayshore North Redevelopment Project Tax Allocation Bonds, Series 1999A and Series 1999B (the “Bonds”). On December 1, 2015, the Fiscal Agent for the Bonds will redeem all outstanding Bonds and pay accrued interest. These bonds will be fully redeemed and will no longer be outstanding.

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Required Supplementary Information

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CITY OF SANTA CLARA REQUIRED SUPPLEMENTARY INFORMATION

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 and note disclosures.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Discloses the pension liability information including:

- The beginning and ending balances of the total pension liability, the plan assets available for pension benefits (called plan net position), and the net pension liability, as well as the change in those amounts during the year presented by cause (similar to the note disclosure)
- Total pension liability, plan net position, net pension liability, a ratio of plan net position divided by the total pension liability, the payroll amount for current employees in the plan (covered-employee payroll), and a ratio of the net pension liability divided by covered-employee payroll

SCHEDULE OF CONTRIBUTIONS

Contains the data of the employer's actuarially determined contribution to the pension plan, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered-employee payroll.

SCHEDULE OF FUNDING PROGRESS- OTHER POST RETIREMENT BENEFIT PLAN

Contains information reporting the actuarial value of assets the actuarial accrued liability and the relationship between the two over time.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- BUDGET AND ACTUAL

Presents on the accompanying budget and actual comparison schedules in accordance with the budgetary process.

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CITY OF SANTA CLARA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
MISCELLANEOUS PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
Last Ten Fiscal Years ⁽¹⁾

Miscellaneous Plan	Fiscal Year Ending June 30, 2014
Total Pension Liability	
Service Cost	\$ 10,345,749
Interest	42,969,016
Changes in benefits	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(29,847,146)
Net change in total pension liability	23,467,619
Total pension liability - beginning	582,670,916
Total pension liability - ending	\$ 606,138,535
Plan Fiduciary Net Position	
Contributions - employer	\$ 14,887,751
Contributions - employee	5,439,513
Net investment income	61,358,126
Benefit payments, including refunds of employee contributions	(29,847,146)
Net change in plan fiduciary net position	51,838,244
Plan fiduciary net position - beginning	356,792,891
Plan fiduciary net position - ending	\$ 408,631,135
Net Pension Liability - ending	\$ 197,507,400
Plan Fiduciary Net Position as a percentage of the total pension liability	67.42%
Covered - employee payroll	57,193,591
Net Pension Liability as percentage of covered-employee payroll	345.33%

Notes to Schedule:

⁽¹⁾ Fiscal year 2014-15 was the first year of implementation, therefore only one year is shown.

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013.

Changes in assumptions: There were no changes in assumptions

CITY OF SANTA CLARA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
SAFETY PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
Last Ten Fiscal Years ⁽¹⁾

Safety Plan	Fiscal Year Ending <u>June 30, 2014</u>
Total Pension Liability	
Service Cost	\$ 10,748,085
Interest	45,454,864
Changes in benefits	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(33,072,631)</u>
Net change in total pension liability	23,130,318
Total pension liability - beginning	<u>617,227,134</u>
Total pension liability - ending	<u><u>\$ 640,357,452</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 12,839,821
Contributions - employee	4,866,079
Net investment income	70,347,760
Benefit payments, including refunds of employee contributions	<u>(33,072,631)</u>
Net change in plan fiduciary net position	54,981,029
Plan fiduciary net position - beginning	<u>409,641,308</u>
Plan fiduciary net position - ending	<u><u>\$ 464,622,337</u></u>
Net Pension Liability - ending	<u><u>\$ 175,735,115</u></u>
Plan Fiduciary Net Position as a percentage of the total pension liability	72.56%
Covered - employee payroll	37,666,322
Net Pension Liability as percentage of covered-employee payroll	466.56%

Notes to Schedule:

⁽¹⁾ Fiscal year 2014-15 was the first year of implementation, therefore only one year is shown.

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013.

Changes in assumptions: There were no changes in assumptions.

CITY OF SANTA CLARA
SCHEDULE OF PLAN CONTRIBUTIONS
MISCELLANEOUS PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
Last Ten Fiscal Years ⁽¹⁾

Miscellaneous Plan	Fiscal Year Ending
	<u>June 30, 2015</u>
Actuarially determined contribution	\$ 15,257,771
Contributions in relation to the actuarially determined contributions	<u>(15,257,771)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	57,193,591
Contributions as a percentage of covered-employee payroll	26.68%
Notes to Schedule	
Valuation date	6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years as of valuation date
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service and type of Employment
Investment rate of return	7.50% , net of pension plan Investment and administrative expenses; includes inflation
Retirement age	67 yrs. Misc.
Mortality ⁽²⁾	Derived using CalPERS' Membership Data for all Funds

⁽¹⁾ Fiscal year 2014-15 was the first year of implementation, therefore only one year is shown.

⁽²⁾ The probabilities of mortality are based on the 2010 CalPERS Experience Study for 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of improvement using Scale AA published by the Society of Actuaries.

CITY OF SANTA CLARA
SCHEDULE OF PLAN CONTRIBUTIONS
SAFETY PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
Last Ten Fiscal Years ⁽¹⁾

Safety Plan	Fiscal Year Ending June 30, 2015
Actuarially determined contribution	\$ 14,776,850
Contributions in relation to the actuarially determined contributions	<u>(14,776,850)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	37,666,322
Contributions as a percentage of covered-employee payroll	39.23%
Notes to Schedule	
Valuation date	6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years as of valuation date
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service and type of Employment
Investment rate of return	7.50%, net of pension plan Investment and administrative expenses; includes inflation
Retirement age	57 yrs. Safety
Mortality ⁽²⁾	Derived using CalPERS' Membership Data for all Funds

⁽¹⁾ Fiscal year 2014-15 was the first year of implementation, therefore only one year is shown.

⁽²⁾ The probabilities of mortality are based on the 2010 CalPERS Experience Study for the 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of improvement using Scale AA published by the Society of Actuaries.

**CITY OF SANTA CLARA
SCHEDULE OF FUNDING PROGRESS
OTHER POST RETIREMENT BENEFIT PLAN
June 30,2015**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] /c)
	(a)	(b)	(b - a)			
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%
06/30/2014	11,539,000	40,099,000	28,560,000	28.8%	92,907,000	30.7%

**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, 2015**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Sales	\$ 50,020,000	\$ 50,020,000	\$ 49,933,156	\$ (86,844)
Ad valorem	34,355,000	34,355,000	37,576,165	3,221,165
Transient occupancy	15,110,000	15,110,000	17,843,363	2,733,363
Other	4,459,100	4,459,100	4,949,543	490,443
Licenses, permits, fines and penalties	7,214,000	7,214,000	9,469,451	2,255,451
Intergovernmental	349,000	349,000	2,908,422	2,559,422
Charges for services	31,149,783	31,150,033	35,455,954	4,305,921
Contributions in-lieu of taxes	17,468,451	17,468,451	17,492,882	24,431
Interest and rents	8,313,100	8,313,100	10,361,466	2,048,366
Other	200,200	252,466	393,614	141,148
Total Revenues	168,638,634	168,691,150	186,384,016	17,692,866
EXPENDITURES				
Current:				
General Government:				
General Administration:				
Salary & benefits	2,399,015	4,622,281	2,915,551	1,706,730
Material, service & supplies	11,219,523	11,254,932	9,708,549	1,546,383
Internal service fund charges	123,481	123,481	123,481	-
Total General Administration	13,742,019	16,017,551	12,764,438	3,253,113
City Clerk:				
Salary & benefits	772,732	772,732	783,898	(11,166)
Material, service & supplies	368,067	368,067	275,398	92,669
Internal service fund charges	14,882	14,882	14,882	-
Total City Clerk	1,155,681	1,155,681	1,074,178	81,503
City Attorney:				
Salary & benefits	1,315,711	1,276,341	1,221,217	55,124
Material, service & supplies	76,560	76,560	75,371	1,189
Internal service fund charges	27,130	27,130	27,130	-
Total City Attorney	1,419,401	1,380,031	1,323,718	56,313
Human Resources:				
Salary & benefits	1,916,680	1,900,817	1,878,608	22,209
Material, service & supplies	447,825	447,825	345,739	102,086
Internal service fund charges	51,223	51,223	51,223	-
Capital outlay	16,000	16,000	13,590	2,410
Total Human Resources	2,431,728	2,415,865	2,289,160	126,705

**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, 2015
(continued)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Salary & benefits	7,975,092	7,752,168	7,388,217	363,951
Material, service & supplies	752,368	752,368	743,586	8,782
Internal service fund charges	300,882	300,882	300,882	-
Total Finance	9,028,342	8,805,418	8,432,685	372,733
Total General Government	27,777,171	29,774,546	25,884,179	3,890,367
Public Works:				
Salary & benefits	13,137,762	12,505,298	11,616,329	888,969
Material, service & supplies	2,774,999	2,774,999	2,239,103	535,896
Internal service fund charges	1,600,102	1,600,102	1,577,264	22,838
Capital outlay	77,000	77,000	-	77,000
Total Public Works	17,589,863	16,957,399	15,432,696	1,524,703
Parks and Recreation:				
Salary & benefits	10,691,459	10,116,215	9,269,477	846,738
Material, service & supplies	2,849,845	2,850,095	3,300,638	(450,543)
Internal service fund charges	767,732	767,732	767,732	-
Capital outlay	-	-	7,846	(7,846)
Total Parks and Recreation	14,309,036	13,734,042	13,345,693	388,349
Public Safety:				
Police:				
Salary & benefits	45,491,710	45,644,451	45,715,357	(70,906)
Material, service & supplies	3,897,602	4,305,752	4,234,608	71,144
Internal service fund charges	3,381,297	3,381,297	3,381,297	-
Total Police	52,770,609	53,331,500	53,331,262	238
Fire:				
Salary & benefits	32,793,457	32,251,911	31,820,448	431,463
Material, service & supplies	787,384	787,384	900,951	(113,567)
Internal service fund charges	2,210,045	2,210,045	2,210,045	-
Capital outlay	31,800	31,800	23,313	8,487
Total Fire	35,822,686	35,281,140	34,954,757	326,383
Total Public Safety	88,593,295	88,612,640	88,286,019	326,621

**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, 2015
(continued)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Planning & Inspection:				
Salary & benefits	7,173,017	6,757,742	5,936,888	820,854
Material, service & supplies	759,795	2,024,888	1,927,379	97,509
Internal service fund charges	224,585	224,585	224,585	-
Capital outlay	80,000	80,000	104,945	(24,945)
Total Planning & Inspection	8,237,397	9,087,215	8,193,797	893,418
Library:				
Salary & benefits	6,476,789	6,135,321	5,655,417	479,904
Material, service & supplies	1,678,116	1,676,656	1,710,658	(34,002)
Internal service fund charges	115,333	115,333	115,333	-
Total Library	8,270,238	7,927,310	7,481,408	445,902
Total Expenditures	164,777,000	166,093,152	158,623,792	7,469,360
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,861,634	2,597,998	27,760,224	25,162,226
OTHER FINANCING SOURCES (USES)				
Transfers in	1,964,760	2,892,507	2,473,052	(419,455)
Transfers (out)	(6,952,163)	(10,371,737)	(10,371,737)	-
Total Other Financing Sources (Uses)	(4,987,403)	(7,479,230)	(7,898,685)	(419,455)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS	\$ (1,125,769)	\$ (4,881,232)	\$ 19,861,539	\$ 24,742,771
ADJUSTMENTS TO BUDGETARY BASIS:				
Prior year encumbrances recognized on the GAAP basis			(3,740,592)	
Current year encumbrances recognized on the budgetary basis			3,725,480	
Net change in receivables recognized on the GAAP basis			3,898,954	
Net change in accrued liabilities recognized on the GAAP basis			(280,559)	
Special item			(9,224,078)	
Net change in funds for GAAP Basis not included in annual budget			103,113	
Beginning Fund balance			129,277,535	
Ending Fund balance			\$ 143,621,392	

CITY OF SANTA CLARA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

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.
- Special item resulted from dissolution of the Agency are included in the City's GAAP basis financial statements. However, formal budgets are not prepared for non-cash transactions, and as such are excluded from the budgetary basis financial schedules.
- 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.

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 providing affordable housing. 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.

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.

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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, 2015**

SPECIAL REVENUE FUNDS

	<u>Gas Tax</u>	<u>HUD Programs</u>	<u>City Affordable Housing</u>	<u>Santa Clara Housing Authority</u>
ASSETS				
Cash and investments:				
Pooled cash and investments	\$16,909,099	\$ 743,362	\$ 4,186,005	\$ 1,996,375
Cash restricted for construction	-	-	-	-
Receivables (net of allowance for uncollectibles):				
Accounts	-	-	16,705	-
Loans	-	12,759,283	10,259,512	7,462,378
Intergovernmental	314,036	3,311,960	-	-
Due from other funds	-	-	-	-
Land held for redevelopment	-	-	-	3,262,500
Investments with fiscal agent - noncurrent	-	-	-	-
Total Assets	<u>\$17,223,135</u>	<u>\$16,814,605</u>	<u>\$ 14,462,222</u>	<u>\$ 12,721,253</u>
LIABILITIES				
Accrued liabilities	\$ 2,994	\$ 71,990	\$ -	\$ 50,000
Due to other funds	-	-	-	-
Total Liabilities	<u>2,994</u>	<u>71,990</u>	<u>-</u>	<u>50,000</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Loans	-	12,741,594	10,259,512	7,462,378
Unavailable revenue - Grants	-	3,223,711	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>15,965,305</u>	<u>10,259,512</u>	<u>7,462,378</u>
FUND BALANCES				
Restricted	17,084,895	777,310	-	-
Committed	135,246	-	4,202,710	5,208,875
Total Fund Balances	<u>17,220,141</u>	<u>777,310</u>	<u>4,202,710</u>	<u>5,208,875</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$17,223,135</u>	<u>\$16,814,605</u>	<u>\$ 14,462,222</u>	<u>\$ 12,721,253</u>

CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2015

DEBT SERVICE FUND

<u>Maintenance</u>	<u>Operating Grants Fund</u>	<u>Public Facilities Financing Corp.</u>
\$ 279,628	\$ 706,009	\$ 765,390
220,455	-	-
-	-	-
-	-	-
-	35,111	-
22,529	-	-
-	-	-
-	-	703,643
<u>\$ 522,612</u>	<u>\$ 741,120</u>	<u>\$ 1,469,033</u>
\$ 20,555	\$ 45,364	\$ -
-	-	-
<u>20,555</u>	<u>45,364</u>	<u>-</u>
-	-	-
-	-	-
502,057	695,756	1,469,033
-	-	-
<u>502,057</u>	<u>695,756</u>	<u>1,469,033</u>
<u>\$ 522,612</u>	<u>\$ 741,120</u>	<u>\$ 1,469,033</u>

**CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2015**

	CAPITAL PROJECTS FUNDS			
	Parks and Recreation Facilities	Streets and Highways Improvement	Storm Drain Improvement	Fire Department Improvement
ASSETS				
Cash and investments:				
Pooled cash and investments	\$ 6,103,559	\$16,162,845	\$ 2,136,045	\$ 277,595
Cash restricted for construction	-	3,510,617	-	-
Receivables (net of allowance for uncollectibles):				
Accounts	-	-	6,286	-
Loans	-	-	-	-
Intergovernmental	20,343	423,423	-	-
Due from other funds	-	-	-	-
Land held for redevelopment	-	-	-	-
Investments with fiscal agent - noncurrent	-	-	-	-
Total Assets	<u>\$ 6,123,902</u>	<u>\$20,096,885</u>	<u>\$ 2,142,331</u>	<u>\$ 277,595</u>
LIABILITIES				
Accrued liabilities	\$ 38,861	\$ 2,474,710	\$ 47,298	\$ 88,575
Due to other funds	-	-	-	-
Total Liabilities	<u>38,861</u>	<u>2,474,710</u>	<u>47,298</u>	<u>88,575</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Loans	-	-	-	-
Unavailable revenue - Grants	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	3,456,823	17,622,175	-	24,347
Committed	2,628,218	-	2,095,033	164,673
Total Fund Balances	<u>6,085,041</u>	<u>17,622,175</u>	<u>2,095,033</u>	<u>189,020</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,123,902</u>	<u>\$20,096,885</u>	<u>\$ 2,142,331</u>	<u>\$ 277,595</u>

**CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2015**

<u>Library Department Improvement</u>	<u>Public Facilities</u>	<u>Street Beautification</u>	<u>Special Assessments</u>	<u>Total Non-Mafor Governmental Funds</u>
\$ 524,893	\$ 10,743,842	\$ 726,945	\$ 1,054,021	\$ 63,315,613
-	2,052,420	-	-	5,783,492
-	83,062	-	-	106,053
-	-	-	-	30,481,173
-	-	-	-	4,104,873
-	-	-	-	22,529
-	-	-	-	3,262,500
-	-	-	-	703,643
<u>\$ 524,893</u>	<u>\$ 12,879,324</u>	<u>\$ 726,945</u>	<u>\$ 1,054,021</u>	<u>\$ 107,779,876</u>
\$ -	\$ 405,604	\$ 174,705	\$ -	\$ 3,420,656
-	165,922	-	-	165,922
-	571,526	174,705	-	3,586,578
-	-	-	-	30,463,484
-	-	-	-	3,223,711
-	-	-	-	33,687,195
-	12,307,798	-	1,054,021	54,994,215
524,893	-	552,240	-	15,511,888
<u>524,893</u>	<u>12,307,798</u>	<u>552,240</u>	<u>1,054,021</u>	<u>70,506,103</u>
<u>\$ 524,893</u>	<u>\$ 12,879,324</u>	<u>\$ 726,945</u>	<u>\$ 1,054,021</u>	<u>\$ 107,779,876</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, 2015

	SPECIAL REVENUE FUNDS			
	Gas Tax	HUD Programs	City Affordable Housing	Santa Clara Housing Authority
REVENUES				
Intergovernmental	\$ 3,381,195	\$ 979,213	\$ -	\$ -
Charges for services	-	-	-	-
Interest and rents	94,996	1,729	10,864	6,845
Other	-	616,167	3,521,980	948,868
Total Revenues	<u>3,476,191</u>	<u>1,597,109</u>	<u>3,532,844</u>	<u>955,713</u>
EXPENDITURES				
Current:				
General Administration	-	1,347,225	135,010	15,018
Public Works	488,946	-	-	-
Parks and Recreation	-	-	-	-
Public Safety:				
Police	-	-	-	-
Fire	-	-	-	-
Library	-	-	-	-
Capital outlay	517,527	203,765	-	-
Debt service:				
Principal payments	-	-	-	-
Interest and fiscal fees	-	-	-	-
Bond issuance cost	-	-	-	-
Total Expenditures	<u>1,006,473</u>	<u>1,550,990</u>	<u>135,010</u>	<u>15,018</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,469,718</u>	<u>46,119</u>	<u>3,397,834</u>	<u>940,695</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	(490,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(490,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	1,979,718	46,119	3,397,834	940,695
Fund balances - beginning	15,240,423	731,191	804,876	4,268,180
Fund balances - ending	<u>\$17,220,141</u>	<u>\$ 777,310</u>	<u>\$ 4,202,710</u>	<u>\$ 5,208,875</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, 2015

DEBT SERVICE FUND		
Maintenance	Operating Grants Fund	Public Facilities Financing Corp.
\$ -	\$ 593,041	\$ -
688,623	135,999	-
3,804	-	123
-	6,103	-
692,427	735,143	123
-	-	-
1,326,533	-	-
-	159,167	-
-	468,928	-
-	32,848	-
-	93,361	-
-	4,500	-
-	-	1,576,000
-	-	924,434
-	-	2,187
1,326,533	758,804	2,502,621
(634,106)	(23,661)	(2,502,498)
759,131	47,270	2,505,934
-	(135,000)	-
759,131	(87,730)	2,505,934
125,025	(111,391)	3,436
377,032	807,147	1,465,597
\$ 502,057	\$ 695,756	\$ 1,469,033

CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2015 (continued)

	CAPITAL PROJECTS FUNDS			
	Parks and Recreation Facilities	Streets and Highways Improvement	Storm Drain Improvement	Fire Department Improvement
REVENUES				
Intergovernmental	\$ 20,343	\$ 5,218,632	\$ -	\$ -
Charges for services	-	-	135,543	-
Interest and rents	-	58,961	2,810	-
Other	3,870,325	367,643	-	-
Total Revenues	<u>3,890,668</u>	<u>5,645,236</u>	<u>138,353</u>	<u>-</u>
EXPENDITURES				
Current:				
General Administration	-	-	-	-
Public Works	-	507,360	542,268	-
Parks and Recreation	105,741	-	-	-
Public Safety:				
Police	-	-	-	-
Fire	-	-	-	172,050
Library	-	-	-	-
Capital outlay	1,297,618	6,834,912	1,094,745	193,476
Debt service:				
Principal payments	-	-	-	-
Interest and fiscal fees	-	-	-	-
Bond issuance cost	-	-	-	-
Total Expenditures	<u>1,403,359</u>	<u>7,342,272</u>	<u>1,637,013</u>	<u>365,526</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,487,309</u>	<u>(1,697,036)</u>	<u>(1,498,660)</u>	<u>(365,526)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	480,000	-	1,050,000	230,000
Transfers (out)	(173,098)	-	-	-
Total Other Financing Sources (Uses)	<u>306,902</u>	<u>-</u>	<u>1,050,000</u>	<u>230,000</u>
NET CHANGE IN FUND BALANCE	2,794,211	(1,697,036)	(448,660)	(135,526)
Fund balances - beginning	3,290,830	19,319,211	2,543,693	324,546
Fund balances - ending	<u>\$ 6,085,041</u>	<u>\$ 17,622,175</u>	<u>\$ 2,095,033</u>	<u>\$ 189,020</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, 2015 (continued)

Library Department Improvement	Public Facilities	Street Beautification	Special Assessments	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 10,192,424
-	-	-	-	960,165
-	-	-	3,024	183,156
-	786,777	-	-	10,117,863
-	786,777	-	3,024	21,453,608
-	3,722,944	-	-	5,220,197
-	-	136,989	-	3,002,096
-	-	-	-	264,908
-	-	-	-	468,928
-	-	-	-	204,898
-	-	-	-	93,361
447,537	-	624,948	-	11,219,028
-	-	-	-	1,576,000
-	-	-	-	924,434
-	-	-	-	2,187
447,537	3,722,944	761,937	-	22,976,037
(447,537)	(2,936,167)	(761,937)	3,024	(1,522,429)
525,000	5,182,174	900,000	-	11,679,509
-	(1,079,448)	(200)	-	(1,877,746)
525,000	4,102,726	899,800	-	9,801,763
77,463	1,166,559	137,863	3,024	8,279,334
447,430	11,141,239	414,377	1,050,997	62,226,769
\$ 524,893	\$ 12,307,798	\$ 552,240	\$ 1,054,021	\$ 70,506,103

**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, 2015**

	Budget	Actual Amount Budgetary Basis	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 688,623	\$ 688,623	\$ -
Interest and rents	3,804	3,804	-
Total Revenues	<u>692,427</u>	<u>692,427</u>	<u>-</u>
EXPENDITURES			
Current:			
Public works			
Salary & benefits	68,720	68,720	-
Material, service & supplies	1,203,436	1,244,703	41,267
Internal service fund charges	55,515	55,515	-
Capital outlay	18,500	18,500	-
Total Public Works	<u>1,346,171</u>	<u>1,387,438</u>	<u>41,267</u>
Total Expenditures	<u>1,346,171</u>	<u>1,387,438</u>	<u>41,267</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(653,744)</u>	<u>(695,011)</u>	<u>(41,267)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	759,131	759,131	-
Total Other Financing Sources (Uses)	<u>759,131</u>	<u>759,131</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>105,387</u>	64,120	<u>\$ (41,267)</u>
ADJUSTMENTS TO BUDGETARY BASIS:			
Expenditures of prior year encumbrances recognized on the GAAP basis		(15,663)	
Current year encumbrances recognized on the budgetary basis		56,930	
Net change in accrued liabilities recognized on the GAAP basis		19,638	
Beginning Fund balance		<u>377,032</u>	
Ending Fund balance		<u>\$ 502,057</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.

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.

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2015

	<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	\$ 4,521,334	\$ 1,562,932	\$ 328,533
Receivables (net of allowance for uncollectible):			
Accounts	2,050,969	-	-
Due from other funds	-	224,407	-
Materials, supplies and prepaids	-	-	61,602
Total current assets	<u>6,572,303</u>	<u>1,787,339</u>	<u>390,135</u>
Noncurrent assets:			
Cash for construction	705,196	-	-
Capital assets:			
Land	-	1,164,646	-
Buildings, infrastructure and land improvements	127,362	1,280,641	23,832,610
Equipment	139,784	99,284	623,404
Construction in progress	-	-	-
	<u>267,146</u>	<u>2,544,571</u>	<u>24,456,014</u>
Less accumulated depreciation	<u>140,215</u>	<u>1,127,977</u>	<u>20,577,972</u>
Net capital assets	<u>126,931</u>	<u>1,416,594</u>	<u>3,878,042</u>
Total noncurrent assets	<u>832,127</u>	<u>1,416,594</u>	<u>3,878,042</u>
Total assets	<u>7,404,430</u>	<u>3,203,933</u>	<u>4,268,177</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows pension related items	<u>247,176</u>	<u>71,712</u>	<u>-</u>
Total deferred outflows of resources	<u>247,176</u>	<u>71,712</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Accrued liabilities	1,319,708	4,043	158,665
Unearned revenue	-	-	-
Accrued compensated absences	11,203	2,625	-
Current portion of landfill closure liability	831,815	-	-
Total current liabilities	<u>2,162,726</u>	<u>6,668</u>	<u>158,665</u>
Noncurrent liabilities:			
Advance from other funds	-	4,602,138	4,224,133
Long-term comp absences	91,765	21,501	-
Landfill closure liability	572,494	-	-
Net pension liability	<u>3,199,620</u>	<u>928,284</u>	<u>-</u>
Total noncurrent liabilities	<u>3,863,879</u>	<u>5,551,923</u>	<u>4,224,133</u>
Total liabilities	<u>6,026,605</u>	<u>5,558,591</u>	<u>4,382,798</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows pension related items	<u>455,719</u>	<u>132,215</u>	<u>-</u>
Total deferred inflows of resources	<u>455,719</u>	<u>132,215</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	126,931	1,416,594	3,878,043
Restricted for capital projects and other agreements	1,305,196	1,282,497	-
Unrestricted	<u>(262,845)</u>	<u>(5,114,252)</u>	<u>(3,992,664)</u>
Total net position	<u>\$ 1,169,282</u>	<u>\$ (2,415,161)</u>	<u>\$ (114,621)</u>

**CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2015**

Santa Clara Convention Center	Sports and Open Space Authority	TOTAL Non-Major Enterprise Funds
\$ 364,574	\$ 59,320	\$ 6,836,693
922,283	-	2,973,252
-	-	224,407
-	-	61,602
<u>1,286,857</u>	<u>59,320</u>	<u>10,095,954</u>
-	-	705,196
-	2,424,481	3,589,127
78,353,492	-	103,594,105
2,482,216	-	3,344,688
7,426	-	7,426
<u>80,843,134</u>	<u>2,424,481</u>	<u>110,535,346</u>
48,248,031	-	70,094,195
<u>32,595,103</u>	<u>2,424,481</u>	<u>40,441,151</u>
<u>32,595,103</u>	<u>2,424,481</u>	<u>41,146,347</u>
<u>33,881,960</u>	<u>2,483,801</u>	<u>51,242,301</u>
-	-	318,888
-	-	318,888
295,316	25,885	1,803,617
991,541	-	991,541
-	-	13,828
-	-	831,815
<u>1,286,857</u>	<u>25,885</u>	<u>3,640,801</u>
-	-	8,826,271
-	-	113,266
-	-	572,494
-	-	4,127,904
-	-	13,639,935
<u>1,286,857</u>	<u>25,885</u>	<u>17,280,736</u>
-	-	587,934
-	-	587,934
32,595,103	2,424,481	40,441,152
-	-	2,587,693
-	33,435	(9,336,326)
<u>\$ 32,595,103</u>	<u>\$ 2,457,916</u>	<u>\$ 33,692,519</u>

**CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For the year ended June 30, 2015**

	<u>Solid Waste</u>	<u>Cemetery</u>	<u>Santa Clara Golf and Tennis Club</u>
Operating revenues:			
Charges for services	\$ 20,034,915	\$ 649,673	\$ 1,799,686
Rents and royalties	-	-	-
Other	347,591	-	407,056
Total operating revenues	<u>20,382,506</u>	<u>649,673</u>	<u>2,206,742</u>
Operating expenses:			
Salaries and benefits	1,164,458	455,287	-
Materials, services and supplies	18,601,978	214,333	1,953,174
Amortization	7,171	-	-
Depreciation	6,450	19,226	800,748
Total operating expenses	<u>19,780,057</u>	<u>688,846</u>	<u>2,753,922</u>
Operating income (loss)	<u>602,449</u>	<u>(39,173)</u>	<u>(547,180)</u>
Nonoperating revenues (expenses):			
Interest revenue	-	7,452	-
Rents and royalties	21,434	-	-
Total nonoperating revenues	<u>21,434</u>	<u>7,452</u>	<u>-</u>
Income (loss) before contributions and transfers	623,883	(31,721)	(547,180)
Transfers in	-	-	-
Transfers (out)	<u>(28,647)</u>	<u>(1,894)</u>	<u>(78,000)</u>
Change in net position	595,236	(33,615)	(625,180)
Total net position - beginning as previously reported	3,992,088	(1,389,892)	510,559
GASB 68 implementation	<u>(3,418,042)</u>	<u>(991,654)</u>	<u>-</u>
Total net position - beginning as adjusted	<u>574,046</u>	<u>(2,381,546)</u>	<u>510,559</u>
Total net position - ending	<u>\$ 1,169,282</u>	<u>\$ (2,415,161)</u>	<u>\$ (114,621)</u>

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For the year ended June 30, 2015

<u>Santa Clara Convention Center</u>	<u>Sports and Open Space Authority</u>	<u>TOTAL Non-Major Enterprise Funds</u>
\$ 7,112,064	\$ -	\$ 29,596,338
-	65,749	65,749
-	-	754,647
<u>7,112,064</u>	<u>65,749</u>	<u>30,416,734</u>
-	5,130	1,624,875
6,232,432	92,654	27,094,571
-	-	7,171
<u>2,774,679</u>	<u>-</u>	<u>3,601,103</u>
<u>9,007,111</u>	<u>97,784</u>	<u>32,327,720</u>
<u>(1,895,047)</u>	<u>(32,035)</u>	<u>(1,910,986)</u>
10,752	1,253	19,457
-	-	21,434
<u>10,752</u>	<u>1,253</u>	<u>40,891</u>
(1,884,295)	(30,782)	(1,870,095)
-	78,000	78,000
<u>(565,988)</u>	<u>(65,749)</u>	<u>(740,278)</u>
<u>(2,450,283)</u>	<u>(18,531)</u>	<u>(2,532,373)</u>
35,045,386	2,476,447	40,634,588
-	-	(4,409,696)
<u>35,045,386</u>	<u>2,476,447</u>	<u>36,224,892</u>
<u>\$ 32,595,103</u>	<u>\$ 2,457,916</u>	<u>\$ 33,692,519</u>

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2015

	<u>Solid Waste</u>	<u>Cemetery</u>	<u>Santa Clara Golf and Tennis Club</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 20,154,131	\$ 649,673	\$ 1,799,685
Payments to suppliers	(18,525,640)	(232,816)	(2,013,230)
Payments to employees for salaries and benefits	(1,170,088)	(525,205)	-
Rents and royalties received	21,434	-	-
Other receipts (payments)	347,591	-	399,114
Net cash provided (used) by operating activities	<u>827,428</u>	<u>(108,348)</u>	<u>185,569</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
(Increase) decrease in due from other funds	-	(35,230)	-
Increase (decrease) in due to other funds	-	-	-
Advances from other funds	-	370,930	-
Transfers in	-	-	-
Transfers (out)	(28,647)	(1,894)	(78,000)
Cash Flows from Noncapital Financing Activities	<u>(28,647)</u>	<u>333,806</u>	<u>(78,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets, net	-	-	-
Landfill closure payment	(336,313)	-	-
Cash Flows from Capital and Related Financing Activities	<u>(336,313)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	-	7,452	-
Cash Flows from Investing Activities	<u>-</u>	<u>7,452</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	462,468	232,910	107,569
Cash and cash equivalents at beginning of period	<u>4,764,062</u>	<u>1,330,022</u>	<u>220,964</u>
Cash and cash equivalents at end of period	<u>\$ 5,226,530</u>	<u>\$ 1,562,932</u>	<u>\$ 328,533</u>
Cash and cash equivalents:			
Pooled cash and investments	\$ 4,521,334	\$ 1,562,932	\$ 328,533
Cash designated for construction	705,196	-	-
Total cash and cash equivalents	<u>\$ 5,226,530</u>	<u>\$ 1,562,932</u>	<u>\$ 328,533</u>

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2015

<u>Santa Clara Convention Center</u>	<u>Sports and Open Space Authority</u>	<u>TOTAL Non-Major Enterprise Funds</u>
\$ 7,263,997	\$ 61,249	\$ 29,928,735
(6,680,921)	(92,654)	(27,545,261)
-	(5,130)	(1,700,423)
-	-	21,434
-	3,160	749,865
<u>583,076</u>	<u>(33,375)</u>	<u>1,454,350</u>
-	-	(35,230)
(1,730,508)	-	(1,730,508)
-	-	370,930
-	78,000	78,000
<u>(565,988)</u>	<u>(65,749)</u>	<u>(740,278)</u>
<u>(2,296,496)</u>	<u>12,251</u>	<u>(2,057,086)</u>
(431,966)	-	(431,966)
-	-	(336,313)
<u>(431,966)</u>	<u>-</u>	<u>(768,279)</u>
10,752	1,253	19,457
<u>10,752</u>	<u>1,253</u>	<u>19,457</u>
(2,134,634)	(19,871)	(1,351,558)
<u>2,499,208</u>	<u>79,191</u>	<u>8,893,447</u>
<u>\$ 364,574</u>	<u>\$ 59,320</u>	<u>\$ 7,541,889</u>
\$ 364,574	\$ 59,320	\$ 6,836,693
-	-	705,196
<u>\$ 364,574</u>	<u>\$ 59,320</u>	<u>\$ 7,541,889</u>

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2015

	<u>Solid Waste</u>	<u>Cemetery</u>	<u>Santa Clara Golf and Tennis Club</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 602,449	\$ (39,173)	\$ (547,180)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
(Decrease) Increase in due to retirement system	(9,879)	(2,867)	-
Amortization	7,171	-	-
Depreciation	6,450	19,226	800,748
Change in assets and liabilities:			
Receivables, net	119,216	-	-
Inventory	-	-	(7,943)
Accrued liabilities	76,338	(18,483)	(60,056)
Compensated absences	4,249	(67,051)	-
Unearned revenue	-	-	-
Other receipts	21,434	-	-
Net cash provided (used) by operating activities	<u>\$ 827,428</u>	<u>\$ (108,348)</u>	<u>\$ 185,569</u>

**CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2015**

<u>Santa Clara Convention Center</u>	<u>Sports and Open Space Authority</u>	<u>TOTAL Non-Major Enterprise Funds</u>
\$ (1,895,047)	\$ (32,035)	\$ (1,910,986)
-	-	(12,746)
-	-	7,171
2,774,679	-	3,601,103
(31,149)	-	88,067
-	-	(7,943)
(448,489)	3,160	(447,530)
-	-	(62,802)
183,082	(4,500)	178,582
-	-	21,434
<u>\$ 583,076</u>	<u>\$ (33,375)</u>	<u>\$ 1,454,350</u>

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

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, 2015

	Automotive Services	Technical Equipment Services	Special Liability Insurance Claims	Workers' Compensation Insurance Claims	TOTAL
ASSETS					
Current assets:					
Cash and investments:					
Pooled cash and investments uncollectible):	\$ 8,511,699	\$ 353,303	\$ 4,093,562	\$ 3,503,201	\$ 16,461,765
Accounts	-	-	-	126,167	126,167
Due from other funds	41,516	-	-	-	41,516
Materials, supplies and prepaids	402,264	-	-	-	402,264
Total current assets	8,955,479	353,303	4,093,562	3,629,368	17,031,712
Noncurrent assets:					
Capital assets:					
Equipment	26,173,927	3,432,884	-	-	29,606,811
Less accumulated depreciation	18,839,295	2,489,707	-	-	21,329,002
Net capital assets	7,334,632	943,177	-	-	8,277,809
Total noncurrent assets	7,334,632	943,177	-	-	8,277,809
Total assets	16,290,111	1,296,480	4,093,562	3,629,368	25,309,521
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows pension related items	291,423	-	-	-	291,423
Total deferred outflows of resources	291,423	-	-	-	291,423
LIABILITIES					
Current liabilities:					
Accrued liabilities	685,989	-	994,482	3,495,482	5,175,953
Due to other funds	1,938,570	429,376	-	-	2,367,946
Accrued compensated absences	17,525	-	-	-	17,525
Total current liabilities	2,642,084	429,376	994,482	3,495,482	7,561,424
Noncurrent liabilities:					
Long-term portion estimated claims	-	-	742,431	19,720,723	20,463,154
Long-term comp absences	143,553	-	-	-	143,553
Net pension liability	3,772,391	-	-	-	3,772,391
Total noncurrent liabilities	3,915,944	-	742,431	19,720,723	24,379,098
Total liabilities	6,558,028	429,376	1,736,913	23,216,205	31,940,522
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows pension related items	537,298	-	-	-	537,298
Total deferred inflows of resources	537,298	-	-	-	537,298
NET POSITION					
Net investment in capital assets	7,334,632	943,177	-	-	8,277,809
Unrestricted	2,151,576	(76,073)	2,356,649	(19,586,837)	(15,154,685)
Total net position	\$ 9,486,208	\$ 867,104	\$ 2,356,649	\$ (19,586,837)	\$ (6,876,876)

CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
For the year ended June 30, 2015

	Automotive Services	Technical Equipment Services	Special Liability Insurance Claims	Workers' Compensation Insurance Claims	TOTAL
Operating revenues:					
Charges for services	\$ 7,695,534	\$ 200,357	\$ 2,034,576	\$ 3,630,000	\$ 13,560,467
Insurance refunds and other	-	-	-	506,235	506,235
Total operating revenues	<u>7,695,534</u>	<u>200,357</u>	<u>2,034,576</u>	<u>4,136,235</u>	<u>14,066,702</u>
Operating expenses:					
Salaries and benefits	1,841,502	-	-	-	1,841,502
Materials, services and supplies	2,047,200	245,101	-	-	2,292,301
General and administrative	-	-	2,079,302	5,412,324	7,491,626
Depreciation	1,907,917	113,371	-	-	2,021,288
Total operating expenses	<u>5,796,619</u>	<u>358,472</u>	<u>2,079,302</u>	<u>5,412,324</u>	<u>13,646,717</u>
Operating income (loss)	<u>1,898,915</u>	<u>(158,115)</u>	<u>(44,726)</u>	<u>(1,276,089)</u>	<u>419,985</u>
Nonoperating revenues (expenses):					
Other revenue	482,913	-	-	-	482,913
Gain (loss) on retirement of assets	(115,928)	-	-	-	(115,928)
Total nonoperating revenues	<u>366,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>366,985</u>
Income (loss) before contributions and transfers	2,265,900	(158,115)	(44,726)	(1,276,089)	786,970
Transfers (out)	<u>(2,759)</u>	<u>(423,569)</u>	<u>-</u>	<u>-</u>	<u>(426,328)</u>
Change in net position	2,263,141	(581,684)	(44,726)	(1,276,089)	360,642
Total net position - beginning as previously reported	11,252,981	1,448,788	2,401,375	(18,310,748)	(3,207,604)
GASB 68 implementation	<u>(4,029,914)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,029,914)</u>
Total net position - beginning as adjusted	<u>7,223,067</u>	<u>1,448,788</u>	<u>2,401,375</u>	<u>(18,310,748)</u>	<u>(7,237,518)</u>
Total net position - ending	<u>\$ 9,486,208</u>	<u>\$ 867,104</u>	<u>\$ 2,356,649</u>	<u>\$ (19,586,837)</u>	<u>\$ (6,876,876)</u>

CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2015

	Automotive Services	Technical Equipment Services	Special Liability Insurance Claims	Workers' Compensation Insurance Claims	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 7,709,168	\$ 200,357	\$ 2,034,576	\$ 3,793,360	\$ 13,737,461
Payments to suppliers	(1,789,129)	(152,541)	-	-	(1,941,670)
Payments to employees for salaries and benefits	(1,850,082)	(23,290)	-	-	(1,873,372)
Internal activity - payments from (to) other funds	(149,558)	(92,906)	-	-	(242,464)
Claims paid	-	-	(2,306,607)	(2,918,458)	(5,225,065)
Other receipts (payments)	482,913	-	-	-	482,913
Net cash provided (used) by operating activities	<u>4,403,312</u>	<u>(68,380)</u>	<u>(272,031)</u>	<u>874,902</u>	<u>4,937,803</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
(Increase) decrease in due from other funds	(147,999)	79,561	-	-	(68,438)
Increase (decrease) in due to other funds	(820,382)	48,267	-	-	(772,115)
Transfers (out)	(2,759)	(423,569)	-	-	(426,328)
Cash Flows from Noncapital Financing Activities	<u>(971,140)</u>	<u>(295,741)</u>	<u>-</u>	<u>-</u>	<u>(1,266,881)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets, net	(4,066,745)	-	-	-	(4,066,745)
Cash Flows from Capital and Related Financing Activities	<u>(4,066,745)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,066,745)</u>
Net increase (decrease) in cash and cash equivalents	(634,573)	(364,121)	(272,031)	874,902	(395,823)
Cash and investments at beginning of period	9,146,272	717,424	4,365,593	2,628,299	16,857,588
Cash and investments at end of period	<u>\$ 8,511,699</u>	<u>\$ 353,303</u>	<u>\$ 4,093,562</u>	<u>\$ 3,503,201</u>	<u>\$ 16,461,765</u>
Cash and cash equivalents:					
Pooled cash and investments	<u>\$ 8,511,699</u>	<u>\$ 353,303</u>	<u>\$ 4,093,562</u>	<u>\$ 3,503,201</u>	<u>\$ 16,461,765</u>
Total cash and cash equivalents	<u>\$ 8,511,699</u>	<u>\$ 353,303</u>	<u>\$ 4,093,562</u>	<u>\$ 3,503,201</u>	<u>\$ 16,461,765</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,898,915	\$(158,115)	\$ (44,726)	\$ (1,276,089)	\$ 419,985
Adjustments to reconcile operating income to net cash provided by operating activities:					
(Decrease) Increase in due to retirement system	(11,648)	-	-	-	(11,648)
Depreciation	1,907,917	113,371	-	-	2,021,288
Change in assets and liabilities:					
Receivables, net	13,634	-	-	163,360	176,994
Inventory	21,984	-	-	-	21,984
Accrued liabilities	86,529	(346)	(135,309)	83,214	34,088
Long-term portion estimated claims	-	-	(91,996)	1,904,417	1,812,421
Compensated absences	3,068	(23,290)	-	-	(20,222)
Other receipts	482,913	-	-	-	482,913
Net cash provided (used) by operating activities	<u>\$ 4,403,312</u>	<u>\$ (68,380)</u>	<u>\$ (272,031)</u>	<u>\$ 874,902</u>	<u>\$ 4,937,803</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:

CHARITABLE TRUSTS

This fund accounts for the various gifts, donations and bequests received by the City.

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.

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, 2015**

	<u>Charitable Trust</u>	<u>Successor Agency</u>	<u>Total Private Purpose Trust</u>
ASSETS			
Pooled cash and investments	\$ 558,874	\$ -	\$ 558,874
Receivables (net of allowance for uncollectibles):			
Interest	23,363	-	23,363
Due from City	-	40,367,306	40,367,306
Cash designated for construction	-	36,115,043	36,115,043
Investments with fiscal agent - noncurrent	2,744,898	9,852,681	12,597,579
Total Assets	<u>3,327,135</u>	<u>86,335,030</u>	<u>89,662,165</u>
LIABILITIES			
Interest payable	-	1,184,169	1,184,169
Due to Other Agencies - current	-	62,734	62,734
Due to City	-	4,355,641	4,355,641
Due to Stadium Authority - current	-	5,417,672	5,417,672
Due to Stadium Authority - noncurrent	-	12,027,594	12,027,594
Long-term debt - due within one year	-	9,229,651	9,229,651
Long-term debt - due after one year	-	97,742,563	97,742,563
Total Liabilities	<u>-</u>	<u>130,020,024</u>	<u>130,020,024</u>
NET POSITION			
Held in trust for private purpose	<u>\$ 3,327,135</u>	<u>\$ (43,684,994)</u>	<u>\$ (40,357,859)</u>

CITY OF SANTA CLARA
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2015

	<u>Charitable Trust</u>	<u>Successor Agency</u>	<u>Total Private Purpose Trust</u>
Additions			
Redevelopment property tax trust fund	\$ -	\$ 9,364,638	\$ 9,364,638
Investment income:			
Interest	109,711	1,329	111,040
Net (decrease) in fair value of plan investments	(86,604)	-	(86,604)
Total additions	<u>23,107</u>	<u>9,365,967</u>	<u>9,389,074</u>
Deductions			
General and administrative	82,013	467,840	549,853
Interest and Fees	-	6,153,061	6,153,061
Total deductions	<u>82,013</u>	<u>6,620,901</u>	<u>6,702,914</u>
Change in net position before special item	(58,906)	2,745,066	2,686,160
Special item	-	40,367,306	40,367,306
Change in net position	<u>(58,906)</u>	<u>43,112,372</u>	<u>43,053,466</u>
Net position held in trust for private purpose:			
Beginning of year	<u>3,386,041</u>	<u>(86,797,366)</u>	<u>(83,411,325)</u>
End of year	<u>\$ 3,327,135</u>	<u>\$ (43,684,994)</u>	<u>\$ (40,357,859)</u>

CITY OF SANTA CLARA
AGENCY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
June 30, 2015

	Employee Benefit & Liability Clearing	Special Assessments	Deposits	Total
ASSETS				
Pooled cash and investments	\$ 7,161,845	\$ 2,678,780	\$ 7,535,379	\$ 17,376,004
Cash and investments with fiscal agents	-	2	-	2
Total Assets	<u>7,161,845</u>	<u>2,678,782</u>	<u>7,535,379</u>	<u>17,376,006</u>
LIABILITIES				
Due to bondholders	-	2,678,782	-	2,678,782
Accrued liabilities	7,161,845	-	-	7,161,845
Refundable deposits	-	-	7,535,379	7,535,379
Total Liabilities	<u>\$ 7,161,845</u>	<u>\$ 2,678,782</u>	<u>\$ 7,535,379</u>	<u>\$ 17,376,006</u>

CITY OF SANTA CLARA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the year ended June 30, 2015

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>
<hr/> Employee Benefit and Liability Clearing <hr/>				
Pooled cash and investments	\$ 5,739,641	\$ 81,790,829	\$ 80,368,625	\$ 7,161,845
Accrued liabilities	\$ 5,739,641	\$ 81,790,829	\$ 80,368,625	\$ 7,161,845
<hr/> Special Assessments <hr/>				
Pooled cash and investments	\$ 2,343,349	\$ 1,908,711	\$ 1,573,280	\$ 2,678,780
Cash and investments with fiscal agent	2	-	-	2
Total Assets	<u>\$ 2,343,351</u>	<u>\$ 1,908,711</u>	<u>\$ 1,573,280</u>	<u>\$ 2,678,782</u>
Due to bondholders	<u>\$ 2,343,351</u>	<u>\$ 1,908,711</u>	<u>\$ 1,573,280</u>	<u>\$ 2,678,782</u>
<hr/> Deposits <hr/>				
Pooled cash and investments	<u>\$ 6,785,266</u>	<u>\$ 3,035,374</u>	<u>\$ 2,285,261</u>	<u>\$ 7,535,379</u>
Refundable deposits	<u>\$ 6,785,266</u>	<u>\$ 3,035,374</u>	<u>\$ 2,285,261</u>	<u>\$ 7,535,379</u>
<hr/> Total Agency Funds <hr/>				
Pooled cash and investments	\$ 14,868,256	\$ 86,734,914	\$ 84,227,166	\$ 17,376,004
Cash and investments with fiscal agent	2	-	-	2
Total Assets	<u>\$ 14,868,258</u>	<u>\$ 86,734,914</u>	<u>\$ 84,227,166</u>	<u>\$ 17,376,006</u>
Due to bondholders	\$ 2,343,351	\$ 1,908,711	\$ 1,573,280	\$ 2,678,782
Accrued liabilities	5,739,641	81,790,829	80,368,625	7,161,845
Refundable deposits	<u>6,785,266</u>	<u>3,035,374</u>	<u>2,285,261</u>	<u>7,535,379</u>
Total Liabilities	<u>\$ 14,868,258</u>	<u>\$ 86,734,914</u>	<u>\$ 84,227,166</u>	<u>\$ 17,376,006</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

	<u>2015⁽²⁾</u>	<u>2014</u>	<u>2013⁽¹⁾</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Governmental Activities :										
Net Investment in Capital Assets	\$ 524,645	\$ 528,043	\$ 522,175	\$ 520,899	\$ 351,410	\$ 432,534	\$ 438,198	\$ 457,789	\$ 458,933	\$ 442,141
Restricted	198,316	189,618	230,545	213,158	330,675	227,557	217,590	171,101	161,406	165,684
Unrestricted	(186,423)	102,421	127,390	172,350	22,747	45,357	62,748	96,257	84,269	79,583
Total Governmental Activities Net Assets :	<u>\$ 536,538</u>	<u>\$ 820,082</u>	<u>\$ 880,110</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>
Business - Type Activities :										
Net Investment in Capital Assets	\$ 760,150	\$ 496,107	\$ 406,972	\$ 445,554	\$ 405,806	\$ 388,822	\$ 381,345	\$ 334,006	\$ 313,110	\$ 309,902
Restricted	93,891	96,318	90,437	8,214	8,214	-	-	-	1,119	1,413
Unrestricted	(1,573)	325,633	382,992	430,774	420,310	403,931	419,417	497,197	541,778	520,701
Total Business - Type Activities Net Position	<u>\$ 852,468</u>	<u>\$ 918,058</u>	<u>\$ 880,401</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>
Primary Government										
Net Investment in Capital Assets	\$ 1,284,795	\$ 1,024,150	\$ 929,147	\$ 966,453	\$ 757,216	\$ 821,356	\$ 819,543	\$ 791,795	\$ 772,043	\$ 752,043
Restricted	292,207	285,936	320,982	221,372	338,889	227,557	217,590	171,101	162,525	167,097
Unrestricted	(187,996)	428,054	510,382	603,124	443,057	449,288	482,165	593,454	626,047	600,284
Total Primary Government Net Position	<u>\$ 1,389,006</u>	<u>\$ 1,738,140</u>	<u>\$ 1,760,511</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>

Note:

(1) Certain amounts in the prior year have been reclassified due to the implementation of GASB 65

(2) Certain amounts cannot be compared to FY15 due to the implementation of GASB 68

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses:										
Governmental Activities:										
General Administration	\$ 18,310	\$ 15,208	\$ 15,799	\$ 8,703	\$ 3,936	\$ 3,470	\$ 18,166	\$ 15,563	\$ 9,869	\$ 11,851
City Clerk	389	263	388	179	790	674	776	698	720	566
City Attorney	194	102	100	303	1,187	1,310	1,142	1,065	1,079	1,159
Human Resources	654	502	367	486	1,978	1,815	1,962	1,711	1,745	1,722
Finance	1,357	844	1,270	1,680	6,713	7,685	7,565	7,943	6,211	6,284
Public Works	29,713	30,287	29,337	28,802	29,339	29,344	29,991	28,394	28,769	27,420
Parks and Recreation	16,135	15,913	15,858	15,567	15,410	15,572	14,910	14,269	12,828	11,925
Public Safety:										
Police	54,252	47,105	45,120	43,516	44,138	45,143	44,861	42,870	41,105	39,218
Fire	35,341	34,099	33,162	31,702	33,594	34,457	35,344	33,855	32,183	31,668
Communications (hide)	*	*	*	*	*	*	*	*	*	*
Planning & Inspection	7,593	6,848	6,383	5,838	5,779	5,918	5,616	5,353	5,083	5,699
Library	8,851	8,161	7,712	7,728	8,090	8,470	8,666	8,416	8,106	7,960
Housing Authority	-	-	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	5,206	6,447	8,207	-	-	-
Interest on long term debt	853	1,125	2,107	6,991	10,437	9,856	10,287	11,679	12,338	12,727
Supplemental Educational Revenue Augmentation Fund	-	-	-	-	2,025	9,834	-	-	-	-
Pass Through Payments	-	-	-	1,085	-	-	-	-	-	-
Total Governmental Activities Expenses (Net)	173,642	160,457	157,603	152,580	168,622	179,995	187,493	171,816	160,036	158,199
Business-Type Activities:										
Utilities:										
Electric -										
Retail	344,382	333,432	314,069	283,142	281,342	280,512	316,523	293,619	269,659	250,476
Wholesale	32,635	28,871	24,717	32,115	50,754	73,727	110,879	177,973	197,076	249,500
Water	29,482	28,181	26,683	25,076	23,078	23,067	22,927	21,689	21,397	19,582
Sewer	17,981	17,237	16,054	15,348	16,296	14,222	13,469	12,538	12,181	15,124
Water Recycling	2,902	2,030	1,979	3,326	8,304	3,256	1,157	1,169	2,322	947
Solid Waste	19,717	18,486	19,222	17,322	16,192	15,842	16,226	15,689	15,508	15,589
Cemetery	676	901	991	958	935	960	721	736	709	770
Sports and Open Space Authority	97	95	44	48	48	18	7	39	20	36
Santa Clara Golf and Tennis Club	2,754	2,827	2,662	2,759	2,706	2,724	2,735	2,603	2,591	2,697
Santa Clara Convention Center	9,006	8,926	8,553	8,073	7,786	7,121	6,360	6,259	6,003	6,163
Santa Clara Stadium Authority	98,363	21,913	27,442	5,393	-	-	-	-	-	-
Total Business-Type Activities Expenses	557,995	462,899	442,416	393,560	407,441	421,449	491,004	532,314	527,466	560,884
Total Primary Expenses	\$ 731,637	\$ 623,356	\$ 600,019	\$ 546,140	\$ 576,063	\$ 601,444	\$ 678,497	\$ 704,130	\$ 687,502	\$ 719,083

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)
(continued)

Table 2

	2015 ⁽²⁾	2014	2013	2012	2011	2010	2009	2008	2007	2006
Program Revenues:										
Governmental Activities:										
Charges for Services:										
General Administration	\$ 416	\$ 355	\$ 562	\$ 680	\$ 6,611	\$ 9,596	\$ 9,625	\$ 9,848	\$ 9,340	\$ 9,888
Parks and Recreation	4,207	3,157	2,825	2,868	2,868	2,940	2,776	2,591	2,407	2,376
Planning and Inspection	13,944	9,299	6,872	12,509	5,307	3,549	3,576	5,340	4,114	4,778
Other Programs	16,281	12,296	9,352	10,397	9,508	6,956	7,792	6,833	5,943	5,699
Operating Grants and Contributions	8,240	6,566	3,922	4,444	4,028	4,105	5,650	6,485	4,732	5,418
Capital Gains and Contributions	5,848	10,347	4,490	4,737	4,467	5,775	5,412	13,285	5,095	3,762
Total Governmental Activities Program Revenues	48,936	42,020	28,023	35,635	32,789	32,921	34,831	44,382	31,631	31,921
Business-Type Activities:										
Utilities:										
Electric -										
Retail	354,557	335,658	322,749	329,518	304,024	270,834	256,872	249,079	251,332	211,111
Wholesale	27,301	28,622	22,296	29,149	50,124	67,840	102,480	172,404	204,723	255,188
Equity in income (losses) of joint ventures ⁽¹⁾	(4,719)	4,214	6,111	(3,576)	-	-	-	-	-	-
Water	31,462	30,979	30,177	28,232	25,682	23,744	24,251	23,001	21,701	19,645
Sewer	43,400	34,585	32,090	27,036	22,380	9,443	9,287	8,330	23,178	12,948
Equity in income (losses) of joint ventures ⁽¹⁾	(10,036)	(3,383)	(3,654)	(2,239)						
Water Recycling	3,381	3,136	2,774	4,319	8,919	4,363	1,911	3,178	1,504	966
Solid Waste	20,404	20,154	19,575	18,460	17,142	15,843	15,619	16,185	15,624	14,688
Cemetery	649	528	632	519	426	454	356	465	564	511
Sports and Open Space Authority	66	82	420	2,056	1,415	1,506	1,745	1,605	1,317	1,287
Santa Clara Golf and Tennis Club	2,207	2,857	2,929	2,973	2,795	2,917	2,993	3,108	3,200	3,020
Santa Clara Convention Center	7,112	7,240	6,933	6,119	6,086	6,845	21,947	12,059	6,654	4,033
Santa Clara Stadium Authority	102,908	33,193	-	5	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	578,692	497,865	443,032	442,571	438,993	403,789	437,461	489,414	529,797	523,397
Total Primary Government Program Revenues	627,628	539,885	471,055	478,206	471,782	436,710	472,292	533,796	561,428	555,318
Net (Expense) Revenue:										
Governmental Activities	(124,706)	(118,437)	(129,580)	(116,945)	(135,833)	(147,074)	(152,662)	(127,434)	(128,405)	(126,278)
Business-Type Activities	20,697	34,966	616	49,011	31,552	(17,660)	(53,543)	(42,900)	2,332	(37,048)
Total Primary Government Net (Expense) Revenue	\$ (104,009)	\$ (83,471)	\$ (128,964)	\$ (67,934)	\$ (104,281)	\$ (164,734)	\$ (206,205)	\$ (170,334)	\$ (126,073)	\$ (163,326)

Note:

(1) 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.

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)
(continued)

Table 2

	2015 ⁽²⁾	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Revenue and other changes in Net Position										
Governmental Activities:										
Taxes:										
Sales	\$ 49,649	\$ 46,736	\$ 44,159	\$ 41,280	\$ 35,845	\$ 31,876	\$ 34,894	\$ 40,516	\$ 43,176	\$ 38,066
Ad Valorem Property	37,574	39,187	31,651	43,880	57,172	61,834	61,695	54,536	49,736	39,388
Transient occupancy	18,186	15,141	13,673	11,755	9,910	8,302	9,138	11,269	10,542	9,601
Other	5,173	5,191	4,333	3,034	3,731	3,049	3,931	4,504	4,731	4,856
Internal Governmental, unrestricted:										
Motor Vehicle in-lieu	50	-	51	120	539	345	394	507	684	668
Contribution in-lieu of taxes	17,493	16,591	15,219	15,343	14,913	13,448	15,150	14,732	14,722	12,860
Investment earnings	1,702	3,380	6,058	7,900	21,770	18,179	20,665	31,462	33,838	31,544
Net increase (decrease) in the fair value of investments	496	1,815	(3,567)	(707)	(8,905)	413	16,985	1,415	4,674	(16,596)
Equity in income (losses) of joint ventures	(40)	(106)	(286)	(285)	(225)	(1)	69	1,225	-	-
Rents and royalties	11,189	3,781	13,658	13,115	2,851	3,274	3,383	2,850	2,474	5,001
Gain (loss) on retirement of assets	-	-	-	-	4,651	2	4	4	-	-
Other	12,154	4,317	4,434	4,104	2,989	2,917	2,845	3,049	2,687	3,803
Co-op Agreements Activities	-	-	-	(5)	-	-	-	-	-	-
Special item	(9,224)	(80,152)	(29,563)	106,602	-	-	-	-	-	-
Total Government General Revenue, Transfers, and Special Item	144,402	55,881	99,820	246,136	145,241	143,638	169,153	166,069	167,264	129,191
Business-Type Activities: (2)										
Investment earnings	15,602	2,863	3,403	5,922						
Net increase (decrease) in the fair value of investments	544	2,356	(4,695)	(874)						
Gain (loss) on retirement of assets	64	-	(2)	71,662						
Total Business-Type General Revenue and Transfers	16,210	5,219	(1,294)	76,710						
Total Primary Government General Revenue and Transfers	160,612	61,100	98,526	322,846						
Change in Net Position - Total Primary Government	56,603	(22,371)	(30,438)	254,912	40,960	(21,096)	(37,052)	(4,265)	41,191	(34,135)
Net Position - Beginning of Year (2013 & 2015 Adjusted)	1,738,140	1,760,511	1,790,949	1,536,037	1,498,202	1,519,298	1,556,350	1,560,615	1,519,424	1,553,559
GASB 68 Implementation	(405,736)	-	-	-	-	-	-	-	-	-
Net Position - End of Year - Total Primary Government	1,389,007	1,738,140	1,760,511	1,790,949	1,539,162	1,498,202	1,519,298	1,556,350	1,560,615	1,519,424

Notes:

(1) 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.

(2) Amounts shown for Fiscal Year 2011-12 were restated to separately present General Revenues of Business-Type Activities.

Source: Finance Office, City of Santa Clara

CITY OF SANTA CLARA
FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

Table 3

	2015	2014	2013	2012	2011 ⁽¹⁾	2010	2009	2008	2007	2006
General Fund:										
Nonspendable	\$ 13,247	\$ 12,850	\$ 12,785	\$ 12,466	\$ 46,015	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	9,546	9,641	7,191	10,922	3,670	-	-	-	-	-
Committed	55,121	78,125	86,949	86,942	1,675	-	-	-	-	-
Assigned	6,761	4,752	4,927	4,033	1,157	-	-	-	-	-
Unassigned	58,946	23,910	38,522	33,393	21,138	-	-	-	-	-
Reserved	-	-	-	-	-	24,778	22,278	20,858	22,394	19,656
Unreserved:										
Designated	-	-	-	-	-	25,938	42,548	53,693	54,725	47,802
Undesignated	-	-	-	-	-	-	-	1,462	-	-
Total General Fund	143,621	129,278	150,374	147,756	73,655	50,716	64,826	76,013	77,119	67,458
All other Governmental Funds:										
Nonspendable	-	-	-	-	11,122	-	-	-	-	-
Restricted	76,848	60,489	105,785	125,100	188,584	-	-	-	-	-
Committed	20,237	25,697	21,351	32,007	34,794	-	-	-	-	-
Assigned	-	-	-	-	1,418	-	-	-	-	-
Unassigned	-	-	-	-	(22,834)	-	-	-	-	-
Reserved	-	-	-	-	-	93,119	99,361	108,510	78,343	71,167
Unreserved, reported in:										
Capital projects funds	-	-	-	-	-	113,632	115,740	115,401	136,414	153,503
Special revenue funds	-	-	-	-	-	602	426	409	7,033	7,771
Other purposes	-	-	-	-	-	19,305	16,770	13,195	10,712	8,299
Total All Other Governmental Funds	97,085	86,186	127,136	157,107	213,084	226,658	232,297	237,515	232,502	240,740
Total Governmental Funds	\$ 240,706	\$ 215,464	\$ 277,510	\$ 304,863	\$ 286,739	\$ 277,374	\$ 297,123	\$ 313,528	\$ 309,621	\$ 308,198

Note:

(1) The City implemented GASB 54 in Fiscal year 2010-2011.

Source: Finance Office, City of Santa Clara.

CITY OF SANTA CLARA
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

Table 4

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
REVENUES:										
Taxes:										
Sales	\$ 49,649	\$ 46,736	\$ 44,160	\$ 41,280	\$ 35,845	\$ 31,876	\$ 34,894	\$ 40,516	\$ 43,176	\$ 38,066
Ad valorem property	37,574	39,187	31,651	43,880	57,172	61,834	61,695	54,536	49,736	39,388
Transient occupancy	18,186	15,141	13,673	11,755	9,910	8,302	9,138	11,269	10,542	9,601
Other	5,173	5,191	4,333	4,139	3,731	4,099	4,931	5,459	5,636	5,716
Licenses, permits, fees and penalties	9,508	6,860	6,523	9,222	5,690	4,286	5,000	5,232	5,199	4,946
Intergovernmental	13,766	10,611	6,838	8,091	8,017	9,359	8,142	9,760	9,685	8,202
Charges for services	39,012	32,749	26,621	32,767	28,395	24,647	22,396	22,907	20,417	19,881
Contribution in-lieu of taxes	17,493	16,591	15,219	15,343	14,912	13,448	15,150	14,732	14,722	12,861
Interest and rents	10,692	7,672	20,026	21,329	25,220	25,477	25,878	30,547	29,955	28,253
Net increase (decrease) in the fair value of investments	496	1,815	(3,567)	(707)	(3,571)	449	6,409	258	1,553	(5,473)
Other	13,792	6,740	4,627	3,645	2,515	2,829	2,914	3,201	2,557	1,990
TOTAL REVENUES	\$ 215,341	\$ 189,293	\$ 170,104	\$ 190,744	\$ 187,836	\$ 186,606	\$ 196,547	\$ 198,417	\$ 193,178	\$ 163,431

Source: Finance Office, City of Santa Clara.

CITY OF SANTA CLARA
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)
(continued)

Table 4

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
EXPENDITURES										
Current:										
General Administration	\$ 18,684	\$ 17,101	\$ 17,615	\$ 26,430	\$ 26,623	\$ 25,078	\$ 24,826	\$ 27,341	\$ 29,253	\$ 27,084
City Clerk	1,060	863	970	703	777	662	768	691	755	554
City Attorney	1,329	1,335	1,226	1,328	1,172	1,314	1,136	1,049	1,230	1,137
Human Resources	2,322	2,279	2,055	1,979	1,947	1,804	1,960	1,682	1,752	1,724
Finance	8,455	8,231	7,876	7,588	7,170	7,535	7,458	7,726	6,224	6,206
Public Works	18,424	17,562	16,765	16,231	17,133	17,178	17,853	16,307	17,012	15,503
Parks and Recreation	14,506	14,428	14,063	14,124	13,844	13,906	13,389	12,732	11,486	10,686
Public Safety:										
Police	54,344	45,584	42,991	41,912	42,520	43,959	43,317	40,089	37,450	34,837
Fire	35,144	33,267	32,370	31,522	32,214	33,768	34,292	31,636	30,157	29,112
Planning & Inspection	7,620	6,938	6,268	5,725	5,680	5,726	5,402	5,112	4,814	5,410
Library	7,611	7,206	6,564	6,594	6,932	7,406	7,460	7,008	6,897	6,742
Community Development	-	-	-	-	5,206	6,446	8,207	-	-	-
Capital Outlay	10,730	8,736	15,060	46,490	15,361	13,022	27,169	24,991	26,912	29,354
Debt Service:										
Principal payments	1,576	8,520	24,302	4,294	29,720	10,555	10,000	9,470	8,985	5,918
Interest and fiscal fees	925	1,174	2,009	7,038	10,335	10,128	10,720	11,294	11,811	12,182
Bond issuance cost	2	5	411	5	490	8	-	-	-	-
Supplemental Educational Revenue Augmentation Fund	-	-	-	-	2,025	9,834	-	-	-	-
Pass Through Payments	-	-	-	1,085	-	-	-	-	-	-
TOTAL EXPENDITURES	182,732	173,229	190,545	213,048	219,149	208,329	213,957	197,128	194,738	186,449
EXCESS (DEFICIENCY) OF REVENUES										
OVER (UNDER) EXPENDITURES	32,609	16,064	(20,441)	(22,304)	(31,313)	(21,723)	(17,410)	1,289	(1,560)	(23,018)
OTHER FINANCING SOURCES (USES):										
Sale of Capital Assets	-	-	-	-	-	2	4	4	596	1,701
Co-op Agreements Activities	-	-	-	(5)	(8,297)	-	-	-	-	-
Proceeds from Bond Issuance	-	-	19,572	-	41,451	-	-	-	-	-
Transfers in	14,152	27,961	17,525	96,634	25,705	31,493	31,477	32,196	25,698	37,055
Transfers out	(12,295)	(25,918)	(14,446)	(20,180)	(23,661)	(29,521)	(30,476)	(29,582)	(23,311)	(35,554)
TOTAL OTHER FINANCING SOURCES (USES)	1,857	2,043	22,651	76,449	35,198	1,974	1,005	2,618	2,983	3,202
NET CHANGE IN FUND BALANCES										
BEFORE SPECIAL ITEM	\$ 34,466	\$ 18,107	\$ 2,210	\$ 54,145	\$ 3,885	\$ (19,749)	\$ (16,405)	\$ 3,907	\$ 1,423	\$ (19,816)
SPECIAL ITEM-ASSET TRANSFERRED										
TO LIABILITIES ASSUMED BY SUCCESSOR AGENCY	(9,224)	(80,152)	(29,563)	(31,847)	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES AFTER										
SPECIAL ITEM	\$ 25,242	\$ (62,045)	\$ (27,353)	\$ 22,298	\$ 3,885	\$ (19,749)	\$ (16,405)	\$ 3,907	\$ 1,423	\$ (19,816)
DEBT SERVICE AS A PERCENTAGE OF										
NON-CAPITAL EXPENDITURES	1%	6%	15%	7%	21%	15%	10%	12%	12%	12%

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		Total Direct Tax Rate
						Assessed Valuation To Total Assessed Valuation	% of Growth of Assessed Valuation	
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%
2013 / 14	22,216,962	4,641	4,680,536	26,902,139	27,012,697	99.59%	6.83%	1.14%
2014 / 15	24,294,056	4,183	4,352,204	28,650,443	28,758,679	99.62%	6.50%	1.13%

Note:

(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
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%
2013 / 14	1.0388%	0.0962%	0.0070%	1.1420%
2014 / 15	1.0388%	0.0824%	0.0065%	1.1277%

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.

Due date for current taxes: First installment - November 1; second installment - February 1.

Penalties for delinquency: 10% and 1.5% of tax per month after date taxes become delinquent.

Collected by government unit: County of Santa Clara.

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.

Compensation paid to collecting government unit for fiscal year 2014-15 is \$259,816.

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
2014-15 AND 2005-06 COMPARISON FOR GENERAL FUND
(In Thousands)**

Table 7

Taxpayers	2014-15		2005-06	
	Assessed Valuation	Percentage of Total Assessed Valuation	Assessed Valuation	Percentage of Total Assessed Valuation
Intel Corporation	\$ 1,291,429,202	4.49%	\$ 1,383,919	7.70%
Sobrato Interest (formerly Sobrato Development Company)	686,692,471	2.39%	450,831	2.51%
Nvidia Corporation (formerly Nvidia Land Development LLC)	380,257,533	1.32%		0.00%
Oracle America Inc. (formerly Sun Microsystems)	325,152,104	1.13%	267,547	1.49%
Microsoft Corporation	266,323,868	0.93%		0.00%
Xeres Ventures LLC	262,736,348	0.91%	157,949	0.88%
M West Propco XIII LLC	254,713,759	0.89%		0.00%
Agilent Technologies, Inc.	244,670,536	0.85%		0.00%
Marvell Semiconductor Inc. (formerly Marvell Technology In	208,024,346	0.72%	559,582	3.11%
Texas Instruments Inc	188,722,491	0.66%	-	0.00%
Santa Clara College		0.00%	313,790	1.75%
Kaiser Foundation Hospitals		0.00%	310,730	1.73%
National Semiconductor Corporation		0.00%	206,224	1.15%
Prudential Insurance Company		0.00%	149,730	0.83%
City of Santa Clara		0.00%	138,694	0.77%
Top Ten Total	\$ 4,108,722,658	14.29%	\$ 3,938,996	21.92%
City Total	\$ 28,758,679,162		\$ 17,972,599	

Sources: Santa Clara County Assessor 2014-15 and 2005-06 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
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%
2013 / 14	24,027	24,027	100.00%	-	24,027	100.00%
2014 / 15	25,550	25,550	100.00%	-	25,550	100.00%

Sources: City of Santa Clara and 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					
	Insurance		Total									
	Certificates of Participation	Funding Bonds	Assessment Bonds	Governmental Activities								
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%
2013 / 14	26,210	-	-	26,210	-	227,163	653,367	906,740	121,229	7,480	4,739,710	19.13%
2014 / 15	24,579	-	-	24,579	-	226,828	561,556	812,963	120,973	6,720	4,952,711	16.41%

Notes:
(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
Sources: Note 11, Note 2; Statement of Net Position; MuniServices LLC

**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
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
2013 / 14	121.2	27,012,697
2014 / 15	121.0	28,758,679

Note: (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, 2015

Table 11

Description	% Applicable	Debt
Direct Debt:		
Certificates of Participation Series 2002 B	100%	\$ -
2010 Lease Financing	100%	6,715,000
2013 Refunding Certificates of Participation	100%	16,955,000
Total Gross Direct Debt		23,670,000
Unamortized Premium/Discount	100%	909,472
Total Net Direct Debt		24,579,472
Overlapping Debt:		
Santa Clara County General Fund Obligations	8.053%	56,984,140
Santa Clara County Pension Fund Obligations	8.053%	29,912,357
Santa Clara Valley Water District Benefit Assessment District	8.053%	8,591,746
Santa Clara County Board of Education Certificates of Participation	8.053%	727,186
San Jose-Evergreen Community College District Pension Obligations	0.069%	32,741
West Valley-Mission Community College District General Fund Obligations	26.917%	17,404,532
Foothill-DeAnza Community College District	1.264%	146,847
San Jose-Evergreen Community College District	0.069%	288,409
West Valley Community College District	26.915%	114,331,128
Fremont Union High School District	2.795%	10,566,360
Campbell Union High School District General Fund Obligations	1.750%	156,678
Campbell Union School District	3.826%	6,509,222
Campbell Union High School District	1.750%	2,570,925
Campbell Union School District Certificates of Participation	3.826%	131,041
El Camino Hospital District	1.386%	1,917,462
San Jose Unified School District	0.201%	1,151,625
Cupertino Union School District	4.663%	11,630,383
Santa Clara Unified School District	63.649%	346,724,745
San Jose Unified School District Certificates of Participation	0.201%	12,060
Santa Clara County	8.053%	64,357,965
Foothill-DeAnza Community College District Certificates of Participation	1.264%	8,027,276
Santa Clara Unified School District Certificates of Participation	63.649%	8,548,061
Santa Clara County Vector Control District Certificates of Participation	8.053%	248,435
Total Overlapping Debt		690,971,324
Total Gross Direct and Overlapping Bonded Debt ⁽¹⁾		714,641,324
Direct Unamortized Premium/Discount		909,472
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT		\$ 715,550,796
2014 / 15 Assessed Value	\$ 28,758,679,162	
Ratios to Assessed Valuation:		
Direct Debt	\$ (24,579,472)	0.082%
Total Gross Debt		2.485%
Total Net Debt		2.488%

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	Net Assessed Valuation	Debt Limit- 15% of Assessed Valuation ⁽¹⁾	Debt Applicable to Limit	Legal Debt Margin
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
2013 / 14	26,902,139	4,035,321	-	4,035,321
2014 / 15	28,650,444	4,297,567	-	4,297,567

Note:

(1) 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 and City of Santa Clara

**CITY OF SANTA CLARA
 PLEDGED 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)
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	300,216	238,074	62,142	6,255	9,616	1,017	16,888	3.68
2012 / 13	298,522	266,246	32,276	6,560	9,899	813	17,272	1.87
2013 / 14	314,847	288,954	25,893	3,550	7,994	637	12,181	2.13
2014 / 15	332,178	297,846	34,332	6,485	7,990	459	14,934	2.30

Notes:

(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 includes \$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
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%
2013 / 14	121,229	4,739,710	39,097	35.0	15,169	5.4%	4.9%
2014 / 15	120,973	4,952,711	40,941	34.4	15,169	3.9%	3.6%

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 PRIVATE EMPLOYERS
Current Year and Ten Years Ago**

Table 15

Company	2015		2005	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Intel Corporation	10,801	23.1%	8,000	15.6%
Applied Materials, Inc.	8,500	18.1%		
Texas Instruments Inc.	3,500	7.5%		0.0%
California's Great America	2,500	5.3%		0.0%
Avaya Inc.	2,000	4.3%		0.0%
City of Santa Clara	1,588	3.4%		0.0%
EMC Corporation	1,338	2.9%		0.0%
Macy's	1,200	2.6%		0.0%
Santa Clara University	1,200	2.6%		0.0%
ON Semiconductor Corporation	1,100	2.3%		0.0%
Agilent Technologies			3,000	5.9%
Oracle (formerly Sun Microsystems)			2,500	4.9%
National Semiconductor Corporation			2,000	3.9%
Coast Personnel			1,895	3.7%
Nortel Networks			1,500	2.9%
Nvidia Corporation			1,400	2.7%
Sanmina-SCI Corp.			1,200	2.3%
Siemens Info. Comm. Networks Inc.			1,200	2.3%
3Com Corporation			1,000	2.0%
Total Top Ten	33,727	49.0%	23,695	46.2%
All Others	13,124	51.0%	27,505	53.8%
Total Employment	46,851	100%	51,200	100%

Sources: Fiscal Year 2005: 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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
City Council	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
City Clerk	5.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
City Attorney	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00
City Manager	9.00	9.00	8.00	8.00	8.00	9.00	9.00	9.00	8.00	8.00
Information Technology	5.00	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	14.50	14.50	15.00	15.00	15.00	15.00	15.00
Finance	58.25	58.00	58.00	58.00	58.00	62.00	62.00	63.00	54.00	54.00
Parks & Recreation	82.75	82.00	82.00	82.00	82.00	83.00	83.00	83.00	84.00	84.00
Library	46.50	46.50	42.00	42.00	42.75	42.75	42.75	42.75	42.75	42.75
Planning & Inspection	44.00	40.00	40.00	40.00	40.00	40.00	40.00	39.00	39.00	39.00
Engineering	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00	44.00	44.67
Purchasing	*	*	*	*	*	*	*	*	9.00	9.00
Building Maintenance	11.40	11.50	11.50	11.50	12.50	13.50	13.50	13.50	13.50	13.50
Street	63.10	62.00	63.00	63.00	63.00	64.00	64.00	64.00	58.00	58.00
Automotive Services	15.00	15.00	16.00	18.00	18.00	19.00	19.00	19.00	19.00	19.00
Police	219.00	222.00	222.00	222.00	227.00	227.00	227.00	227.00	227.00	227.00
Fire	179.50	179.50	179.50	179.50	179.50	179.50	179.50	179.50	179.50	179.50
Electric Utility	156.00	142.00	135.00	135.00	144.00	144.00	144.00	144.00	144.00	144.00
Water Utility	47.10	45.40	45.80	45.80	46.15	45.45	45.45	45.50	45.50	45.50
Sewer Utility	17.90	15.60	14.20	14.20	13.85	14.55	14.55	14.50	13.50	13.50
TOTAL	1,026.50	1,004.50	992.00	994.00	1,010.75	1,020.25	1,020.25	1,020.25	1,019.25	1,019.92

Note: * Included in Finance starting 2007-08

Source: City of Santa Clara Annual Budget 2014-15

**CITY OF SANTA CLARA
OPERATING INDICATORS BY FUNCTION/ACTIVITY
Last Ten Fiscal Years**

Table 17

	Fiscal Year Ending June 30									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Culture and Recreation:										
Number of library items circulated	2,491,553	2,260,844	2,525,555	2,527,883	2,466,152	2,782,561	2,647,837	2,564,484	2,545,942	2,657,430
Fire Protection:										
Number of calls answered	8,403	8,336	8,232	8,135	8,659	8,671	7,488	7,614	7,686	6,549
Number of inspections conducted	8,067	8,784	9,097	9,775	10,234	8,565	9,707	8,436	9,041	10,460
Police Protection:										
Number of calls for service ⁽¹⁾	60,208	59,474	59,158	57,018	62,004	64,797	57,245	57,769	55,909	58,021
Electric System:										
Maximum annual demand (MW)	491.1	482.4	471.1	463.01	471.37	459.8	489.9	479.6	486.5	461.2
Total annual energy (Mwh)	3,238,372	3,145,100	3,102,166	3,052,818	2,950,301	2,909,151	2,971,436	2,984,161	2,931,407	2,764,831
Sewer System:										
Number of service connections	25,656	25,660	25,530	25,300	25,420	25,540	26,125	26,084	26,014	25,920
Peak flow (5-day average, WPCP) (MG)	121	121	121	121	120	109	109	109	125	118
Maximum daily capacity of treatment plant (WPCP) (MGD)	167	167	167	167	167	167	167	167	167	167
Peak flow (5-day average, City) (MGD)	16	16	16	16	16	16	16	17	17	17
Water System:										
Number of service accounts	25,656	25,530	25,530	25,300	25,420	25,540	25,482	25,310	25,277	25,136
Daily Average consumption (MG)	16.8	18.8	19	19	18.6	18.1	19.4	21	22	21
Maximum daily capacity of plant:										
Potable Water (MGD)	87	87	87	87	87	87	87	87	89	89
Recycled Water (MGD)	15	15	15	15	15	15	15	15	15	15

Note: (1) 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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Culture and Recreation:										
Number of community centers	4	4	4	4	4	4	4	4	4	4
Number of parks	34	32	32	32	32	32	32	32	32	31
Park acreage	273	273	273	273	273	273	282	282	282	282
Number of golf courses	1	1	1	1	1	1	1	1	1	1
Number of swimming pools	5	5	5	5	5	5	5	5	4	4
Number of tennis courts	28	28	28	28	28	28	28	28	28	28
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	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	53,360	52,775	52,957	52,867	52,327	52,090	51,832	51,514	50,858	50,069
Miles of high voltage lines	591	590	586	582	579	573	573	548	479	479
Number of substations	27	26	26	26	26	24	23	23	23	23
Sewerage System:										
Miles of sanitary sewers	288	288	288	286	285	285	279	279	282	282
Miles of storm sewers	195	-	141	141	140	140	140	140	138	138
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	335	335	334
Number of fire hydrants	3,315	3,315	3,315	3,315	3,315	3,315	3,313	3,285	3,261	3,249
Miles of recycled water mains	33	33	33	33	23	21	20	20	20	19
Streets:										
Miles of Streets	252	249	249	249	249	249	249	249	249	249
Number of Street Lights	8,097	8,054	8,077	8,046	7,993	7,990	7,976	8,481	8,181	8,179
Number of Traffic Signals	200	196	191	188	188	188	188	187	187	184

Source: City of Santa Clara

**CITY OF SANTA CLARA
STATEMENT OF INSURANCE COVERAGE
June 30, 2015**

Table 19

TYPE OF POLICY	INSURANCE COMPANY	LIMITS ⁽¹⁾	ANNUAL PREMIUM	TERM YEARS	EXPIRATION DATE ⁽²⁾
<u>Liability</u>					
Comprehensive General	Self-insured (Since 1987)	\$5 million	n/a	-	Ongoing
Excess Liability	Starr Indemnity & Liability Company	\$20 million	\$245,821	1	7/1/2015
Workers' Compensation	Self-insured (since 1973)	\$500 thousand	n/a	-	Ongoing
Excess Workers' Compensation	CSAC Excess Ins. Authority	\$5 million	\$553,651	1	7/1/2015
<u>Property Coverage</u>					
All Risks, including flood, excluding earthquake	Public Entity Property Insurance Program (PEPIP) Lexington Insurance and various excess carriers	\$1 billion	\$594,996	1	7/1/2015
Boiler and Machinery	Lexington Insurance Co., Hartford Steam Boiler, and Foreign Excess Insurance Companies	\$100 million	\$24,420	1	7/1/2015
<u>Financial Loss Bonds</u>					
Crime Coverage Bond	CSAC Excess Insurance Authority	\$15 million	\$7,355	2	7/1/2015

Notes:

(1) Limits are per occurrence

(2) All policies have been renewed

Source: City of Santa Clara

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**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

Contains information to help the reader assess the City’s most significant local revenue source, the property tax.

1 - 3

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.

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SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA
BAYSHORE NORTH PROJECT AREA
Historical Tax Increment
Last Ten Fiscal Years
(In Thousands)

Table 1

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Real Property Value	\$ 2,504,578	\$ 2,428,787	\$ 2,443,683	\$ 2,337,717	\$ 2,302,910	\$ 2,627,293	\$ 2,441,511	\$ 2,029,853	\$ 1,851,088	\$ 1,611,794
Other Property Value	551,425	450,943	468,788	492,292	423,299	388,607	377,401	353,950	334,725	297,334
Total Project Value	<u>3,056,003</u>	<u>2,879,730</u>	<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>
Less Base Value	49,322	(8,829)	(8,838)	(8,838)	(8,838)	(8,838)	(8,838)	(8,838)	(8,838)	(8,838)
Increment Over Base Value	<u>3,105,325</u>	<u>2,870,901</u>	<u>2,903,633</u>	<u>2,821,171</u>	<u>2,717,371</u>	<u>3,007,062</u>	<u>2,810,074</u>	<u>2,374,965</u>	<u>2,176,975</u>	<u>1,900,290</u>
Redevelopment Property										
Tax Trust Fund (RPTTF) ⁽¹⁾	9,365	26,759	13,366	-	-	-	-	-	-	-
Tax Increment Revenue	-	-	-	15,035	28,629	31,656	29,597	25,036	22,945	20,052
Supplemental Tax Revenue	-	-	-	-	(37)	94	1,627	1,306	713	(632)
Total Tax Revenue	<u>9,365</u>	<u>26,759</u>	<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>Less:</u>										
AB 1484 True-Up Payment ⁽²⁾	-	-	(378)	-	-	-	-	-	-	-
Pass Through Payments	-	-	-	(1,085)	-	-	-	-	-	-
SERAF Payment	-	-	-	-	(1,975)	(9,592)	-	-	-	(2,360)
Housing Set-Aside	-	-	-	(3,007)	(8,578)	(9,525)	(9,367)	(7,903)	(7,098)	(5,826)
County Administrative Charge	-	-	-	-	(312)	(321)	(286)	(262)	(251)	(219)
Net Tax Revenue	<u>\$ 9,365</u>	<u>\$ 26,759</u>	<u>\$ 12,988</u>	<u>\$ 10,943</u>	<u>\$ 17,227</u>	<u>\$ 12,312</u>	<u>\$ 21,571</u>	<u>\$ 18,177</u>	<u>\$ 16,309</u>	<u>\$ 11,015</u>

Notes:

(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.

Source: City of Santa Clara / Santa Clara County Auditor

**SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA
 BAYSHORE NORTH PROJECT AREA
 Ten Largest Assesseees - Taxable Value
 June 30, 2015**

Table 2

ASSESSEE	ASSESSED PROPERTY USE	ASSESSED PROPERTY VALUATION	PERCENT OF TOTAL
1 Sobrato Interest	Commercial Office Building	\$ 329,429,258	10.78%
2 Prudential Insurance Co of America	Commercial Office Building	138,174,137	4.52%
3 Yahoo Inc	Commercial Office Building	129,436,135	4.24%
4 PR 3975 Freedom Circle LLC	Commercial Office Building	115,443,161	3.78%
5 City of Santa Clara/Hyatt Equities LLC	Commercial Office Building	106,606,388	3.49%
6 Landing SC LLC	Commercial Office Building	103,969,890	3.40%
7 Cedar Fair Southwest Inc	Commercial Office Building	102,109,157	3.34%
8 Freedom Circle LLC	Commercial Office Building	96,607,203	3.16%
9 Santa Clara Towers LP	Commercial Office Building	89,498,427	2.93%
10 Lake Park Associates LLC	Commercial Office Building	82,216,233	2.69%
	TOTAL	\$ 1,293,489,989	42.33%
	TOTAL AGENCY ASSESSED VALUE	\$ 3,056,003,033	

SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA
BAYSHORE NORTH PROJECT AREA
Assessment Appeal Activity of Top 20 Assesseees
2014-15 Impacts

Table 3

TAX ROLL NUMBER	ASSESSEE	ASSESSED		S/U ⁽¹⁾	APPEAL NUMBER	HEARING DATE		APPLICANT'S OPINION	
		VALUATION/ORIGINAL				DEADLINE	STATUS	VALUATION	LAND USE
14-088142	The Irvine C	\$	170,250,000	S	14.1139		Pending	\$ -	Commercial
14-080673	The Irvine C		108,250,000	S	14.1138		Pending	-	Commercial
14-028327	Arista Network		65,079,848	U	14.1869		Pending	37,065,000	N/A
12-041128	Quality Tech		63,702,529	U	12.6758		Pending	16,100,000	N/A
13-039368	Quality Tech		61,168,167	U	13.3546		Pending	16,100,000	N/A
984-12-005	Cedar Fair		52,312,695	U	14.H129		Pending	34,676,604	N/A
13-022391	Cedar Fair		52,147,534	S	13.3738		Pending	40,000,000	Commercial
14-020836	Cedar Fair		49,371,337	U	14.H126		Pending	41,757,183	N/A
104-40-030	Santa Clara		46,483,659	U	14.1203		Pending	44,383,659	N/A
104-40-030	Santa Clara		46,402,091	U	14.1202		Pending	44,583,069	N/A
10-037856	Savvis Communication Inc		45,935,890	U	10.5814		Pending	40,000,000	N/A
14-032002	Savvis Communication Inc		44,195,581	S	14.1710		Pending	22,000,000	Commercial
14-035546	Quality Tech		43,481,742	U	14.2395		Pending	21,370,000	N/A
14-088143	The Irvine C		42,000,000	S	14.1138		Pending	-	Commercial
13-022390	Cedar Fair		39,843,197	U	13.3737		Pending	37,534,242	N/A
13-087734	Savvis Communication Inc		37,849,162	U	14.0290		Pending	3,257,469	N/A
11-042252	Quality Tech		36,593,756	U	11.2690		Pending	18,296,879	N/A
104-04-077	Digital Realty		35,664,719	U	13.0813		Pending	17,832,360	N/A
104-04-077	Savvis Communication Inc		35,273,625	U	14.1709		Pending	17,700,000	N/A
104-04-077	Digital Realty		35,114,208	U	13.4605		Pending	17,557,104	N/A
		\$	1,111,119,740					\$ 470,213,569	

Note:

(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, 2015**

Table 4

2014-15 Assessed Valuation:	\$ 3,056,003,033
Base Year Valuation:	(49,322,064)
Incremental Valuation:	\$ 3,105,325,097

<u>DIRECT DEBT:</u>	Total Debt 6/30/2015	% Applicable	Project Area's Share of Debt 6/30/15
1999 Tax Allocation Bonds, Series A	\$ 31,550,000	100%	\$ 31,550,000
1999 Tax Allocation Bonds, Series B	6,325,000	100%	\$ 6,325,000
2003 Tax Allocation Bonds	40,155,000	100%	40,155,000
2011 Tax Allocation Bonds	29,064,269	100%	29,064,269
TOTAL DIRECT DEBT			\$ 107,094,269

Ratio to Incremental Valuation: 4.66%

OVERLAPPING TAX AND ASSESSMENT DEBT:

Santa Clara Unified School District	\$ 544,745,000	7.342%	39,995,178
West Valley-Mission Community College District	424,754,350	3.030%	12,870,057
Santa Clara County	799,180,000	0.856%	6,840,981
Santa Clara Valley Water District Benefit Assessment District	106,690,000	0.856%	913,266
El Camino Hospital District	138,345,000	0.008%	11,068
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 60,630,550

OVERLAPPING GENERAL FUND DEBT:

Santa Clara County General Fund Obligations	\$ 707,613,810	0.856%	\$ 6,057,174
Santa Clara County Pension Obligations	371,443,651	0.856%	3,179,558
Santa Clara County Board of Education Certificates of Participation	9,030,000	0.856%	77,297
West Valley-Mission Community College District Certificates of Participation	64,660,000	3.030%	1,959,198
Santa Clara Unified School District Certificates of Participation	13,430,000	7.342%	986,031
City of Santa Clara General Fund Obligations	23,670,000	10.626%	2,515,174
Santa Clara County Vector Control District Certificates of Participation	3,085,000	0.856%	26,408
TOTAL OVERLAPPING GENERAL FUND DEBT			\$ 14,800,839

COMBINED TOTAL DIRECT AND OVERLAPPING DEBT

\$ 182,525,659

TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT

\$ 121,895,108

(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 2014-15 Assessed Valuation:

Combined Total Direct and Overlapping Debt	5.88%
Net Combined Total Direct and Overlapping Debt	3.93%

Source: California Municipal Statistics, Inc.

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