

**COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT**



**FISCAL YEAR ENDED  
JUNE 30, 2010**

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT**

**FISCAL YEAR ENDED JUNE 30, 2010**



**The  
Mission City**

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

**PREPARED BY DEPARTMENT OF FINANCE**

# **Introductory Section**

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December 28, 2010

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:

State law requires that every general-purpose local government publish a complete set of audited financial statements within six months of the close of each fiscal year. This comprehensive Annual Financial Report (CAFR) is published to fulfill that requirement for the fiscal year ended June 30, 2010. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of the City’s knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the various funds of the City. All significant disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included in this report.

This CAFR includes all funds of the City, as well as all activities of entities considered to be a part of, controlled by, and dependent on the City. These entities include the Redevelopment Agency of the City of Santa Clara (Agency), the Public Facilities Financing Corporation (PFFC), and the City of Santa Clara Sports and Open Space Authority (SOSA). In addition, separate financial statements have been issued for both the Agency and the Electric Utility Enterprise Fund. These separate financial reports are available at the Santa Clara City Hall in the City Clerk’s Office.

**OUR CAFR IS DIVIDED INTO THE FOLLOWING SECTIONS:**

**The Introductory Section** includes information about the organizational structure of the City, the City’s economic environment and city overview for 2009-2010, major city initiatives, the City reporting entity and its services, and financial information.

**The Financial Section** is prepared in accordance with the GASB 34 requirements by including the MD&A, the Basic Financial Statements including notes and the Required Supplementary Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the City’s entire financial operations and the fund financial statements that present the financial information of each of the City’s major funds, as well as non-major enterprise, fiduciary and internal service funds. Also included in this section are the accompanying notes to the basic financial statements.

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**The Statistical Section** includes tables containing historical financial trends, revenue capacity, debt capacity, and demographic and economic information of the City and operating information that are of interest to potential investors in our bonds and to other readers.

Vavrinek, Trine, Day and Co., LLP, Certified Public Accountants, have issued an unqualified (“clean”) opinion on the City of Santa Clara’s financial statements for the year ended June 30, 2010. The independent auditors’ report is located at the front of the financial section of this report.

## **CITY OVERVIEW**

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. In terms of total assessed valuation, approximately 46% of the City's property is commercial/industrial and 54% is residential. The City is also home to a university, a community college, an adult learning center, and a general hospital.

The City’s population continues to grow, indicating the City remains an attractive place both to live and to work. The City remains one of the most highly desirable areas to live in because of the high quality services it provides to residents and its business friendly environment. According to the California Department of Finance’s Demographic Research Unit, the City’s population grew from 117,242 in January 2009 to 118,830 in January 2010. This is an increase of 1.4%.

## **THE REPORTING ENTITY AND ITS SERVICES**

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

The City 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 sanitation 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.

## **CITY MISSION, VISION, AND GOALS**

### **Mission Statement**

The mission of the City of Santa Clara is to promote a living and working environment that allows for the best quality of life by serving the community with resourceful, efficient, progressive and professional leadership. (Adopted by City Council on July 25, 1989.)

## **Vision**

SANTA CLARA: Superb, affordable services in a caring community that values our rich history and nurtures technologies that builds the future.

On August 18, 2009, the City Council adopted principles and priorities for fiscal years 2009-10 and 2010-11.

## **Council Priority:**

The City Council priority is to focus on successful completion of existing City projects, postpone new City projects and proposals, and operate within Council adopted budget principles and priorities, with the goal of guiding the City successfully to economic recovery.

## **Supporting Principles:**

- Demonstrate Environmental Leadership
- Exceptional Services & Fiscal Responsibility
- Connect with Community
- Pro-active Economic Development & Entertainment

The City Manager, with the assistance of City department heads, has developed implementation plans for achieving these goals and the related objectives. Quarterly status reports of accomplishments are prepared and presented to the City Council as action plans related to each goal are completed. Reports to Council are available on the City's website, [www.santaclaraca.gov](http://www.santaclaraca.gov).

## **ECONOMIC ENVIRONMENT**

The City is managing its way through the Great Recession which began to impact economically sensitive revenue collections in fiscal year 2007-08. Revenue declines accelerated in fiscal year 2008-09 and continued on a downward trend in fiscal year 2009-10. The Bay Area economy, and in particular the Silicon Valley region, was significantly impacted in fiscal year 2009-10. The downturn was originally fueled by the mortgage crisis which moved housing values downward, along with the equally serious crisis in the financial and credit markets. This led to dramatic increases in unemployment levels, which resulted in reductions in consumer and business spending and reinvestment. The availability of funding for start ups as well as large commercial projects became extremely tight making it difficult for projects to move forward.

Santa Clara County unemployment rates, which rose over the 11% mark in fiscal year 2008-2009, peaked at 12.1% in January before ending the 2009-2010 fiscal year at 11.3%. Although consumer confidence has rebounded somewhat from its historic lows in late 2009, full recovery to our property, sales, and transient occupancy tax revenues is expected to take several years.

The State of California's long-term budget crisis continues to negatively affect our overall budget. In adopting their 2009-10 Budget, the State directed a \$2.05 billion takeaway of redevelopment agency (RDA) funds over two years. The share for our RDA project areas is \$9.8 million in 2009-10 and \$2.0 million in 2010-11. This funding would have been used for capital improvements in the City's two redevelopment project areas. It is important to note that this is a takeaway, not a loan. The State's action was challenged by the California Redevelopment Association (CRA) and on May 4, 2010 the Superior Court ruled against the CRA lawsuit and denied a stay on the transfer

pending the outcome of an appeal. The Third District Court of Appeal denied the stay on May 7, requiring the 2009-10 payment to be made by May 10. As the CRA will continue to pursue the appeal, Santa Clara filed a letter with our 2009-10 payment noting that our payment was being made under protest and protecting our right to have the money returned to the RDA should the appeal be successful.

## **FINANCIAL DATA**

As a result of the severe recession facing the nation, the City required the additional use of \$6.2 million in reserves to fund General Operating Fund during fiscal year 2009-10. The cause of the shortfall is due primarily to two factors: revenues coming in below budget and increases in operating costs and increased salary and benefit costs, despite keeping 30 positions vacant and frozen.

The City Council's adopted budget principles for fiscal year 2009-10 were revised for fiscal year 2010-11 to reflect current economic challenges. In addition to recognizing that sufficient reserves do not exist to balance projected future budget shortfalls, the revisions reflect a multi-pronged strategy to improve the financial picture for the General Fund. This strategy will continue for the next several years. The adopted principles include but are not limited to the following:

- Team-based approach to identify and implement cost savings measures including input and participation from all major stakeholders.
- Proactively seek opportunities for economic development to benefit the City.
- Any necessary reduction in permanent positions will be accomplished first through attrition and retirements, with layoffs used only as a last resort.
- Implement a three-year strategy to bring ongoing revenues and expenditures into balance, recognizing that the City's General Fund has a structural deficit and that the use of one-time monies is only a temporary solution.
- The City recognizes that the implementation of strategies to resolve the structural deficit may take time requiring short-term solutions until ongoing savings associated with structural changes are realized.
- Reduce hours of operations where possible while maintaining essential service levels.
- Review options for consolidation of functions that reduce operational costs and improve efficiency.
- 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 Governmental Funds Balance Sheet shows fund balances designated by Council for the indicated purposes at the end of the fiscal year 2009-10 as follows:

| General Fund Contingency Reserves | Balance at 6-30-10 (millions) | Remarks   |
|-----------------------------------|-------------------------------|---|
| Working Capital Emergency Reserve | \$2.5                         | The June 30, 2010 balance represents 1.8% of the fiscal year 2010-11 adopted General Operating Fund appropriations of \$137.4 million. The policy level is 25% of the General Operating Fund adopted budget, or \$34.3 million. The July 1, 2010 balance is \$2.2 million, after the \$0.3 million transfer out for the fiscal year 2010-11 appropriation.  |
| Capital Project Reserve           | \$2.5                         | The June 30, 2010 balance is 50% of the minimum requirement of \$5 million. As part of fiscal year 2010-11 budget approval by Council, several CIP projects were closed/reduced. As a result, approximately \$1.8 million will be transferred back to the Capital Projects Reserve. The estimated balance of Capital Projects Reserve available for future projects with this anticipated transfer would be \$4.3 million. The July 1, 2010 balance would be \$1.3 million after the \$3 million transfer out for the fiscal year 2010-11 appropriation. The City has a backlog of \$141.9 million of capital project funding needs per the Five Year Plan 2011-12 through 2015-16. |
| Land Sale Reserve                 | \$17.0                        | Land Sale Reserve interest earnings are contributed to the General Fund during deficit periods, and to the General Fund Working Capital (Emergency) Reserve during surplus periods; corpus to remain intact.  |
| Building Inspection Reserve       | \$1.3                         | The Building Inspection Reserve is used by the Building Inspection Division of Planning and Inspection Department for capital and operating purposes. The July 1, 2010 balance is \$.9 million after the \$.4 million transfer out for the fiscal year 2010-11 appropriation.   |

The other major funds for the City are also discussed later in this letter, as well as further analyzed in Management’s Discussion & Analysis in the Financial Section of this CAFR.

Two key challenges the City faces over the next several years: first, balancing the General Fund and Enterprise Fund budgets when we have very limited emergency reserves and second, developing alternatives for financing \$167.4 million in needed capital improvements over the next five years. The City has no identified sources of financing for \$141.9 million of these projects.

Replenishing reserves and budgeting for necessary capital projects in the City's General Fund will take a sustained effort over several years, especially as staff and the City Council have already reduced expenditures and modified services as the organization has responded to financial challenges over the past five years. Staff is recommending continuance of the six-step approach developed in 2007-08.

In June 2007, City Council adopted the following plan regarding replenishment of General Fund Reserves. The City will need several years to recover from the Great Recession. The objectives are stated here to enable the City to return to the replenishment strategy when the City's financial position improves:

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

## **GENERAL FUND OVERVIEW**

The fiscal 2009-10 total revenues to the General Fund, as reported in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, were \$8.7 million lower compared to prior year. While sales tax revenues declined \$3 million, the General Fund's other major direct revenue sources – property, transient occupancy tax, and other local taxes were \$1.5 million lower than in the previous fiscal year. Revenues from charges for services were up \$2.2 million, the remaining revenue sources had a net decrease of \$2 million, and the net decrease in the fair value of investments declined by \$4.4 million. The City's direct and indirect expenditures were up \$1.1 million, due primarily to increased costs of salaries and benefits approved for employees.

Despite the challenges the City faces, the City's bond rating was upgraded in 2010 from AA to AAA for the 2002 Certificates of Participation (COPS), a bond issue which financed the City's Library. The City's ability to manage through turbulent financial periods was noted.

## **MAJOR CITY INITIATIVES**

Because of the severity of the Great Recession, several projects are currently under review and/or on hold in the City. However, in fiscal year 2009-10 the City was able to make progress on several projects.

## Public Facilities

- The Convention Center Ballroom Expansion was substantially completed 2009, under budget and on schedule. The expansion, funded by Redevelopment Agency, has been a success, helping to attract additional business to the Center. The Silicon Valley Concierge Association recently chose the Santa Clara Convention Center as the “best event venue” for 2010.
- Work was substantially completed on the City’s Emergency Dispatch Center, expanding the current Police Headquarters Building with state-of-the art equipment and dispatch systems. The project is the result of the partnership and combined direction of the Police, Fire, Information Technology and Public Works Departments.

## Land Use/Neighborhood Issues

The annual budget includes substantial appropriations in this theme category whose primary thrust is to protect the integrity of the City’s neighborhoods, provide affordable housing and preserve the character of Santa Clara historical neighborhoods. The highlights for those City of Santa Clara neighborhoods are as follows:

### Affordable Housing Projects and Programs

The City is currently in the fifth and final year of the 2005-2010 Consolidated Plan for using federal Community Development Block Grant (CDBG) and Home Investment Partnership Act (HOME) funds. This CDBG will be renewed for another five years commencing in 2011. This includes housing service programs, fair housing investigations, the mortgage assistance program, below market rate housing program, housing rehabilitation, and several housing development projects. On average, the annual goal is to assist 180 housing units and 875 persons in some form or another by the City and RDA affordable housing programs including funding for first time homebuyers, teacher housing, at-risk youth housing, transitional housing for survivors of domestic violence and housing rehabilitation for homeowners. These programs are administered either directly by the City and RDA, or through non-profit service agencies such as Neighborhood Housing Services Silicon Valley, Catholic Charities, Council on Aging, EHC Life Builders, Next Door, Project Sentinel, and Silicon Valley Independent Living Center.

### *Specific projects include:*

- The Bill Wilson Center Commons Project to purchase and rehabilitate a 28-unit apartment complex for affordable, permanent housing for both very low income youth aging out of foster care, and 6-8 staff counselors to mentor the youth residents.
- The Neighborhood Conservation and Improvement Program (NCIP) to support housing repairs for low-income homeowners. During 2010, The Bright Home Program was offered for exterior house painting of single-family, owner-occupied homes. At the conclusion of the program, 43 homes will be completed, with an estimated cost of \$100,000. Funds were available through ARRA.
- The second phase of the Santa Clara Unified School District’s Casa Del Maestro for construction of a 30-unit apartment building as an addition to the existing forty unit housing building for teachers.
- The First Time Homebuyer Financing Program has been totally redesigned and when used with the City’s Below Market Priced Program, offers an affordable entry-level price for first-time homebuyers, with a market-based approach for owner-equity appreciation.

## **Economic Development**

The City of Santa Clara has a team approach to economic development, anchored by emphasis on high quality services, including reliable energy, water and other utility services at the lowest combined utility rates in the nine-county region.

### General Plan Update

The City commenced a \$2.6 million update of the City's General Plan, required by State Law, for the time period 2010-2035. The effort has taken significant time on the part of the community, both residents and businesses, as well as a concerted team effort by all departments. The Planning Division is responsible for the update; meetings with the community and internally have been on-going. The housing element was updated in mid-2009 and the balance of the General Plan were completed in November 2010.

### Redevelopment Agency

In the Redevelopment Agency, activity for the year can be categorized in two major areas: housing and other projects. Affordable housing was discussed in a previous section of this letter.

The North of Bayshore Redevelopment Project Area is one of the key elements of the City's economic development program. Major projects include continued negotiation of the San Francisco 49ers proposal to build a stadium in the area. In January 2007, the San Francisco 49ers presented a proposal to build a new 68,000-seat state-of-the-art stadium in the vicinity of Great America Theme Park, the Convention Center, and the Hyatt Regency and Hilton Hotels. The City has concluded the feasibility study and the City Council approved a term sheet in June 2009 outlining the terms and conditions for the financing, construction and operation of the Stadium.

The stadium milestones in fiscal year 2009-10 included:

- In July 2009, the Draft Environmental Impact Report (Draft EIR) was completed and released for review. The Final EIR was certified by the City Council in December 2009 following an extended comment period and hearings.
- The City Council appointed a Charter Review Committee to review the charter requirement for competitive bidding of the construction of the stadium. Subsequently, SB43 passed in the State Legislature providing guidelines for proceeding with the stadium bidding process.
- The City Council set a date of June 8, 2010 to place the Stadium issue on the ballot, for a binding vote of the public.
- On May 11, 2010 Council approved moving forward with the formation of a Community Facilities District (CFD) which includes all eight hotel properties in the vicinity of the proposed stadium. These eight hotel property owners voted unanimously to place a special tax on hotel room nights equivalent to a 2% transient occupancy tax (TOT). The hotel tax does not take effect until the stadium is opened
- Measure J, the Stadium Project Measure, passed on the June 8, 2010 ballot.
- The City Manager has commenced negotiations with the 49ers on the Development and Disposition Agreement (DDA).

The University Project is a Downtown revitalization effort which includes the site of a proposed mixed-use concept of retail, office and housing on a parcel of 7.3 acres in the City's old quad area, the original downtown for the City of Santa Clara. The concept is for 350-400 housing units,

125,000 square feet of retail, and refurbishment of an existing office building. Due to a lack of demand for new housing and commercial buildings, the City Council approved putting a hold on the discussions. The City Council has created a new Downtown Revitalization subcommittee and they have commenced meetings to review and possibly modify the existing plan.

## **Santa Clara Utilities**

### Santa Clara Electric Utility d.b.a. Silicon Valley Power (SVP)

The City continues to proactively address the electricity needs of the community to better serve the City's businesses and residents. SVP's Five-Year Plan includes funds for operations and capital refurbishments and/or new construction of substations and power plants, as well as renewable power and smart grid initiatives.

The Utility continues to recover from several dry years with reduced hydroelectric power and is replenishing its reserves. A 7% rate increase for the electric utility was approved in December 2009 for January 2011. The Electric Utility is anticipating load growth of 1.1% to 1.6% over the next fiscal year. The Electric Utility is in continuous conversation with many of its key customers, as well as regularly holding discussions with community groups to monitor their needs.

SVP continues to expand its energy efficiency and Green programs funded in part by the Electric Utility Public Benefits Charge (PBC) Programs. The State of California mandates the collection of a public benefit charge equal to 2.85% of customer electric bills that is dedicated and used for public benefit programs such as energy efficiency, energy renewable resources, research and development, and low income assistance programs.

### Water and Sewer Utilities

In addition to providing efficient and affordable water and sewer utility services to Santa Clara residents and businesses, the City continues to undertake programs to improve water quality and water supply reliability for its residents and to minimize treated sewage effluent discharge into the South Bay. The cost of wholesale water the City purchases from other entities for resale to the residents and of wastewater conveyance and treatment are increasing. Council approved a fiscal year 2009-10 water rate increase of 8.5%. Council also approved sewer rate increases in fiscal year 2009-2010 based on a sewer rate study completed in February 2009. Effective July 1, 2009, sewer rates were increased by 12% to 48% depending on customer type.

A recent study of Santa Clara's sewer capacity showed the need to begin to plan for a \$25 million expansion of the sewer collection system in order to handle the increased wastewater volumes from customers moving in on the west side of the City. The City will need to seek funding for the construction of additional sewer mains on the west side of the City. The sewer rate study conducted in 2009 indicated the need for funding for significant capital infrastructure replacement within the City and at the San Jose-Santa Clara Water Pollution Control Plan within the next 10-15 years. In order to finance these improvements, rate increases will be necessary over the next several years. The net sewer rate increase approved by City Council for fiscal year 2010-11 was \$3.10 per month per single-family residential units.

The Water Utility rate increase for fiscal year 2010-11 was approved at 9.6%.

The City continues to expand its recycled water program. Construction is currently underway for the largest single expansion of the City's recycled water system. Approximately 6 miles of additional recycled water mains are currently under construction and scheduled to be operational

by September of 2011. Currently 13 City parks, the Santa Clara Youth Soccer Park, City Cemetery, Santa Clara Golf and Tennis Club, and the Donald Von Raesfeld Power Plant are using recycled water. The City now saves approximately 2,400 acre-feet of potable water per year due to the implementation of the recycled water program.

Despite these increases, the City remains the lowest combined rates for Electric, Water, and Sewer Utility service in the nine county Bay Area.

## **FINANCIAL INFORMATION**

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

### **Single Audit**

As a recipient of federal financial assistance, the City is responsible for establishing and maintaining adequate internal controls to ensure compliance with applicable laws and regulations related to those programs. Internal controls are subject to periodic evaluation by management and the City's independent certified public accountants.

As part of the City's single audit, tests are made to determine the adequacy of internal controls, including that portion related to federal financial assistance programs, and that the City has complied with applicable laws and regulations. The results of the City's single audit for the year ended June 30, 2010, published in a separately issued report, indicated that there were no material weaknesses in internal controls.

### **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 annual appropriated budget approved by the City Council. Activities of the majority of the City funds are included in the annual appropriated 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 reported as reservations of fund equity since they do not constitute expenditures or liabilities under GAAP.

As demonstrated by the statements and schedules included in the Required Supplementary Information of this report, the City continues to meet its responsibility for sound financial management.

### **Measurement Focus and Basis of Accounting**

All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when received in cash, except for revenues susceptible to accrual and revenues of a material amount that have not been received at the normal time. Revenues considered susceptible to accrual are those that are measurable and available to finance the government operation during the year. Expenditures, other than accrued interest on general long-term debt, are recorded at the time liabilities are incurred. The measurement focus of governmental funds is available financial resources. Therefore, long-term assets and liabilities are not reported in governmental funds but instead are reported in the government-wide financial statements.

All proprietary funds are accounted for using the full accrual basis of accounting. Under the full accrual basis, revenues are recorded when they are earned and expenses are recorded as soon as they result in liabilities for benefits received, notwithstanding that the receipt of revenues or payment of expenses may take place, in whole or in part, in another accounting period. The measurement focus of these funds is capital maintenance and therefore, all fund assets and liabilities are reported in the respective fund.

## **OTHER INFORMATION**

### **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 Vavrinek, Trine, Day and Co., LLP, Certified Public Accountants, was selected by the City Council in 2006, and is in the fourth of five years 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.

## Awards

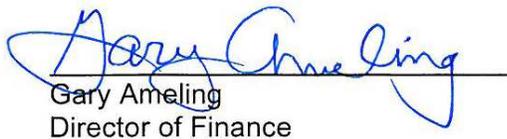
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Clara for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The City has received this prestigious award for the past eighteen consecutive years.

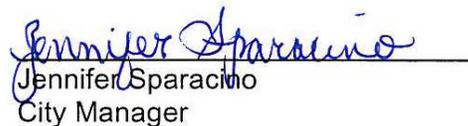
To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. Staff believes that our current Comprehensive Annual Financial Report (CAFR) continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGMENTS

Staff would like to thank the Mayor and City Council for their support in establishing the policies for guiding the financial operations of the City in a responsible and progressive manner. Department Heads are also thanked for their strong leadership in adhering to financial goals and practices. Finally, Staff wishes to acknowledge the excellent participation and professional contribution by the City Staff and the City's auditors, Vavrinek, Trine, Day and Co., LLP, in the preparation of this document. Their dedication in preparing the City's Comprehensive Annual Financial Report and their efforts in preparing a document that is understandable and useful to the residents of the City and other readers is greatly appreciated.

Respectfully submitted,

  
Gary Ameling  
Director of Finance

  
Jennifer Sparacino  
City Manager

**CITY OF SANTA CLARA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
June 30, 2010**

**ROSTER OF COUNCIL AND COMMISSION MEMBERS**

CITY COUNCIL

|               |                    |
|---------------|--------------------|
| Mayor         | Patricia M. Mahan  |
| Councilmember | Dominic J. Caserta |
| Councilmember | Will Kennedy       |
| Councilmember | Joe Kornder        |
| Councilmember | Jamie L. Matthews  |
| Councilmember | Jamie McLeod       |
| Councilmember | Kevin Moore        |

BOARD OF LIBRARY TRUSTEES

Georgina Aguiar Dinh, Ashish Mangla,  
Elizabeth A. Megas, Kathleen Watanabe,  
Peter Yoon

CIVIL SERVICE COMMISSION

Steven Chan, Andrew Kristalyn,  
Mohammed M. Nadeem Ph.D, Fran A. Palacio,  
Beverly Lynne Silva

CULTURAL ADVISORY COMMISSION

Vivian M. Arciniega-Aanenson, Michelle Castro,  
Debi Davis, Fatima Fagundes, Michelle Guzman,  
Estella Ross Lockwood

HISTORICAL & LANDMARKS COMMISSION

Don Arnoldy, Mia Fitch, Brian Johns,  
Regina Mahan, Gerald McKee, Kris Motyka,  
Rosalie Wilson

INTERNATIONAL EXCHANGE COMMISSION

Colin Boyles, Yuki Ikezi, Maria Alice Jensen,  
James Mathre, Eugene Mirabella, Barbara Stahl

PARKS AND RECREATION COMMISSION

Lio Francisco, Raymond G. Gamma,  
Michael E. O'Halloran, Steve Lee, Jerry Marsalli,  
Cynthia Owens, Chuck Seymour

PLANNING COMMISSION

Ian Champeny, Deborah Costa, Todd Fitch,  
Tony Marine, Rob Mayer, Teresa O'Neill,  
Keith Stattenfield

SENIOR CITIZENS ADVISORY COMMISSION

Dwight Collins, Frank E. Kadlecek,  
Foster Steven Lopes, Donna Marencia,  
Alice Pivacek, Charles A. Roberts

YOUTH COMMISSION

Sufyan Abbasi, Youmun Alhlou,  
Michele Gleit, Ayumi Gothberg,  
Jackie Greely, Noama Iftekhar,  
JP Kalb, Inderpal Kaur, Kristina Little,  
Sean Oswald, Hamzah Ramadan,  
Gheed Saeed, Brittany Spinks,  
Sundos Yassin, Elizabeth Zigon

HOUSING REHABILITATION LOAN COMMITTEE

Anne Kepner, Brice McQueen, Michelle Smith,  
Jamie McLeod

**CITY OF SANTA CLARA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
June 30, 2010**

**EXECUTIVE MANAGEMENT TEAM**

**CITY MANAGER**  
Jennifer Sparacino

**CITY CLERK/CITY AUDITOR**  
Rod Diridon, Jr.

**ASSISTANT CITY MANAGER**  
Ronald E. Garratt

**INTERIM CITY ATTORNEY**  
Elizabeth H. Silver

**DEPUTY CITY MANAGER**  
Carol L. McCarthy

**CHIEF OF POLICE**  
Stephen D. Lodge

**DIRECTOR OF PUBLIC WORKS/CITY ENGINEER**  
Rajeev Batra

**FIRE CHIEF**  
Phil Kleinheinz

**DIRECTOR OF PLANNING & INSPECTION**  
Kevin L. Riley

**DIRECTOR OF ELECTRIC UTILITY**  
John Roukema

**DIRECTOR OF FINANCE**  
Gary Ameling

**DIRECTOR OF WATER & SEWER UTILITIES**  
Alan Kurotori

**DIRECTOR OF HUMAN RESOURCES**  
Elizabeth Brown

**DIRECTOR OF STREETS &  
AUTOMOTIVE SERVICES**  
John Mendoza

**CITY LIBRARIAN**  
Julie Passalaqua

**DIRECTOR OF INFORMATION TECHNOLOGY**  
Gaurav Garg

**DIRECTOR OF PARKS & RECREATION**  
James F. Teixeira

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

The City of Santa Clara  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

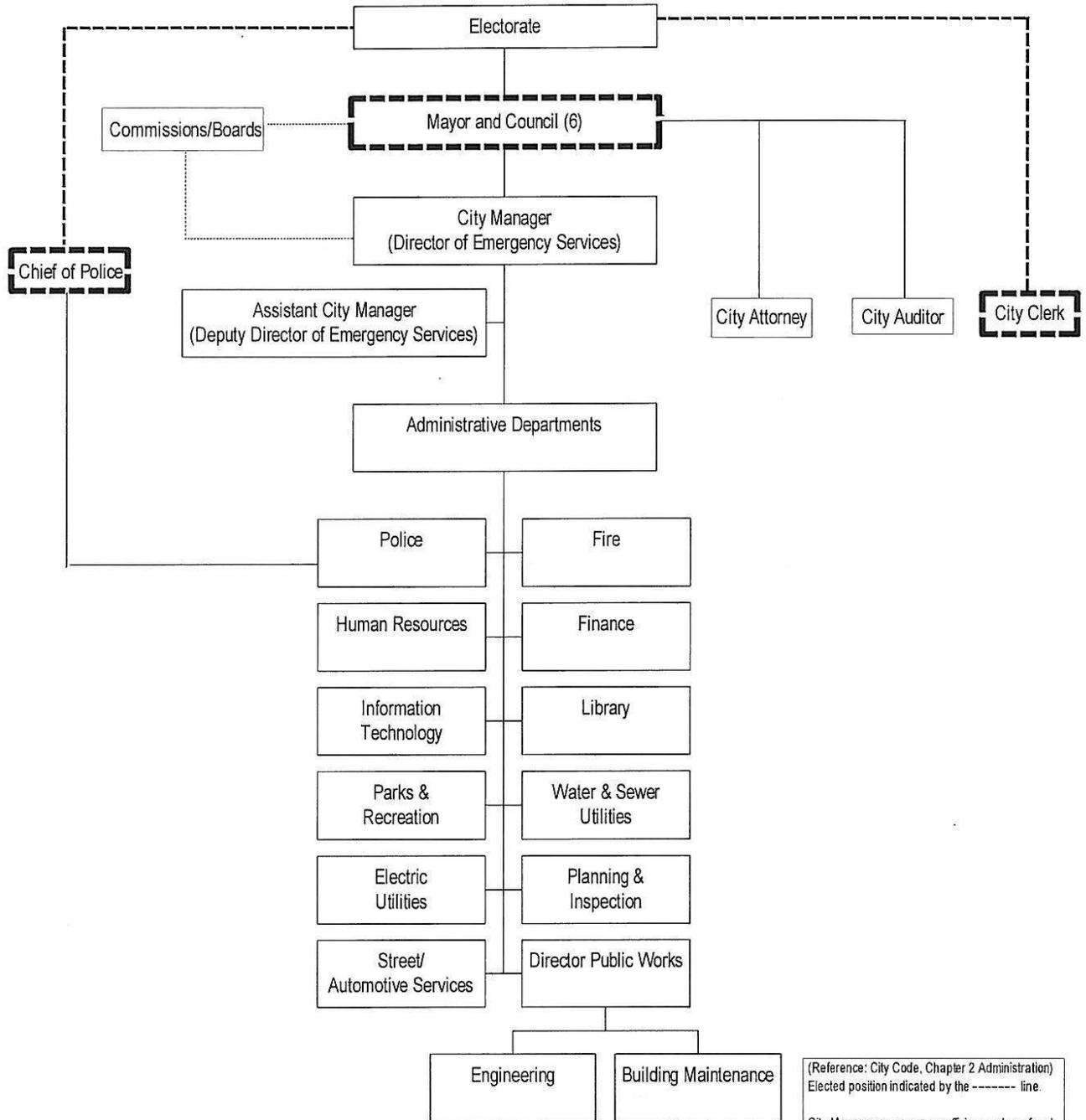
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

# 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.  
June 2010



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# **Financial Section**

***Independent Auditors' Report  
on Basic Financial Statements***

***Management's Discussion and Analysis***





VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

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

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, as of and for the year ended June 30, 2010, which collectively comprise the City of Santa Clara's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Santa Clara's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion based on our audit, 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 of Santa Clara as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2C and Note 11E to the financial statements, City of Santa Clara adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivatives Instruments*, in the fiscal year ended June 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 2010, on our consideration of the City of Santa Clara's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588 Tel: 925.734.6600 Fax: 925.734.6611 [www.vtdcpa.com](http://www.vtdcpa.com)

FRESNO • LAGUNA HILLS • PLEASANTON • RANCHO CUCAMONGA • PALO ALTO • SACRAMENTO

Management's Discussion and Analysis and the Required Supplementary Information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally on inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic statements of the City of Santa Clara. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Varrinet, Trine, Day & Co., LLP.

Pleasanton, California  
December 28, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's Discussion and Analysis (MD&A) of the City of Santa Clara's (City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year 2009-10. Please read this document in conjunction with the accompanying Letter of Transmittal and Basic Financial Statements.

### **FISCAL YEAR 2009-10 FINANCIAL HIGHLIGHTS**

The City of Santa Clara is in its third year of a severe economic recession, with few industries immune to the nationwide downturn. In fiscal year 2009-10, the net impact of changes in the various sectors of the local economy resulted in significant decreases in the City's revenues over the prior fiscal year. Additionally, in fiscal year 2009-10 the City shifted \$9.8 million from the Governmental Fund to the State's Educational Revenue Augmentation Fund (ERAF) for the state mandated takeaway Senate Bill 68. Lowered revenues in the current fiscal year were offset by reduced spending in the governmental, as well as, the business-type activities. Further analysis of the City's revenue and expenditures are discussed in the following pages.

Financial highlights of fiscal year 2009-10 include:

#### *Citywide:*

- The City's total net assets (assets exceeding liabilities) were \$1,498 million in fiscal year 2009-10, a \$21 million decrease from the prior year. The decrease of \$13 million in the Governmental Funds is due to decreased revenues. The decrease of \$8 million in the Business-type activities is also due to decreased revenue and lower expenses.
- Total City revenues, including program and general revenues, were \$579 million, a decrease of \$62 million from the prior year, while total expenditures were \$600 million, a decrease of \$78 million.
- Governmental net assets were \$705 million, a decrease of \$13 million from the prior year due to decreased revenue. Net assets in Business-type activities were \$793 million, a decrease of \$8 million from the prior year due to decreased revenue.
- Governmental program revenues were \$33 million, a decrease of \$2 million from the prior year.
- Governmental program expenditures were \$179 million in fiscal year 2009-10, an \$8 million decrease from the prior year.
- Business-type net assets were \$793 million a decrease of \$8 million, due mostly to decreased program revenues and revenues from operating grants and developer contributions.
- Program revenues from Business-type activities were \$403 million in fiscal year 2009-10, down \$35 million from the prior year, due primarily to the reduced revenue from the sale of wholesale power.
- Expenditures of Business-type activities were \$421 million in fiscal year 2009-10, a decrease of \$70 million from the prior year, due primarily to decreased cost of wholesale and retail power.
- Additional analyses on the "Financial Activities of the City As A Whole" can be found on the following pages.

*Fund level:*

- General Fund direct revenues of \$123 million represented a decrease of \$9 million from prior year amounts. This decrease represents the effect of the slowdown in the local economy.
- General Fund expenditures of \$142 million were \$1 million more than the prior year due primarily to the increases of salaries and benefits from multiyear union labor contracts.
- The General Fund balance of \$51 million as of June 30, 2010 is \$14 million less than the prior fiscal year, largely due to declines in revenues.

## **The Basic Financial Statements**

The Basic Financial Statements are comprised of the Citywide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and financial position—for the City as a whole, and fund by fund.

The Citywide Financial Statements provide a view of the City's activities as a whole. They are comprised of the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets is a Citywide "Balance Sheet" and provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis of accounting, similar to that used by private corporations. The Statement of Activities is a Citywide "Income Statement" and provides information about all the City's revenues and all its expenditures, also on the full accrual basis, with the emphasis on measuring net revenues and/or expenditures of each City program. The Statement of Activities also explains in detail the changes in Net Assets for the year.

The Citywide Financial Statements group all the City's activities into government-type activities and business-type activities, as explained below. All the amounts in the Statement of Net Assets and the Statement of Activities are separated into governmental activities and business-type activities to provide a summary of these two activities of the City as a whole.

The Fund Financial Statements report the City's operations in more detail than the government-wide statements and focus primarily on each of the City's funds. The Fund Financial Statements are further grouped into Governmental, Enterprise and Internal Service groupings. The Governmental Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term accounts. The Proprietary Fund Financial Statements measure current revenues and expenditures, as well as, including capital assets, long-term debt and other long-term accounts on a full accrual basis of accounting.

Major Funds account for the specific financial activities of the City and are presented individually, while the activities of Non-Major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds in the Supplementary Information section of this report. Major Funds are explained below.

The Fiduciary Fund statements provide financial information about the activities of the funds for which the City acts solely as an agent and are not included as part of the Financials Statements.

Together, all these statements are now called the Basic Financial Statements; formerly they were called the General Purpose Financial Statements.

### *The Citywide Financial Statements*

The Statement of Net Assets and the Statement of Activities present information about the following:

- **Governmental Activities**—All of the City's basic services are considered to be governmental activities. These services are shown as Functions or Programs on the Statement of Activities.

These services are supported by general City revenues such as taxes, and by specific program revenues such as developer fees.

The City's governmental activities also include the activities of two separate legal entities, the Redevelopment Agency of the City of Santa Clara and the City of Santa Clara Public Facilities Financing Corporation, because the City is financially accountable for these entities.

- **Business-Type Activities**—All of the City's enterprise activities, including the Major funds, electric, water, sewer, and water recycling utilities and Non-Major funds, solid waste, cemetery, Sports and Open Space Authority, Santa Clara Golf & Tennis Club and Santa Clara Convention Center are considered Business-Type Activities. Unlike governmental services, these services are supported by fees paid by users based on the amount of the service they use.

Citywide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

### *Fund Financial Statements*

Fund Financial Statements include Governmental, Enterprise and Internal Service Funds as discussed below.

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. Each Major Fund is presented individually, with all Non-Major Funds summarized and presented only in a single column. 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.

There are two Major Governmental Funds presented in the fund financial statements, the General Fund and the Redevelopment Agency. There are four Major Proprietary Funds, the Electric Utility Fund, the Water Utility Fund, the Sewer Utility Fund, and the Water Recycling Utility Fund.

Four of the City's Enterprise Funds are considered Major Funds and are presented individually in the Major Proprietary Fund financial statements, providing additional information for the City's business-type activities. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses Internal Service Funds to account for the acquisition and maintenance of its fleet of vehicles, for its management of non-dispatch communications systems and for its self-insurance. The activities of the City's Internal Service Funds are reported in the Proprietary Fund financial statements. Since the City's Internal Service Funds provide goods and services only to the City's governmental and business-type activities, Internal Service Funds may not be Major Funds because their revenues are derived from other City Funds. These revenues are eliminated in the Citywide financial statements and any related profits or losses are returned to the Activities which created them, along with any residual net assets of the Internal Service Funds.

Because the focus of individual governmental funds is narrower than that of the governmental activities in the Citywide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Citywide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenses, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Comparisons of Budget and Actual financial information are presented only for the General Fund (pages 118-120) and other Non-Major Funds that are Special Revenue Funds (page 138).

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

The Major Proprietary Fund Financial Statements, which include the Enterprise and Internal Service Funds, are prepared on the full accrual basis, as in the past, and include all their assets and liabilities, current and long-term.

#### *Fiduciary Statements*

The only type of Fiduciary Funds the City has are the Agency funds: Employee Benefit and Liability Clearing, Special Assessments and Deposits. The City's fiduciary activities are reported separately in the Statement of Fiduciary Net Assets and the Statement of Changes in Assets and Liabilities. These activities are excluded from the City's other Financial Statements because the City cannot use these assets to finance its own operations.

## FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

### Citywide Financial Statements

The analyses in this section focus on the net assets of the City's Governmental Activities and Business-Type activities (Table 1), changes in net assets for the City's Governmental Activities and Business-Type activities (Table 2), and results of Governmental and Business-Type Activities (Table 3 and Table 4, respectively). Results are presented in the Statement of Net Assets (the Citywide Balance Sheet) and in the Statement of Activities (the Citywide Income Statement).

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

|  | Governmental Activities |               | Business-Type Activities |               | Total           |                 |
|--|-------------------------|---------------|--------------------------|---------------|-----------------|-----------------|
|  | 2010                    | 2009          | 2010                     | 2009          | 2010            | 2009            |
| Cash and investments                       | \$ 278                  | \$ 303        | \$ 290                   | \$ 316        | \$ 568          | \$ 619          |
| Other assets (1)                           | 118                     | 107           | 179                      | 164           | 297             | 271             |
| Capital assets                             | 538                     | 544           | 589                      | 586           | 1,127           | 1,130           |
| <b>Total Assets</b>                        | <b>934</b>              | <b>954</b>    | <b>1,058</b>             | <b>1,066</b>  | <b>1,992</b>    | <b>2,020</b>    |
| Long-term liabilities outstanding (1)      | 197                     | 207           | 234                      | 234           | 431             | 441             |
| Other liabilities                          | 32                      | 29            | 31                       | 31            | 63              | 60              |
| <b>Total Liabilities</b>                   | <b>229</b>              | <b>236</b>    | <b>265</b>               | <b>265</b>    | <b>494</b>      | <b>501</b>      |
| Net assets:                                |                         |               |                          |               |                 |                 |
| Invested in capital assets,<br>net of debt | 432                     | 438           | 389                      | 382           | 821             | 820             |
| Restricted                                 | 228                     | 217           | -                        | -             | 228             | 217             |
| Unrestricted                               | 45                      | 63            | 404                      | 419           | 449             | 482             |
| <b>Total Net Assets</b>                    | <b>\$ 705</b>           | <b>\$ 718</b> | <b>\$ 793</b>            | <b>\$ 801</b> | <b>\$ 1,498</b> | <b>\$ 1,519</b> |

(1) Certain amounts in the prior year have been changed to reflect GASB 53 which requires the inclusion of prior years position in the Financial Statements

### City Governmental Activities

The City's net assets from Governmental Activities decreased from \$718 million in fiscal year 2008-09 to \$705 million in fiscal year 2009-10. This decrease is detailed on the Statement of Net Assets in Table 2.

- Cash and Investments decreased \$25 million due to lower earnings from investments and lower fund balances. Other Assets increased from \$107 million in the prior fiscal year to \$118 million in the current fiscal year. The increase in Other assets is due to increased loans receivable for the Redevelopment Agency. Capital assets net of depreciation decreased \$6 million from the prior fiscal year due to controlled spending for capital and depreciation. Capital Assets are discussed in more detail in the Capital Assets section on page 20.
- Long-term liabilities outstanding decreased \$10 million primarily due to scheduled retirement of long-term debt. Other liabilities increased \$3 million due to increased unearned revenue.

- Net assets invested in capital assets net of related debt were \$432 million in fiscal year 2009-10, a decrease of \$6 million compared to the prior year. This was due to scheduled debt retirement.
- Restricted net assets are the portion of net assets which are legally restricted by grantors, debt covenants, contract or law. As shown in Table 1 on the prior page, on June 30, 2010, restricted net assets totaled \$228 million. This is comprised of \$58 million restricted to the acquisition of capital assets, \$20 million for payment of debt service, \$133 million that may only be used for redevelopment activities (affordable housing and other redevelopment projects) and \$17 million for other purposes. In fiscal year 2009-10, restricted net assets increased by \$11 million compared to the prior year due primarily to lower restricted balance for redevelopment activities.
- Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations or for other purposes without constraints established by debt covenants or other legal requirements. Unrestricted net assets amounted to \$45 million on June 30, 2010. This is a decrease of \$18 million from the prior year.

### **City Business-Type Activities**

Table 1 on the previous page shows net assets of the City's Business-Type activities. In fiscal year 2009-10 net assets of the City's Business-Type activities decrease \$8 million as explained below:

- Cash and Investments of \$290 million declined \$26 million from the prior fiscal year. This was due to reduced operating revenues, as well as, reduced developer contributions. Other assets of \$173 increased by \$15 million from fiscal 2008-09 due to deferred cash flow hedges. Capital assets of \$589 million increased \$3 million primarily from the multiyear projects of rebuilding substations.
- Long-term liabilities remained at \$234 million. Other liabilities remained at \$31 million.
- Net assets invested in capital assets net of related debt were \$389 million in fiscal year 2009-10. An increase of \$7 million from the prior fiscal year. This increase is also attributed to the rebuilding of substations and construction of new distribution substation.
- Unrestricted net assets of \$404 million were \$15 million lower than last year's balance of \$419 million primarily due to the lower cash and investment balances as explained above.

Fiscal Year 2009-10 Governmental Activities Statement of Activities presents program expenditures, program revenues and general revenues in detail. All elements in the Changes in Governmental Net Assets are summarized in Table 2 on the next page.

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

|  | Governmental<br>Activities |               | Business-Type<br>Activities |               | Total           |                 |
|--|----------------------------|---------------|-----------------------------|---------------|-----------------|-----------------|
|  | 2010                       | 2009          | 2010                        | 2009          | 2010            | 2009            |
| Revenues:  |                            |               |                             |               |                 |                 |
| Program revenues:                                  |                            |               |                             |               |                 |                 |
| Charges for services                               | \$ 23                      | \$ 24         | \$ 403                      | \$ 425        | \$ 426          | \$ 449          |
| Operating grants and contributions                 | 4                          | 6             | -                           | -             | 4               | 6               |
| Capital grants and contributions                   | 6                          | 5             | -                           | 13            | 6               | 18              |
| General revenues:                                  |                            |               |                             |               |                 |                 |
| Taxes:   |                            |               |                             |               |                 |                 |
| Sales  | 32                         | 35            |                             |               | 32              | 35              |
| Ad valorem property                                | 62                         | 62            |                             |               | 62              | 62              |
| Transient occupancy                                | 8                          | 9             |                             |               | 8               | 9               |
| Other  | 3                          | 4             |                             |               | 3               | 4               |
| Contribution in lieu of taxes                      | 13                         | 15            |                             |               | 13              | 15              |
| Investment earnings                                | 9                          | 9             | 9                           | 12            | 18              | 21              |
| Net (decrease) in fair value of investments        | 1                          | 6             | -                           | 10            | 1               | 16              |
| Rents and royalties                                | -                          | -             | 3                           | 3             | 3               | 3               |
| Gain (loss) on Retirement of assets                | -                          | -             |                             |               | -               | -               |
| Other  | 3                          | 3             | -                           | -             | 3               | 3               |
| Total revenues                                     | <u>\$ 164</u>              | <u>\$ 178</u> | <u>\$ 415</u>               | <u>\$ 463</u> | <u>\$ 579</u>   | <u>\$ 641</u>   |
| Expenses:  |                            |               |                             |               |                 |                 |
| General Administration (1)                         | \$ 3                       | \$ 18         |                             |               | \$ 3            | \$ 18           |
| City Clerk   | 1                          | 1             |                             |               | 1               | 1               |
| City Attorney                                      | 1                          | 1             |                             |               | 1               | 1               |
| Human Resources                                    | 2                          | 2             |                             |               | 2               | 2               |
| Finance  | 8                          | 7             |                             |               | 8               | 7               |
| Public Works                                       | 29                         | 30            |                             |               | 29              | 30              |
| Parks and Recreation                               | 16                         | 15            |                             |               | 16              | 15              |
| Public Safety:                                     |                            |               |                             |               |                 |                 |
| Police   | 45                         | 45            |                             |               | 45              | 45              |
| Fire   | 34                         | 35            |                             |               | 34              | 35              |
| Planning and Inspection                            | 6                          | 6             |                             |               | 6               | 6               |
| Library  | 8                          | 9             |                             |               | 8               | 9               |
| Community Development (1)                          | 6                          | 8             |                             |               | 6               | 8               |
| Interest on long-term debt                         | 10                         | 10            |                             |               | 10              | 10              |
| Supplemental Educational Revenue                   |                            |               |                             |               |                 |                 |
| Augmentation Funds                                 | 10                         | -             |                             |               | 10              | -               |
| Utilities  |                            |               |                             |               |                 |                 |
| Electric-  |                            |               |                             |               |                 |                 |
| Retail   |                            |               | 281                         | 317           | 281             | 317             |
| Wholesale  |                            |               | 74                          | 111           | 74              | 111             |
| Water  |                            |               | 23                          | 23            | 23              | 23              |
| Sewer  |                            |               | 14                          | 13            | 14              | 13              |
| Water Recycling                                    |                            |               | 3                           | 1             | 3               | 1               |
| Solid Waste  |                            |               | 15                          | 16            | 15              | 16              |
| Cemetery   |                            |               | 1                           | 1             | 1               | 1               |
| Sports and Open Space Authority                    |                            |               | -                           | -             | -               | -               |
| Santa Clara Golf and Tennis Club                   |                            |               | 3                           | 3             | 3               | 3               |
| Santa Clara Convention Center                      |                            |               | 7                           | 6             | 7               | 6               |
| Total expenses                                     | <u>\$ 179</u>              | <u>\$ 187</u> | <u>\$ 421</u>               | <u>\$ 491</u> | <u>\$ 600</u>   | <u>\$ 678</u>   |
| Increase (decrease) in net assets before transfers | (15)                       | (9)           | (6)                         | (28)          | (21)            | (37)            |
| Transfers in (out)                                 | 2                          | 2             | (2)                         | (2)           | -               | -               |
| Increase (decrease) in net assets                  | (13)                       | (7)           | (8)                         | (30)          | (21)            | (37)            |
| Net assets - July 1                                | 718                        | 725           | 801                         | 831           | 1,519           | 1,556           |
| Net assets - June 30                               | <u>\$ 705</u>              | <u>\$ 718</u> | <u>\$ 793</u>               | <u>\$ 801</u> | <u>\$ 1,498</u> | <u>\$ 1,519</u> |

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

## Summary points from Table 2 are as follows:

- In fiscal year 2009-10, Governmental Activities generated \$164 million in revenues, compared to prior year of \$178 million, a decrease of \$14 million. This was primarily due to decreases in sales tax and transient occupancy tax (TOT).
- Governmental Activities expenditures were \$179 million, an \$8 million decrease from the prior year.
  - General Administration department expenditures were \$3 million, a decrease of \$15 million from the prior year. This was primarily due to the increase in RDA expenditures for the multiyear development of the City owned Santa Clara Convention Center Ballroom in the prior fiscal year.
  - Finance department expenditures were \$8 million, an increase of \$1 million from the prior fiscal year. This was due to an increase in contractual services.
  - Public Works department expenditures were \$29 million, a \$1 million decrease from fiscal year 2008-09 due to decreased cost of materials, services, and supplies.
  - Parks and Recreation department expenditures were \$16 million, an increase of \$1 million from the prior fiscal year. This increase was mainly due to an increase in salary and benefits.
  - Fire department expenditures were \$34 million, a decrease of \$1 million over the prior year. This was due to decreased salaries and benefits.
  - Library department expenditures were \$8 million, a decrease of \$1 million over the prior year. This was due to a slight decrease in all expenditures.
- As a result of decreased revenues, the Governmental Activities net assets were reduced by \$13 million including transfers. Net assets decreased from \$718 million from the prior year's figure to \$705 million in the current fiscal year.
- In fiscal year 2009-10, Business-Type Activities generated \$415 million in revenue compared to the prior year's \$463 million, a decrease of \$48 million. Charges for services decreased \$22 million due to reduced sale of wholesale power. Capital grants and contributions decreased \$13 million due to the completion of the Santa Clara Convention Center.
- Business-Type Activities expenses decreased from \$491 million in 2008-09 to \$427 million in 2009-10. The cost of retail power decreased \$31 million and wholesale power cost decreased \$37 million. This savings was offset by a \$1 million increase for the Santa Clara Convention Center.
- As a result of decreased revenues and expenses the City's Business-Type Activities' net assets, (including transfers), were reduced \$14 million.

## City Governmental Activities

Table 2 on the previous page shows that total Governmental revenues excluding transfers were down \$14 million in fiscal year 2009-10. Program revenues decreased by \$2 million while General revenues decreased by \$12 million. Additional analyses of Governmental and Business-Type activities are presented in Tables 3 and 4 on pages 12 and 13.

As the Sources of Revenue Chart 1 shows, of the total revenues from Governmental Activities including transfers (\$164 million in fiscal year 2009-10), \$32 million, or 19% of the City's fiscal year 2009-10 governmental revenues was from sales tax, \$62 million, or 38% from ad valorem property taxes, \$13 million or 8% from contribution in lieu of taxes, \$8 million or 5% from TOT, and \$10 million or 6% from Leases (included in Program Revenues).

**Chart 1  
Governmental Activities**

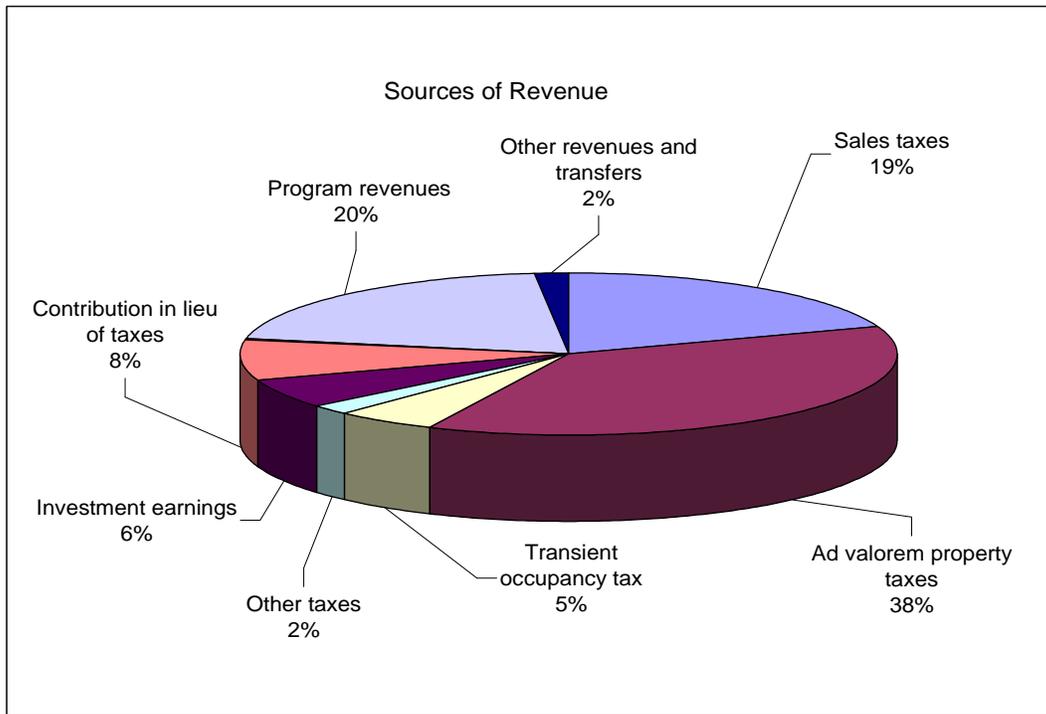


Table 3, on the next page, presents the total cost and net cost of each of the City's largest programs. Net cost is defined as total program cost less the revenues generated by those specific activities. It is common to see Governmental Activities as net cost generators, wherein costs of governmental activities are greater than the revenues they generate.

**Table 3**  
**Governmental Activities**  
**(in millions)**

|  | Total Cost<br>Of Services |               | Net Cost<br>Of Services |               |
|--|---------------------------|---------------|-------------------------|---------------|
|  | 2010                      | 2009          | 2010                    | 2009          |
| General Administration (1)                             | \$ 3                      | \$ 18         | \$ (7)                  | \$ 9          |
| City Clerk   | 1                         | 1             | -                       | 1             |
| City Attorney  | 1                         | 1             | 1                       | 1             |
| Human Resources  | 2                         | 2             | 2                       | 2             |
| Finance  | 8                         | 7             | 7                       | 7             |
| Public Works   | 29                        | 30            | 21                      | 21            |
| Parks and Recreation                                   | 16                        | 15            | 13                      | 12            |
| Public Safety:   |                           |               |                         |               |
| Police   | 45                        | 45            | 43                      | 42            |
| Fire   | 34                        | 35            | 32                      | 32            |
| Planning & Inspection                                  | 6                         | 6             | 1                       | -             |
| Library  | 8                         | 9             | 8                       | 8             |
| Community Development (1)                              | 6                         | 8             | 6                       | 8             |
| Interest on long-term debt                             | 10                        | 10            | 10                      | 10            |
| Supplemental Educational Revenue<br>Augmentation Funds | 10                        | -             | 10                      | -             |
| <b>Totals</b>  | <b>\$ 179</b>             | <b>\$ 187</b> | <b>\$ 147</b>           | <b>\$ 153</b> |

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

Total costs of services decreased \$8 million; net costs decreased \$6 million in fiscal year 2009-10. The decreased net cost for General Administration due to reduced expenditures was offset by Senate Bill 68, Supplemental Educational Revenue Augmentation Funds of \$10 million. Park and Recreation net cost increased \$1 million due to increased salary and benefits expenditures. Police net cost increased \$1 million due to lower revenue received from grants. Planning and Inspection net cost increased \$1 million due to a decline in revenue from building and related permits. Community Development net cost of services decreased \$2 million.

#### City Business-Type Activities

Table 2 listed on page 9 presents Changes in Net Assets of Business-Type Activities. Total revenues decreased \$48 million in fiscal year 2009-10. In fiscal year 2009-10, Charges for services were \$403 million, a decrease of \$22 million compared to the prior year mainly due to a reduction in sales of electric wholesale power. Additionally, capital grants and contributions for the current fiscal year decreased by \$13 million due to contributions for the City owned Santa Clara Convention Center Ballroom expansion received in fiscal year 2008-09. The Santa Clara Convention Center Ballroom expansion was completed in early fiscal year 2009-10. Investment earnings decreased \$3 million due to the decline in the interest earning rates and reduction in fund balances. The value of investments decreased \$10 million due to the flat bond market in the current fiscal year as compared to a large increase in the bond market in the prior fiscal year.

Total expenses of Business-Type activities decreased \$69 million mainly due to decrease cost related to the wholesale power.

- In fiscal year 2009-10 retail expenses of the Electric Utility were \$281 million, a decrease of \$36 million over the prior year, due to decreased costs of retail purchased power.

- Wholesale power expense decreased by \$37 million also due to lower cost to purchase wholesale power.
- Sewer expenses increased by \$1 million due to higher cost for material, supplies and services.
- Water Recycling expenses increased by \$2 million due to the increased salaries and benefits.
- Santa Clara Convention Center expense increase of \$1 million is due mainly from the additional depreciation on the newly completed Ballroom expansion.

Table 4 below, 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. In the case of enterprise funds, one should expect revenues to exceed costs, and these funds to be net generators of funds.

- In fiscal year 2009-10, retail net costs of services for the Electric Utility were \$10million, a decrease of \$50 million over the prior year. This cost decrease can be attributed to increased retail sales and decreased cost.
- Wholesale net cost of services generated \$2 million less due to reduced sales of wholesale power due to the decreased market value.
- Santa Clara Convention Center net cost increased \$16 million in fiscal year 2009-10 primarily due to developer contributions for the expansion of the Santa Clara Convention Center ballroom received in the prior fiscal year.

**Table 4**  
**Business-Type Activities**  
**(in millions)**

|                                  | Total Cost<br>Of Services |               | Net Cost<br>Of Services |              |
|----------------------------------|---------------------------|---------------|-------------------------|--------------|
|                                  | 2010                      | 2009          | 2010                    | 2009         |
| Utilities:                       |                           |               |                         |              |
| Electric -                       |                           |               |                         |              |
| Retail                           | \$ 281                    | \$ 317        | \$ 10                   | \$ 60        |
| Wholesale                        | 74                        | 111           | 6                       | 8            |
| Water                            | 23                        | 23            | (1)                     | (1)          |
| Sewer                            | 14                        | 13            | 5                       | 4            |
| Water Recycling                  | 3                         | 1             | (1)                     | (1)          |
| Solid Waste                      | 15                        | 16            | -                       | 1            |
| Cemetery                         | 1                         | 1             | -                       | -            |
| Sports and Open Space Authority  | -                         | -             | (1)                     | (2)          |
| Santa Clara Golf and Tennis Club | 3                         | 3             | -                       | -            |
| Santa Clara Convention Center    | 7                         | 6             | -                       | (16)         |
| Totals                           | <u>\$ 421</u>             | <u>\$ 491</u> | <u>\$ 18</u>            | <u>\$ 53</u> |

### The City's Fund Financial Statements

Turning attention from the Citywide (GASB No. 34) statements to the fund-specific statements, the analysis can be subdivided into the Governmental Fund (pages 32-35) and Enterprise Funds (pages 38-43).

## **Governmental Funds**

As of June 30, 2010, the City's governmental funds reported combined fund balances of \$277 million, which is a decrease of \$20 million compared to last year. The decrease of \$14 million in the General Fund balance resulted mostly from decreased revenues and increased expenditures. The Redevelopment Agency fund balance decreased \$2 million due to decreased revenue which were offset by decreased expenditures. Fund balance for other Non-Major Governmental funds decreased by \$4 million in fiscal year 2009-10 due to increased expenditures primarily capital outlay.

Governmental fund revenues decreased to \$187 million this year from the prior year's total of \$196 million. Of the total \$9 million decrease, the General Fund decreased \$9 million due to decreased tax revenues and the decrease in the fair value of investment. Redevelopment Agency Funds decreased \$2 million which also can be attributed to a decreased in the fair market value of investments. Non-Major Governmental funds increased \$1 million due to increased inter-governmental charges.

Governmental fund expenditures were \$208 million in fiscal year 2009-10, a decrease of \$6 million. Of this amount, \$142 million was expended by the General Fund, \$42 million by the Redevelopment Agency Fund, and \$24 million by other governmental funds.

## **Enterprise Funds**

Enterprise Fund net assets totaled \$792 million at the end of the fiscal year 2009-10, a decrease of \$9 million over the \$801 million reported in the prior fiscal year. Enterprise operating revenues were \$319 million this year, up \$10 million from last year's revenues of \$309 million, due mostly to increased utility rates in electric, water and sewer enterprise funds. Enterprise Fund operating expenses were \$327 million this year, down \$37 million from the prior year's \$364 million, due mostly to decreases in material costs in the electric utility enterprise fund.

Non-operating revenues were \$99.5 million, down \$41.4 million from the prior year due mostly to a decline in wholesale power sales and decline in the fair value of investments. Non-operating expenses were \$98.8 million, down \$35.2 million from the prior year due mostly to a decline in wholesale power purchases.

## **Analysis of Major Governmental Funds**

### **General Fund**

#### *Revenues*

General Fund direct revenues of \$123 million represents a \$9 million decrease from the prior fiscal year, principally due to the reasons set forth below.

#### *Sales Tax*

Sales tax is the largest revenue source for the City's General Fund and accounts for approximately 26% of direct General Fund revenues. Sales tax revenue for fiscal year 2009-10 was \$32 million, a decrease of \$3 million, or 8.7% less than the \$35 million in fiscal year 2008-09. This fiscal year's downturn in sales tax revenues is a direct result of the continued slowdown in the local economy which resulted in decreases in retail and businesses to business sales.

#### *Property Tax*

Property tax revenue for fiscal year 2009-10 was \$29.4 million compared to \$29.8 million in the prior fiscal year 2008-09. The City continues to receive property tax payments in lieu of some of its Vehicle-in-Lieu Fee revenues as per the State budget resolution.

### *Transient Occupancy Taxes*

Revenue from transient occupancy taxes was \$8.3 million in fiscal year 2009-10 compared with \$9.1 million in fiscal year 2008-09, a decrease of 8.8%. This was due to the continued economic recession resulting in a lower occupancy rates.

### *Licenses, Permits, Fines and Penalties*

Revenues for licenses, permits, fines and penalties were \$4.2 million in fiscal year 2009-10 compared with \$5.0 million in fiscal year 2008-09. These figures reflect the current economic conditions in construction activity linked to building and related permits.

### *Charges for Services*

Charges for Services in fiscal year 2009-10 were \$23 million compared to \$21 million in fiscal year 2008-09. This increase can be attributed to an increase in interdepartmental services fees received.

### *Contribution In-lieu of Taxes*

Contribution In-lieu of taxes was approximately \$13 million in fiscal year 2009-10 compared with \$15 million in fiscal year 2008-09. Contribution In-lieu of taxes declined due to a change in methodology. Fees charged to Water, Sewer and Water Recycling are now treated as rental right of way and classified as interest and rents. In fiscal year 2008-09 these fees were included in Contribution In-lieu of Taxes.

### *Interest and Rents*

Interest and rent revenues were \$8 million in fiscal year 2009-10 compared to \$7 million in fiscal year 2008-09. This increase can be attributed to the rental right of way fees collected for Water, Sewer and Water Recycling as discussed in the above paragraph.

## Expenditures

General Fund direct expenditures in fiscal year 2009-10 were \$141.9 million compared with \$140.8 million in fiscal year 2008-09, an increase \$1.1 million, or .8%. The major reasons for increases in expenditures are:

### *Salary and Benefits*

Salary and benefits expenditures were \$114 million in fiscal year 2009-10 compared with \$112 million in fiscal year 2008-09, an increase of \$2 million or 1.79%. The increase is primarily due to the increased salaries and retirement benefits cost due to the impact of multi-year labor agreements and was partially offset by the City's continued hiring freeze. The total full-time benefited employee count in General Fund remains at a constant 779.4 due to the continued hiring freeze.

### *All Other Operating Expenditures*

Other operating expenditures, including materials, services, and supplies, internal service fund charges and minor capital outlays, were \$28 million in fiscal year 2009-10 compared with \$29 million in the prior fiscal year. A slight decrease due to controlled spending.

### *Transfers*

Transfers out of the General Fund decreased to \$14 million in fiscal year 2009-10 from \$18 million, compared to the prior fiscal year, principally due to less transfers to Capital Project Fund. Debt service at \$6.3 million remains the largest single transfer out.

### *Fund Balance*

As of June 30, 2010, total General Fund balance was \$50.8 million, down \$14 million from fiscal year 2008-09. Table 5A shows the breakdown of various components from the prior fiscal year. The primarily decline is in funds designated for capital projects. Due to the current economic slowdown capital projects are being delayed.

**Table 5A**  
**General Fund Balance for the Fiscal Year Ended June 30, 2010**  
**(in millions)**

|   | <u>2010</u>               | <u>2009</u>               | <u>Net Change</u>           |
|---|---------------------------|---------------------------|-----------------------------|
| Encumbrance, advances to other funds, and inventory | \$ 24.7                   | \$ 22.3                   | \$ 2.4                      |
| Designated for working capital                      | 2.5                       | 15.8                      | (13.3)                      |
| Designated for capital projects                     | 2.5                       | 4.8                       | (2.3)                       |
| Designated for land sale proceeds                   | 17.0                      | 17.0                      | -                           |
| Designated for building inspections                 | <u>4.0</u>                | <u>4.9</u>                | <u>(0.9)</u>                |
| <br>Total General Fund Balance                      | <br><u><u>\$ 50.7</u></u> | <br><u><u>\$ 64.8</u></u> | <br><u><u>\$ (14.1)</u></u> |

**General Fund Budget Comparison**

Included in the Required Supplementary Information is the General Fund Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Legal Basis) for the year ended June 30, 2010. During the year, Council took action to amend the adopted General Fund budget.

**Original Budget Versus Final Budget**

The following is a summary of the impact of these actions:

**Table 5B**  
**General Fund Budget for the Fiscal Year Ended June 30, 2010**  
**(in millions)**

|                                | <u>Original<br/>Budgeted<br/>Amount</u> | <u>Final<br/>Budgeted<br/>Amount</u> | <u>Net<br/>Change</u> |
|--------------------------------|---|--------------------------------------|-----------------------|
| Revenues                       | \$ 126.8                                | \$ 127.2                             | \$ 0.4                |
| Expenditures                   | 144.5                                   | 144.9                                | 0.4                   |
| Other financing sources (uses) | 0.7                                     | 5.7                                  | 5.0                   |

The increases in budgeted expenditures are due to budget amendments for special programs and events. The increases in budgeted revenues are due to unanticipated receipts as the funding for these special programs and events. The increase in budgeted Other Financing (Uses) is due to revised expected transfer from the unallocated Construction in Progress funds.

## Final Budget Versus Actual

**Table 5C**  
**General Fund Final Budget Versus Actual for the Fiscal Year Ended June 30, 2010**  
**(in millions)**

|                                | <u>Final<br/>Budgeted<br/>Amount</u> | <u>Actual<br/>Amount</u> | <u>Variance</u> |
|--------------------------------|--------------------------------------|--------------------------|-----------------|
| Revenues                       | \$ 127.2                             | \$ 122.0                 | \$ (5.2)        |
| Expenditures                   | 144.9                                | 141.9                    | 3.0             |
| Other financing sources (uses) | 5.7                                  | 4.4                      | (1.3)           |

The final budgeted revenues resulted in a \$5.2 million negative variance due to the continued decline in the local economy which resulted in lower taxes collected. The final budgeted expenditures are \$3 million more than the actual expenditures. The expenditure variances are due to controlled spending throughout the City's departments (see pages 118-120 for additional details). The decrease variance of \$1.3 million in Other Financing (Uses) is primarily due to a lower transfer in of rental income from the Redevelopment Agency which reflects the downward slope in the rental market.

### Redevelopment Agency Fund

The purpose of the Redevelopment Agency (Agency) is to eliminate blight in its project areas, while ensuring an adequate stock of low and moderate-income housing. The Agency's power of eminent domain in Bayshore North and University project areas expired as of December 31, 1994. The Agency's power to issue debt payable out of the incremental property taxes expected to be realized as a result of its redevelopment activities expired as of January 1, 2004. The agency may enter into development agreements with developers and others to further its purpose. The Agency's operations are funded primarily by property tax increments generated by increased assessments in the redevelopment areas and by lease payments from current long-term land leases.

The Redevelopment Agency Fund accounts for property tax increments and other Redevelopment Agency revenues used to construct or acquire capital assets in the Redevelopment Agency's project areas, as well as debt service expenditures on the Agency's debt.

The Agency's revenues were \$50 million in fiscal year 2009-10, a decrease of over \$2 million over the previous fiscal year. Property tax increment revenues remained at were \$32 million in fiscal year 2009-10. Revenue from the use of assets, primarily lease revenues, were \$16 million in fiscal year 2009-10, a decrease of \$1 million compared to last year. The adjustment in the fair market value of pooled cash and investment decreased \$2.1 million in fiscal year 2008-09 to \$370 thousand in fiscal year 2009-10 due to favorable returns on bond investments in the prior year.

The Agency's expenditures were \$42 million in fiscal year 2009-10, a decrease of \$10 million. This was due to decrease capital spending of \$19 million from the prior fiscal year which was offset set by the state mandated Supplemental Educational Revenue Augmentations Funds of \$10 million. Community Development expenditures decreased from \$8 million in the prior fiscal year to \$6 million in fiscal year 2009-10. General Administration expenditures decreased by \$7.5 million.

The Agency's fiscal year-end fund balance of \$158 million may be used only for redevelopment purposes; of this amount, \$64 million is reserved for encumbrances, debt service, housing and land held for development and \$94 million is designated for capital projects and supplemental housing.

## **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.

## **Analysis of Enterprise Funds**

### **Electric Utility**

Retail operating revenues were \$253 million in fiscal year 2009-10 compared with \$244 million in fiscal year 2008-09, an increase of approximately 3.7%. The main reason for the increase was due to a 7% electric rate increase effective January 2010.

Retail operating expenses were \$262 million in fiscal year 2009-10 compared with \$300 million in fiscal year 2008-09, a decrease of \$38 million or 12.6%. The Operating expenses were lower primarily due to the decrease cost and decreased purchase of retail power compared to the prior fiscal year.

Revenues of wholesale power operations decreased to \$68 million in the current fiscal year, down from \$102 million in fiscal year 2008-09. The cost of wholesale power purchases decreased as well from \$111 million in fiscal year 2008-09 to \$74 million in current fiscal year. The reduced wholesale power purchase is due to the decreased market cost to purchase wholesale power. This also resulted in a lower sales price; therefore, excess electricity is not being produced and sold back to the general grid.

Interest revenues are reported at \$8 million in fiscal year 2009-10, a \$2 million decrease from fiscal year 2008-09 due to lower average cash balances and lower interest rates. Interest expense declined from the prior fiscal year \$9.8 million to \$8.5 million in the current fiscal year due to reduced long-term obligations in the form of bonds.

The net increase in the fair value of investments decreased from \$9.5 million in fiscal year 2008-09 to \$169 thousand loss in the current fiscal year. As a result of the bond market in the prior fiscal year the fair value of investments increased significantly. However the market for bonds in the current year has been relatively flat resulting in little change in the fair value of investments.

Other revenues increased from \$11.7 million in fiscal year 2008-09 to \$16.5 million in fiscal year 2009-10. The variance can be contributed to the insurance proceed recovery for the Donald Van Raesfeld power plant overhaul and revenue received for our new Green Rate program.

The Electric Utility Fund had \$574 million in net assets at June 30, 2010, a decrease of \$5 million from the prior fiscal year. Of this amount, \$287 million was invested in capital assets, net of related debt, \$287 million was unrestricted. The Electric Utility Fund is a participant in a number of joint ventures such as 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**

Operating revenues were \$24 million in fiscal year 2009-10 and \$24 million in fiscal year 2008-09. The water rate increase of 8.5% in the current year was offset by a \$1 million FEMA grant reimbursement in the prior fiscal year.

Operating expenses were held constant at \$23 million in fiscal year 2009-10. The Water Utility Fund's net assets at June 30, 2010 were \$47 million, an increase of \$1 million over net assets from the prior fiscal year.

## **Sewer Utility**

Operating revenues of the Sewer Utility increased to \$16 million in fiscal year 2009-10, up from \$15 million in fiscal year 2008-09, an increase of 6.7%. The main reason for the increase was due to an 11.6% rate increase effective July 2009.

Operating expenses were \$14 million in fiscal year 2009-10 compared with \$13 million in fiscal year 2008-09. Operating expenses increased by \$.6 million due to increased Joint Power Agency Fees. Nonoperating revenues decreased \$.7 million due to reduced revenue received for sewer connection. The net investment in capital assets for fiscal year 2009-10 remained at \$11.5 million the same as the prior fiscal year. Unrestricted net assets decreased from \$111 million in fiscal year 2008-09 to \$106 million in the fiscal year 2009-10. The Sewer Fund, together with the City of San Jose, owns the San Jose/Santa Clara (SJSC) Water Pollution Control Plant (WPCP), which is administered by the City of San Jose. The Fund's ownership share is approximately 17.24% of the assets, capital and operating costs. In fiscal year 2008-09 the City of San Jose reported that the fund's equity in the Plant remained constant at a deficit of \$7 million.

A Sanitary Sewer System Capacity Assessment study was performed in 2007 for the city's sewer system. As part of the study, a hydraulic model of the sewer system was created, and this model was recently updated to reflect the proposed 2015/2025/2035 General Plan update. One of the capacity improvement projects based on the model, Walsh Avenue Sanitary Sewer Improvement project, is in the construction phase with an estimated construction completion in December 2011.

## **Water Recycling**

Operating revenues decreased slightly from \$1.6 million in fiscal year 2008-09 to \$1.4 million in fiscal year 2009-10. Operating expenses for fiscal year 2009-10 remained at \$1 million. Net assets as of June 30, 2010 were \$4 million.

## **Solid Waste**

Operating revenues were \$16 million in fiscal year 2009-10 relatively unchanged from the prior fiscal year. Operating expenses were \$16 million in fiscal year 2009-10, relatively unchanged from fiscal year 2008-09. Net assets (deficit) at June 30, 2010 were (\$1.1) million.

## **Cemetery**

This Fund accounts for the Mission City Memorial Park's operations. Operating revenues were \$454 thousand in fiscal year 2009-10, reflecting a \$98 thousand increase from prior fiscal year. Operating expenses were \$938 thousand in fiscal year 2009-10, an increase of \$190 thousand compared to fiscal year 2008-09. This increase was due to higher salaries and benefits. Net assets (deficit) at June 30, 2010 were (\$1.3) million. This fund usually runs a deficit in its operation and capital activities, which is funded by an advance from the General Fund.

## **Sports and Open Space Authority**

This Fund accounts for the acquisition and preservation of open space within the City and the development of local sports activities. Operating revenues were \$1.5 million in fiscal year 2009-10, down slightly from the prior fiscal year of \$1.7 million. Net assets at June 30, 2010 remained at \$4 million.

## Santa Clara Golf and Tennis Club

This Fund accounts for the operations of the City's public golf course. Operating revenues were \$3 million in fiscal year 2009-10 unchanged from the prior fiscal year. Operating expenses remained at \$2.7 million the same as the previous fiscal year. Net assets at June 30, 2010 were \$4 million.

## Santa Clara Convention Center

This Fund accounts for the operations of the Santa Clara Convention Center. Operating revenues were \$4.1 million in fiscal year 2009-10 a slight increase from the prior fiscal year \$3.8 million. Operating expenses increased from \$6 million in fiscal year 2008-09 to \$7 million in the current fiscal year. Transfers in of \$2 million were for developer contributions for the purpose of the ballroom expansion at the Santa Clara Convention Center. Net assets at June 30, 2010 were \$44 million, relatively unchanged from the prior fiscal year.

## CAPITAL ASSETS

At June 30, 2010 the City's capital assets, net of depreciation, stood at \$538 million in Governmental Activities, and \$589 million, net of depreciation, in Business-Type Assets, as shown in Table 6. They were invested in a broad range of categories, as shown in Table 6.

**Table 6**  
**Capital Assets at June 30, 2010**  
**(in millions)**

|                                  | <u>2010</u>   | <u>2009</u>   | <u>Net Change</u> |
|----------------------------------|---------------|---------------|-------------------|
| <b>Governmental Activities:</b>  |               |               |                   |
| Land                             | \$ 113        | \$ 113        | \$ -              |
| Construction in progress         | 9             | 5             | 4                 |
| Land improvements                | 19            | 18            | 1                 |
| Buildings                        | 158           | 158           | -                 |
| Infrastructure                   | 432           | 427           | 5                 |
| Machinery and equipment          | 69            | 66            | 3                 |
| Less accumulated depreciation    | <u>(262)</u>  | <u>(243)</u>  | <u>(19)</u>       |
| Totals                           | <u>\$ 538</u> | <u>\$ 544</u> | <u>\$ (6)</u>     |
| <b>Business-Type Activities:</b> |               |               |                   |
| Land                             | \$ 20         | \$ 20         | \$ -              |
| Construction in progress         | 35            | 53            | (18)              |
| Land improvements (1)            | 24            | 24            | -                 |
| Buildings                        | 90            | 61            | 29                |
| Infrastructure (1)               | 794           | 782           | 12                |
| Machinery and equipment          | 17            | 16            | 1                 |
| Less accumulated depreciation    | <u>(391)</u>  | <u>(370)</u>  | <u>(21)</u>       |
| Totals                           | <u>\$ 589</u> | <u>\$ 586</u> | <u>\$ 3</u>       |

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

The decrease of \$6 million in the Governmental Funds asset base was due primarily to an increase in accumulated depreciation.

Construction in progress, (CIP), has additions of \$12 million which was offset by the transfer out of \$2 million to Business-Type activities, a \$4 million transfer out to Governmental Infrastructure and \$1 million transfer to Governmental Machinery and equipment. The CIP additions of \$12 million were comprised of various projects including the relocation of the emergency dispatch center.

Land improvements had a slight increase due to capitalization of various projects. Infrastructure increase of \$5 million was primarily due to improvements and maintenance of the City's streets and highways. Machinery and equipment increase of \$3 million was predominately due to replacements of aging vehicles and equipment.

The \$3 million increase in Enterprise Funds total assets were for various categories as exemplified below.

The decrease of \$18 million in Enterprise Funds Construction in progress was comprised of CIP additions of \$22 million which was offset by the transfer of \$27 million to Buildings, \$12 million transfer to Infrastructure and \$1 million transfer to Machinery and equipment. The \$22 million increase was primarily due to rebuilding of the City's substations and construction of new distribution substations.

The increase of \$29 million for Enterprise Funds Buildings was primarily due to the completion of Santa Clara Convention Center Ballroom expansion which was transferred from Governmental and Enterprise Construction in progress.

The increase of \$12 million for Infrastructure can be attributed to various projects necessary in the course of the providing utilities to our customers. Three major contributors were the purchase and implementation of an advanced metering system, maintenance and upgrades to the City's fiber optic network, and upgrades to the voltage distributions systems in order to meet demands of our customers.

The Capital Improvement Project Budget for fiscal year 2009-10 and Five Year Financial Plan for fiscal year 2010-11 through fiscal year 2014-15 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 2009-10 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, the City's debt was comprised of the following:

**Table 7**  
**Outstanding Debt at June 30, 2010**  
**(in millions)**

|   | Balance       | Balance       |                |
|---|---------------|---------------|----------------|
|   | June 30, 2010 | June 30, 2009 | Net Change     |
| <b>Governmental Activity Debt:</b>                          |               |               |                |
| Special Assessment Debt with City commitment                | \$ 2          | \$ 3          | \$ (1)         |
| Redevelopment Tax Allocation Bonds                          | 120           | 125           | (5)            |
| Certificates of Participation 1997                          | 11            | 12            | (1)            |
| Certificates of Participation 2002A                         | 22            | 22            | -              |
| Refunding Certificates of Participation, Series 2002B       | 16            | 19            | (3)            |
| <b>Business-Type Debt:</b>                                  |               |               |                |
| Electric Utility Revenue Bonds, net of unamortized discount | 216           | 220           | (4)            |
| Total Debt  | <u>\$ 387</u> | <u>\$ 401</u> | <u>\$ (14)</u> |

## SPECIAL ASSESSMENT DISTRICT DEBT

Special assessment districts in different parts of the City have also issued debt to finance infrastructure and facilities construction entirely in those districts. At June 30, 2010, a total of \$3 million in special assessment district debt was outstanding. This debt is secured only by special assessments on the real property in the district issuing the debt, and is not the City's responsibility, (except for one), although the City does act as these Districts' agent in the collection and remittance of assessments.

## 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. Additional Comprehensive Annual Financial Report for Silicon Valley Power and The Redevelopment Agency component units are available upon request. Questions about this Report should be directed to the City of Santa Clara Finance Department, at 1500 Warburton Avenue, Santa Clara, California, 95050, telephone (408) 615-2340.

# ***Basic Financial Statements***



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

The Statement of Net Assets 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 all its liabilities, 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 Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets 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 assets, by subtracting total liabilities from total assets.

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

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

The Statement of Activities reports increases and decreases in the City's net assets. 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 Assets is computed and reconciled with the Statement of Net Assets.

Both these Statements include the financial activities of the City and the Redevelopment Agency of the City of Santa Clara, 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 because they are controlled by the City, which is financially accountable for these Agency activities.

**CITY OF SANTA CLARA**  
**STATEMENT OF NET ASSETS**  
June 30, 2010

|  | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>            |
|--|------------------------------------|-------------------------------------|-------------------------|
| <b>ASSETS</b>                                      |                                    |                                     |                         |
| <b>Current Assets</b>                              |                                    |                                     |                         |
| Cash and investments (Note 8):                     |                                    |                                     |                         |
| Pooled cash and investments                        | \$ 188,474,132                     | \$ 266,223,547                      | \$ 454,697,679          |
| Investments with fiscal agent                      | 6,277,279                          | 6,102,700                           | 12,379,979              |
| Receivables (net of allowance for uncollectibles): |                                    |                                     |                         |
| Accounts   | 2,659,131                          | 46,014,773                          | 48,673,904              |
| Interest   | 978,163                            | 1,430,112                           | 2,408,275               |
| Intergovernmental                                  | 7,169,862                          | -                                   | 7,169,862               |
| Internal balances (Note 9D)                        | (543,971)                          | 543,971                             | -                       |
| Materials, supplies and prepaids                   | 370,223                            | 10,585,918                          | 10,956,141              |
| Land held for redevelopment (Note 2H)              | 7,103,770                          | -                                   | 7,103,770               |
| Total Current Assets                               | <u>212,488,589</u>                 | <u>330,901,021</u>                  | <u>543,389,610</u>      |
| <b>Noncurrent Assets</b>                           |                                    |                                     |                         |
| Cash designated for construction (Note 8)          | 66,403,322                         | 2,320,643                           | 68,723,965              |
| Investment with fiscal agent (Note 8)              | 16,521,068                         | 9,363,860                           | 25,884,928              |
| Deposits (Note 8)                                  | -                                  | 6,440,983                           | 6,440,983               |
| Internal balances (Note 9D)                        | 6,928,823                          | (6,928,823)                         | -                       |
| Long Term Special assessments                      | 1,105,000                          | -                                   | 1,105,000               |
| Long Term Loans, net of reserves (Note 2AA)        | 86,604,509                         | -                                   | 86,604,509              |
| Capital assets (Note 10):                          |                                    |                                     |                         |
| Land and construction in progress                  | 121,869,635                        | 55,260,977                          | 177,130,612             |
| Capital assets being depreciated, net              | 416,209,450                        | 534,217,655                         | 950,427,105             |
| Investment in joint ventures (Note 13)             | 5,692,586                          | 112,721,673                         | 118,414,259             |
| Deferred inflow of resources (Note 11)             | -                                  | 10,867,835                          | 10,867,835              |
| Other  | 361,618                            | 2,404,845                           | 2,766,463               |
| Total Noncurrent Assets                            | <u>721,696,011</u>                 | <u>726,669,648</u>                  | <u>1,448,365,659</u>    |
| <b>Total Assets</b>                                | <u>\$ 934,184,600</u>              | <u>\$ 1,057,570,669</u>             | <u>\$ 1,991,755,269</u> |

See accompanying notes to basic financial statements

**CITY OF SANTA CLARA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2010**  
**(continued)**

|  | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>            |
|--|------------------------------------|-------------------------------------|-------------------------|
| <b>LIABILITIES</b>                                   |                                    |                                     |                         |
| <b>Current Liabilities</b>                           |                                    |                                     |                         |
| Accrued liabilities                                  | \$ 13,696,755                      | \$ 27,212,578                       | \$ 40,909,333           |
| Interest payable                                     | 2,879,348                          | 2,100,409                           | 4,979,757               |
| Accrued compensated absences (Note 2K)               | 1,603,997                          | 427,316                             | 2,031,313               |
| Unearned revenue                                     | 13,585,544                         | 505,341                             | 14,090,885              |
| Landfill closure liability (Note 12)                 | -                                  | 543,000                             | 543,000                 |
| Current portion of derivative financial instruments  | -                                  | 850,112                             | 850,112                 |
| Long-term debt-due within one year (Note 11)         | 17,635,000                         | 4,425,000                           | 22,060,000              |
| Total Current Liabilities                            | <u>49,400,644</u>                  | <u>36,063,756</u>                   | <u>85,464,400</u>       |
| <b>Noncurrent Liabilities</b>                        |                                    |                                     |                         |
| Long-term Portion Est. Claims                        | 14,493,027                         | -                                   | 14,493,027              |
| Accrued compensated absences (Note 2K)               | 12,043,283                         | 3,208,403                           | 15,251,686              |
| Landfill closure liabilities (Note 12)               | -                                  | 2,979,092                           | 2,979,092               |
| Long-term derivative financial instruments (Note 11) | -                                  | 10,867,835                          | 10,867,835              |
| Long-term debt-due after<br>one year (Note 11)       | 152,800,000                        | 211,698,043                         | 364,498,043             |
| Total Noncurrent Liabilities                         | <u>179,336,310</u>                 | <u>228,753,373</u>                  | <u>408,089,683</u>      |
| Total Liabilities                                    | <u>228,736,954</u>                 | <u>264,817,129</u>                  | <u>493,554,083</u>      |
| <b>NET ASSETS (Note 19)</b>                          |                                    |                                     |                         |
| Invested in capital assets, net of related debt      | 432,533,607                        | 388,822,149                         | 821,355,756             |
| Restricted for:                                      |                                    |                                     |                         |
| Capital projects                                     | 58,305,508                         | -                                   | 58,305,508              |
| Debt service   | 20,034,009                         | -                                   | 20,034,009              |
| Redevelopment activities                             | 132,478,823                        | -                                   | 132,478,823             |
| Permanent Funds and Other:                           |                                    |                                     |                         |
| Expendable   | 12,732,087                         | -                                   | 12,732,087              |
| Nonexpendable  | 4,006,112                          | -                                   | 4,006,112               |
| Total Restricted Net Assets                          | <u>227,556,539</u>                 | <u>-</u>                            | <u>227,556,539</u>      |
| Unrestricted Net Assets                              | <u>45,357,500</u>                  | <u>403,931,391</u>                  | <u>449,288,891</u>      |
| Total Net Assets                                     | <u>\$ 705,447,646</u>              | <u>\$ 792,753,540</u>               | <u>\$ 1,498,201,186</u> |

See accompanying notes to basic financial statements

**CITY OF SANTA CLARA**  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2010

| Functions/Programs                                   | Expenses              | Indirect<br>Expenses<br>Allocation | Program Revenues        |  |  |
|--|-----------------------|------------------------------------|-------------------------|--|--|
|  |                       |                                    | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Governmental Activities:</b>                      |                       |                                    |                         |  |  |
| General Administration                               | \$ 14,534,295         | \$ (11,064,178)                    | \$ 9,695,502            | \$ 35,598                                | \$ 381,266                             |
| City Clerk   | 673,725               | -                                  | -                       | -  | -                                      |
| City Attorney  | 1,309,914             | -                                  | 1,344                   | -  | -                                      |
| Human Resources                                      | 1,815,274             | -                                  | -                       | -  | -                                      |
| Finance  | 7,685,297             | -                                  | 681,593                 | -  | -                                      |
| Public Works   | 29,343,724            | -                                  | 2,160,185               | 1,270,345                                | 5,393,740                              |
| Parks and Recreation                                 | 15,571,572            | -                                  | 2,940,188               | 118,964                                  | -                                      |
| <b>Public Safety:</b>                                |                       |                                    |                         |  |  |
| Police   | 45,143,076            | -                                  | 1,603,184               | 912,691                                  | -                                      |
| Fire   | 34,457,271            | -                                  | 2,173,582               | 286,287                                  | -                                      |
| Planning & Inspection                                | 5,918,382             | -                                  | 3,549,325               | 1,054,870                                | -                                      |
| Library  | 8,470,141             | -                                  | 236,202                 | 426,213                                  | -                                      |
| Community Development                                | 6,446,963             | -                                  | -                       | -  | -                                      |
| Interest on long term debt                           | 9,856,135             | -                                  | -                       | -  | -                                      |
| Supplemental Education Revenue<br>Augmentation Funds | 9,834,223             | -                                  | -                       | -  | -                                      |
| <b>Total Governmental Activities</b>                 | <b>191,059,992</b>    | <b>(11,064,178)</b>                | <b>23,041,105</b>       | <b>4,104,968</b>                         | <b>5,775,006</b>                       |
| <b>Business-type Activities:</b>                     |                       |                                    |                         |  |  |
| <b>Utilities:</b>                                    |                       |                                    |                         |  |  |
| Electric -   |                       |                                    |                         |  |  |
| Retail   | 273,176,431           | 7,335,846                          | 269,098,307             | -  | 1,736,095                              |
| Wholesale  | 73,727,274            | -                                  | 67,839,812              | -  | -                                      |
| Water  | 21,162,458            | 1,904,292                          | 23,744,204              | -  | -                                      |
| Sewer  | 13,470,116            | 751,976                            | 16,634,156              | -  | (7,191,241)                            |
| Water Recycling                                      | 3,167,791             | 88,799                             | 1,398,701               | -  | 2,964,439                              |
| Solid Waste  | 14,907,958            | 933,635                            | 15,843,441              | -  | -                                      |
| Cemetery   | 913,426               | 46,478                             | 454,167                 | -  | -                                      |
| Sports and Open Space Authority                      | 14,940                | 3,152                              | 1,506,101               | -  | -                                      |
| Santa Clara Golf and Tennis Club                     | 2,723,824             | -                                  | 2,916,238               | -  | -                                      |
| Santa Clara Convention Center                        | 7,121,213             | -                                  | 4,077,353               | -  | 2,767,442                              |
| <b>Total Business-type Activities</b>                | <b>410,385,431</b>    | <b>11,064,178</b>                  | <b>403,512,480</b>      | <b>-</b>                                 | <b>276,735</b>                         |
| <b>Total</b>   | <b>\$ 601,445,423</b> | <b>\$ -</b>                        | <b>\$ 426,553,585</b>   | <b>\$ 4,104,968</b>                      | <b>\$ 6,051,741</b>                    |
| <b>General Revenues:</b>                             |                       |                                    |                         |  |  |
| <b>Taxes:</b>  |                       |                                    |                         |  |  |
| 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 income (losses) of joint ventures          |                       |                                    |                         |  |  |
| Rents and royalties                                  |                       |                                    |                         |  |  |
| Gain (loss) on retirement of assets                  |                       |                                    |                         |  |  |
| Other  |                       |                                    |                         |  |  |
| Transfers (Note 9A)                                  |                       |                                    |                         |  |  |
| Total General Revenues and Transfers                 |                       |                                    |                         |  |  |
| Change in Net Assets                                 |                       |                                    |                         |  |  |
| Net Assets - Beginning                               |                       |                                    |                         |  |  |
| Net Assets - Ending                                  |                       |                                    |                         |  |  |

See accompanying notes to basic financial statements

**CITY OF SANTA CLARA**  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2010

**Net (Expense) Revenue and  
Changes in Net Assets**

| <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>            |
|------------------------------------|-------------------------------------|-------------------------|
| \$ 6,642,249                       | \$ -                                | \$ 6,642,249            |
| (673,725)                          | -                                   | (673,725)               |
| (1,308,570)                        | -                                   | (1,308,570)             |
| (1,815,274)                        | -                                   | (1,815,274)             |
| (7,003,704)                        | -                                   | (7,003,704)             |
| (20,519,454)                       | -                                   | (20,519,454)            |
| (12,512,420)                       | -                                   | (12,512,420)            |
| (42,627,201)                       | -                                   | (42,627,201)            |
| (31,997,402)                       | -                                   | (31,997,402)            |
| (1,314,187)                        | -                                   | (1,314,187)             |
| (7,807,726)                        | -                                   | (7,807,726)             |
| (6,446,963)                        | -                                   | (6,446,963)             |
| (9,856,135)                        | -                                   | (9,856,135)             |
| (9,834,223)                        | -                                   | (9,834,223)             |
| <u>(147,074,735)</u>               | <u>-</u>                            | <u>(147,074,735)</u>    |
| -                                  | (9,677,875)                         | (9,677,875)             |
| -                                  | (5,887,462)                         | (5,887,462)             |
| -                                  | 677,454                             | 677,454                 |
| -                                  | (4,779,177)                         | (4,779,177)             |
| -                                  | 1,106,550                           | 1,106,550               |
| -                                  | 1,848                               | 1,848                   |
| -                                  | (505,737)                           | (505,737)               |
| -                                  | 1,488,009                           | 1,488,009               |
| -                                  | 192,414                             | 192,414                 |
| -                                  | (276,418)                           | (276,418)               |
| -                                  | <u>(17,660,394)</u>                 | <u>(17,660,394)</u>     |
| <u>(147,074,735)</u>               | <u>(17,660,394)</u>                 | <u>(164,735,129)</u>    |
| 31,876,370                         | -                                   | 31,876,370              |
| 61,834,032                         | -                                   | 61,834,032              |
| 8,301,861                          | -                                   | 8,301,861               |
| 3,049,265                          | -                                   | 3,049,265               |
| 345,046                            | -                                   | 345,046                 |
| 13,448,039                         | -                                   | 13,448,039              |
| 9,153,899                          | 9,024,804                           | 18,178,703              |
| 448,830                            | (35,713)                            | 413,117                 |
| (1,358)                            | -                                   | (1,358)                 |
| 440,331                            | 2,833,558                           | 3,273,889               |
| 2,063                              | -                                   | 2,063                   |
| 2,917,259                          | -                                   | 2,917,259               |
| 2,170,587                          | (2,170,587)                         | -                       |
| <u>133,986,224</u>                 | <u>9,652,062</u>                    | <u>143,638,286</u>      |
| (13,088,511)                       | (8,008,332)                         | (21,096,843)            |
| 718,536,157                        | 800,761,872                         | 1,519,298,029           |
| <u>\$ 705,447,646</u>              | <u>\$ 792,753,540</u>               | <u>\$ 1,498,201,186</u> |

See accompanying notes to basic financial statements

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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 2009-10. Individual non-major funds may be found in the Supplementary section.

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds, and the related expenditures.

**REDEVELOPMENT AGENCY FUND**

The Redevelopment Agency Fund accounts for the construction or acquisition of public improvements of the Agency; housing set aside funds received from Agency tax increment for the purpose of developing low to moderate income housing; and for monies for the payment of Agency long-term obligations which are financed by tax increment and lease revenues.

**CITY OF SANTA CLARA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2010**

|   | General<br>Fund      | Redevelopment<br>Agency | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|-------------------------|------------------------------------|--------------------------------|
| <b>ASSETS</b>                                       |                      |                         |                                    |                                |
| Cash and investments (Note 8):                      |                      |                         |                                    |                                |
| Pooled cash and investments                         | \$ 35,505,527        | \$ 85,010,758           | \$ 53,746,008                      | \$ 174,262,293                 |
| Investments with fiscal agent - current             | -                    | 6,277,278               | 1                                  | 6,277,279                      |
| Cash designated for construction                    | -                    | 62,734,522              | 3,668,800                          | 66,403,322                     |
| Receivables (net of allowance for uncollectibles):  |                      |                         |                                    |                                |
| Accounts  | 2,271,439            | -                       | 204,083                            | 2,475,522                      |
| Interest  | 594,532              | 368,622                 | 15,009                             | 978,163                        |
| Loans   | 1,177,914            | 68,381,513              | 20,996,965                         | 90,556,392                     |
| Special assessments                                 | -                    | -                       | 1,105,000                          | 1,105,000                      |
| Intergovernmental                                   | 1,872,236            | 201                     | 5,297,425                          | 7,169,862                      |
| Due from other funds (Note 9B)                      | 1,651,175            | -                       | 18,091                             | 1,669,266                      |
| Materials, supplies and prepaids                    | 22,774               | -                       | -                                  | 22,774                         |
| Land held for redevelopment (Note 2H)               | -                    | 7,103,770               | -                                  | 7,103,770                      |
| Investments with fiscal agent - noncurrent (Note 8) | -                    | 6,341,657               | 10,179,411                         | 16,521,068                     |
| Advances to other funds (Note 9C)                   | 14,228,148           | -                       | -                                  | 14,228,148                     |
| Other   | 25,800               | -                       | 335,818                            | 361,618                        |
| <b>Total Assets</b>                                 | <b>\$ 57,349,545</b> | <b>\$ 236,218,321</b>   | <b>\$ 95,566,611</b>               | <b>\$ 389,134,477</b>          |
| <b>LIABILITIES</b>                                  |                      |                         |                                    |                                |
| Accrued liabilities                                 | \$ 6,485,778         | \$ 523,273              | \$ 1,785,933                       | \$ 8,794,984                   |
| Interest payable                                    | -                    | 1,177,914               | -                                  | 1,177,914                      |
| Due to other funds (Note 9B)                        | -                    | -                       | 184,601                            | 184,601                        |
| Deferred revenue                                    | 147,858              | 68,718,097              | 25,437,873                         | 94,303,828                     |
| Advances from other funds (Note 9C)                 | -                    | 7,299,325               | -                                  | 7,299,325                      |
| <b>Total Liabilities</b>                            | <b>6,633,636</b>     | <b>77,718,609</b>       | <b>27,408,407</b>                  | <b>111,760,652</b>             |
| <b>FUND BALANCES</b>                                |                      |                         |                                    |                                |
| Reserved for encumbrances                           | 1,738,493            | 6,844,740               | 2,250,047                          | 10,833,280                     |
| Reserved for debt service                           | -                    | 10,590,636              | 11,107,628                         | 21,698,264                     |
| Reserved for low and moderate income housing        | -                    | 39,632,826              | -                                  | 39,632,826                     |
| Reserved for special programs                       | 1,148,905            | -                       | 15,589,294                         | 16,738,199                     |
| Reserved for inventory, petty cash and receivables  | 7,662,281            | -                       | -                                  | 7,662,281                      |
| Reserved for advances                               | 14,228,148           | -                       | -                                  | 14,228,148                     |
| Reserved for land held for redevelopment            | -                    | 7,103,770               | -                                  | 7,103,770                      |
| Unreserved  |                      |                         |                                    |                                |
| Designated for working capital                      | 2,528,237            | -                       | -                                  | 2,528,237                      |
| Designated for capital projects                     |                      |                         |                                    |                                |
| Reported in:  |                      |                         |                                    |                                |
| General fund  | 2,496,811            | -                       | -                                  | 2,496,811                      |
| Special revenue funds                               | -                    | -                       | 601,660                            | 601,660                        |
| Capital projects funds                              | -                    | 75,022,399              | 38,609,575                         | 113,631,974                    |
| Designated for investment of land sale proceeds     | 16,956,005           | -                       | -                                  | 16,956,005                     |
| Designated for supplemental housing                 | -                    | 19,305,341              | -                                  | 19,305,341                     |
| Designated for building inspection and other        | 3,957,029            | -                       | -                                  | 3,957,029                      |
| <b>Total Fund Balances</b>                          | <b>50,715,909</b>    | <b>158,499,712</b>      | <b>68,158,204</b>                  | <b>277,373,825</b>             |
| <b>Total Liabilities and Fund Balances</b>          | <b>\$ 57,349,545</b> | <b>\$ 236,218,321</b>   | <b>\$ 95,566,611</b>               | <b>\$ 389,134,477</b>          |

See accompanying notes to basic financial statements

**CITY OF SANTA CLARA**  
**RECONCILIATION OF FUND BALANCES TO GOVERNMENTAL ACTIVITIES NET ASSETS**  
**June 30, 2010**

Total Governmental Fund Balance (from prior page) \$ 277,373,825

Amounts reported for Governmental Activities in the Statement of Net Assets 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 (1,576,700)

**CAPITAL ASSETS**

Capital assets used in Governmental Activities are not current assets or financial resources and, therefore, are not reported in the Governmental Funds. 538,079,085

INVESTMENT IN NON-BUSINESS TYPE JOINT VENTURE 5,692,586

**ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS**

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 Assets:

Cash and investments 14,211,839  
Accounts receivable 183,609  
Materials, supplies and prepaids 347,449  
Accounts payable (4,901,771)  
Long-term portion of estimated claims (14,493,027)  
Compensated absences (232,251)  
Internal balances (2,028,636)

**ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES**

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 80,718,284

**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 (3,951,883)  
Long-term debt (170,435,000)  
Interest payable (1,701,434)  
Non-current portion of accrued compensated absences  
excluding Internal Service Funds (11,838,329)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 705,447,646

**CITY OF SANTA CLARA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the year ended June 30, 2010**

|   | General              | Redevelopment<br>Agency | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|-------------------------|------------------------------------|--------------------------------|
| <b>REVENUES</b>   |                      |                         |                                    |                                |
| Taxes:  |                      |                         |                                    |                                |
| Sales   | \$ 31,876,370        | \$ -                    | \$ -                               | \$ 31,876,370                  |
| Ad valorem  | 29,425,485           | 32,408,547              | -                                  | 61,834,032                     |
| Transient occupancy   | 8,301,861            | -                       | -                                  | 8,301,861                      |
| Other   | 3,518,497            | -                       | 580,768                            | 4,099,265                      |
| Licenses, permits, fines, and penalties                     | 4,286,474            | -                       | -                                  | 4,286,474                      |
| Intergovernmental   | 1,122,970            | -                       | 8,235,531                          | 9,358,501                      |
| Charges for services  | 22,778,718           | -                       | 1,867,837                          | 24,646,555                     |
| Contributions in-lieu of taxes                              | 13,448,039           | -                       | -                                  | 13,448,039                     |
| Interest and rents  | 8,473,300            | 16,099,988              | 903,991                            | 25,477,279                     |
| Net increase (decrease) in the fair value of investments    | 31,547               | 370,489                 | 46,794                             | 448,830                        |
| Other   | 162,144              | 1,156,445               | 1,509,971                          | 2,828,560                      |
| <b>Total Revenues</b>                                       | <b>123,425,405</b>   | <b>50,035,469</b>       | <b>13,144,892</b>                  | <b>186,605,766</b>             |
| <b>EXPENDITURES</b>   |                      |                         |                                    |                                |
| Current:  |                      |                         |                                    |                                |
| General Administration                                      | 12,578,445           | 9,338,780               | 3,160,533                          | 25,077,758                     |
| City Clerk  | 661,661              | -                       | -                                  | 661,661                        |
| City Attorney   | 1,314,088            | -                       | -                                  | 1,314,088                      |
| Human Resources   | 1,804,183            | -                       | -                                  | 1,804,183                      |
| Finance   | 7,534,950            | -                       | -                                  | 7,534,950                      |
| Public Works  | 15,003,255           | -                       | 2,175,089                          | 17,178,344                     |
| Parks and Recreation  | 12,967,692           | -                       | 937,877                            | 13,905,569                     |
| Public Safety:  |                      |                         |                                    |                                |
| Police  | 43,654,685           | -                       | 303,921                            | 43,958,606                     |
| Fire  | 33,423,280           | -                       | 344,190                            | 33,767,470                     |
| Planning & Inspection                                       | 5,726,116            | -                       | -                                  | 5,726,116                      |
| Library   | 7,229,513            | -                       | 176,295                            | 7,405,808                      |
| Community Development                                       | -                    | 6,446,963               | -                                  | 6,446,963                      |
| Capital outlay  | 28,016               | 3,168,557               | 9,825,646                          | 13,022,219                     |
| Debt service (Note 11)                                      |                      |                         |                                    |                                |
| Principal payments  | -                    | 5,675,000               | 4,880,000                          | 10,555,000                     |
| Interest and fiscal fees                                    | -                    | 7,532,694               | 2,595,710                          | 10,128,404                     |
| Bond Cost Expense   | -                    | -                       | 7,648                              | 7,648                          |
| Supplemental Educational Revenue Augmentation Funds (SERAF) | -                    | 9,834,223               | -                                  | 9,834,223                      |
| <b>Total Expenditures</b>                                   | <b>141,925,884</b>   | <b>41,996,217</b>       | <b>24,406,909</b>                  | <b>208,329,010</b>             |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>    | <b>(18,500,479)</b>  | <b>8,039,252</b>        | <b>(11,262,017)</b>                | <b>(21,723,244)</b>            |
| <b>OTHER FINANCING SOURCES (USES)</b>                       |                      |                         |                                    |                                |
| Sale of capital assets                                      | 2,063                | -                       | -                                  | 2,063                          |
| Transfers in (Note 9A)                                      | 17,990,256           | -                       | 13,503,073                         | 31,493,329                     |
| Transfers (out) (Note 9A)                                   | (13,601,807)         | (9,868,659)             | (6,051,044)                        | (29,521,510)                   |
| <b>Total Other Financing Sources (Uses)</b>                 | <b>4,390,512</b>     | <b>(9,868,659)</b>      | <b>7,452,029</b>                   | <b>1,973,882</b>               |
| <b>NET CHANGE IN FUND BALANCES</b>                          | <b>(14,109,967)</b>  | <b>(1,829,407)</b>      | <b>(3,809,988)</b>                 | <b>(19,749,362)</b>            |
| Fund balances at beginning of period                        | 64,825,876           | 160,329,119             | 71,968,192                         | 297,123,187                    |
| <b>FUND BALANCES AT END OF PERIOD</b>                       | <b>\$ 50,715,909</b> | <b>\$158,499,712</b>    | <b>\$ 68,158,204</b>               | <b>\$ 277,373,825</b>          |

See accompanying notes to basic financial statements

**CITY OF SANTA CLARA**  
**RECONCILIATION OF THE NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS**  
**WITH THE STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2010**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (19,749,362)

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 (65,200)

**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 10,284,222

Depreciation expense is deducted from the fund balance

(Depreciation expense is net of internal service fund depreciation of \$1,605,262 which has already been allocated to serviced funds.) (19,262,908)

Retirements and transfers of capital assets (net of internal service fund retirements of \$3,203) (48,544)

Contributions of infrastructure improvements by developers and equipment are capitalized in the Statement of Activities, but are not recorded in the Fund Statements because no cash changed hands. 771,569

JOINT VENTURES (1,358)

**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 Assets.

Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance 10,555,000

**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 258,065

Non-current portion of accrued compensated absences (232,896)

Interest payable 279,917

Deferred revenue 3,670,989

**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 Assets - All Internal Service Funds, net (176,788)

Change in Net Assets of Internal Service Funds reported with Business-Type Activities 628,783

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (13,088,511)

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

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

The City has identified the funds below as major proprietary funds in fiscal year 2009-10.

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.

**CITY OF SANTA CLARA  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
June 30, 2010**

|   | <b>Business-type Activities-Enterprise Funds</b> |                          |                          |
|---|--|--------------------------|--------------------------|
|   | <b>Electric<br/>Utility</b>                      | <b>Water<br/>Utility</b> | <b>Sewer<br/>Utility</b> |
| <b>ASSETS</b>   |  |                          |                          |
| Current assets:   |  |                          |                          |
| Cash and investments (Note 8):                          |  |                          |                          |
| Pooled cash and investments                             | \$ 229,346,225                                   | \$ 12,255,145            | \$ 17,743,103            |
| Investments with fiscal agent                           | 6,102,700  | -                        | -                        |
| Receivables (net of allowance for uncollectible):       |  |                          |                          |
| Accounts  | 38,112,605                                       | 2,918,222                | 1,863,722                |
| Interest  | 1,245,156  | 64,519                   | 102,553                  |
| Due from other funds (Note 9B)                          | 1,578,822  | 66,332                   | 355,863                  |
| Materials, supplies and prepaids                        | 9,855,579  | 661,900                  | -                        |
| Total current assets                                    | <u>286,241,087</u>                               | <u>15,966,118</u>        | <u>20,065,241</u>        |
| Noncurrent assets:                                      |  |                          |                          |
| Cash designated for construction (Note 8)               | -  | 303,090                  | 1,507,553                |
| Investment with fiscal agent (Note 8)                   | 9,363,860  | -                        | -                        |
| Deposits (Note 8)                                       | 6,440,983  | -                        | -                        |
| Capital assets (Note 10):                               |  |                          |                          |
| Land and land improvements                              | 13,550,593                                       | 661,268                  | 725,328                  |
| Buildings and infrastructure                            | 716,023,620                                      | 62,725,679               | 26,770,759               |
| Equipment   | 9,373,978  | 3,343,399                | 1,630,027                |
| Construction in progress                                | 33,055,642                                       | 2,194,427                | 45,000                   |
|   | <u>772,003,833</u>                               | <u>68,924,773</u>        | <u>29,171,114</u>        |
| Less Accumulated depreciation                           | <u>284,605,185</u>                               | <u>36,095,507</u>        | <u>17,668,207</u>        |
|   | 487,398,648                                      | 32,829,266               | 11,502,907               |
| Investment in joint ventures (Note 13)                  | 27,548,159                                       | -                        | 85,173,514               |
| Deferred inflow of resources (Note 11)                  | 10,867,835                                       | -                        | -                        |
| Other assets  | 2,147,509  | 110,148                  | 72,546                   |
| Total noncurrent assets                                 | <u>543,766,994</u>                               | <u>33,242,504</u>        | <u>98,256,520</u>        |
| Total assets  | <u>830,008,081</u>                               | <u>49,208,622</u>        | <u>118,321,761</u>       |
| <b>LIABILITIES</b>                                      |  |                          |                          |
| Current liabilities:                                    |  |                          |                          |
| Accrued liabilities                                     | 23,125,779                                       | 1,318,114                | 89,997                   |
| Interest payable  | 2,100,409  | -                        | -                        |
| Accrued compensated absences (Note 2K)                  | 321,972  | 56,820                   | 30,321                   |
| Due to other funds (Note 9B)                            | -  | 170,007                  | -                        |
| Deferred revenue  | -  | -                        | -                        |
| Current portion of landfill closure liability (Note 12) | -  | -                        | -                        |
| Current portion of derivative financial instruments     | 850,112  | -                        | -                        |
| Current portion of long-term debt (Note 11)             | 4,425,000  | -                        | -                        |
| Total current liabilities                               | <u>30,823,272</u>                                | <u>1,544,941</u>         | <u>120,318</u>           |
| Noncurrent liabilities:                                 |  |                          |                          |
| Advance from other funds (Note 9C)                      | -  | -                        | -                        |
| Landfill closure liability (Note 12)                    | -  | -                        | -                        |
| Long-term portion estimated claims                      | -  | -                        | -                        |
| Long-term comp absences (Note 2K)                       | 2,417,460  | 426,619                  | 227,655                  |
| Long-term derivative financial instruments (Note 11)    | 10,867,835                                       | -                        | -                        |
| Long-term debt (Note 11)                                | 211,698,043                                      | -                        | -                        |
| Total noncurrent liabilities                            | <u>224,983,338</u>                               | <u>426,619</u>           | <u>227,655</u>           |
| Total liabilities                                       | <u>255,806,610</u>                               | <u>1,971,560</u>         | <u>347,973</u>           |
| <b>NET ASSETS</b>                                       |  |                          |                          |
| Invested in capital assets,<br>net of related debt      | 286,742,165                                      | 32,829,266               | 11,502,907               |
| Unrestricted  | 287,459,306                                      | 14,407,796               | 106,470,881              |
| Total net assets  | <u>\$ 574,201,471</u>                            | <u>\$ 47,237,062</u>     | <u>\$ 117,973,788</u>    |

Amounts reported for *business-type activities* in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities in some cases.

Net assets of business-type activities

**CITY OF SANTA CLARA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 June 30, 2010**

| <b>Business-type Activities-Enterprise Funds</b> |   |                       |   |
|--|---|-----------------------|---|
| <b>Water<br/>Recycling<br/>Utility</b>           | <b>Non-Major<br/>Enterprise<br/>Funds</b> | <b>TOTAL</b>          | <b>Internal Service<br/>Funds<br/>(Note 2A)</b> |
| \$ 3,287,070                                     | \$ 4,102,953                              | \$ 266,734,496        | \$ 13,700,890                                   |
| -  | -   | 6,102,700             | -   |
| 1,131,084  | 1,989,140                                 | 46,014,773            | 183,609   |
| 17,884   | -   | 1,430,112             | -   |
| -  | 179,535                                   | 2,180,552             | 375,734   |
| -  | 68,439                                    | 10,585,918            | 347,449   |
| -  | -   | -                     | -   |
| <u>4,436,038</u>                                 | <u>6,340,067</u>                          | <u>333,048,551</u>    | <u>14,607,682</u>                               |
| -  | 510,000                                   | 2,320,643             | -   |
| -  | -   | 9,363,860             | -   |
| -  | -   | 6,440,983             | -   |
| -  | 28,912,323                                | 43,849,512            | -   |
| -  | 78,490,087                                | 884,010,145           | -   |
| -  | 3,155,228                                 | 17,502,632            | 24,389,230                                      |
| -  | -   | 35,295,069            | -   |
| -  | 110,557,638                               | 980,657,358           | 24,389,230                                      |
| -  | 52,809,827                                | 391,178,726           | 18,270,057                                      |
| -  | 57,747,811                                | 589,478,632           | 6,119,173                                       |
| -  | -   | 112,721,673           | -   |
| -  | -   | 10,867,835            | -   |
| -  | 74,642                                    | 2,404,845             | -   |
| -  | 58,332,453                                | 733,598,471           | -   |
| <u>4,436,038</u>                                 | <u>64,672,520</u>                         | <u>1,066,647,022</u>  | <u>20,726,855</u>                               |
| 502,898  | 2,175,790                                 | 27,212,578            | 4,901,771                                       |
| -  | -   | 2,100,409             | -   |
| -  | 18,203                                    | 427,316               | 27,297  |
| -  | 1,466,574                                 | 1,636,581             | 2,404,370                                       |
| -  | 505,341                                   | 505,341               | -   |
| -  | 543,000                                   | 543,000               | -   |
| -  | -   | 850,112               | -   |
| -  | -   | 4,425,000             | -   |
| <u>502,898</u>                                   | <u>4,708,908</u>                          | <u>37,700,337</u>     | <u>7,333,438</u>                                |
| -  | 6,928,823                                 | 6,928,823             | -   |
| -  | 2,979,092                                 | 2,979,092             | -   |
| -  | -   | -                     | 14,493,027                                      |
| -  | 136,669                                   | 3,208,403             | 204,954   |
| -  | -   | 10,867,835            | -   |
| -  | -   | 211,698,043           | -   |
| -  | 10,044,584                                | 235,682,196           | 14,697,981                                      |
| <u>502,898</u>                                   | <u>14,753,492</u>                         | <u>273,382,533</u>    | <u>22,031,419</u>                               |
| -  | 57,747,811                                | 388,822,149           | 6,119,173                                       |
| 3,933,140  | (7,828,783)                               | 404,442,340           | (7,423,737)                                     |
| <u>\$ 3,933,140</u>                              | <u>\$ 49,919,028</u>                      | <u>793,264,489</u>    | <u>\$ (1,304,564)</u>                           |
|  |   | (510,949)             |   |
|  |   | <u>\$ 792,753,540</u> |   |

**CITY OF SANTA CLARA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 For the year ended June 30, 2010**

|  | <u>Business-type Activities-Enterprise Funds</u> |                          |                          |
|--|--|--------------------------|--------------------------|
|  | <u>Electric<br/>Utility</u>                      | <u>Water<br/>Utility</u> | <u>Sewer<br/>Utility</u> |
| Operating revenues:                              |  |                          |                          |
| Charges for services                             | \$ 252,518,401                                   | \$ 23,519,569            | \$ 16,446,038            |
| Rents and royalties                              | -  | -                        | -                        |
| Insurance refunds and other                      | -  | -                        | -                        |
| Other  | -  | 90,301                   | -                        |
|  | <u>252,518,401</u>                               | <u>23,609,870</u>        | <u>16,446,038</u>        |
| Total operating revenues                         |  |                          |                          |
| Operating expenses:                              |  |                          |                          |
| Salaries and benefits                            | 20,060,376                                       | 4,680,311                | 1,735,096                |
| Materials, services and supplies                 | 224,253,294                                      | 17,209,222               | 11,934,892               |
| General and administrative                       | -  | -                        | -                        |
| Amortization                                     | 877,997  | 57,801                   | 37,975                   |
| Depreciation                                     | 16,985,674                                       | 990,023                  | 461,612                  |
| Total operating expenses                         | <u>262,177,341</u>                               | <u>22,937,357</u>        | <u>14,169,575</u>        |
| Operating income (loss)                          | <u>(9,658,940)</u>                               | <u>672,513</u>           | <u>2,276,463</u>         |
| Nonoperating revenues (expenses):                |  |                          |                          |
| Interest revenue                                 | 7,775,597  | 424,963                  | 646,182                  |
| Net (increase) in the fair value of investments  | (169,237)  | 95,835                   | 37,689                   |
| Rents and royalties                              | 2,735,236  | 84,325                   | -                        |
| Joint project contribution                       | -  | -                        | -                        |
| Other revenue                                    | 16,579,906                                       | 134,334                  | 188,118                  |
| Interest expense                                 | (8,546,949)                                      | -                        | -                        |
| Other expense                                    | (8,907,300)                                      | -                        | -                        |
| Equity in income (losses) of joint ventures      | 1,736,243  | -                        | (7,191,241)              |
| Gain (loss) on retirement of assets              | (148)  | -                        | -                        |
| Wholesale power sales                            | 67,839,812                                       | -                        | -                        |
| Wholesale power purchases                        | <u>(73,727,274)</u>                              | <u>-</u>                 | <u>-</u>                 |
| Total nonoperating revenues                      | <u>5,315,886</u>                                 | <u>739,457</u>           | <u>(6,319,252)</u>       |
| Income (loss) before contributions and transfers | <u>(4,343,054)</u>                               | <u>1,411,970</u>         | <u>(4,042,789)</u>       |
| Contributions                                    | -  | -                        | -                        |
| Transfers in (Note 9A)                           | -  | 611,105                  | -                        |
| Transfers (out) (Note 9A)                        | <u>(749,843)</u>                                 | <u>(310,240)</u>         | <u>(63,195)</u>          |
| Change in net assets                             | <u>(5,092,897)</u>                               | <u>1,712,835</u>         | <u>(4,105,984)</u>       |
| Total net assets - beginning                     | <u>579,294,368</u>                               | <u>45,524,227</u>        | <u>122,079,772</u>       |
| Total net assets - ending                        | <u>\$ 574,201,471</u>                            | <u>\$ 47,237,062</u>     | <u>\$ 117,973,788</u>    |

Amounts reported for *business-type activities* in the Statement of Activities are different because the portion of the net (loss) of certain internal service funds is reported with the business-type activities which those funds service.

Change in net assets of business-type activities

**CITY OF SANTA CLARA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 For the year ended June 30, 2010**

| <b>Business-type Activities-Enterprise Funds</b> |   |                       |                                   |
|--|---|-----------------------|-----------------------------------|
| <b>Water<br/>Recycling<br/>Utility</b>           | <b>Non-Major<br/>Enterprise<br/>Funds</b> | <b>Total</b>          | <b>Internal Service<br/>Funds</b> |
| \$ 1,396,712                                     | \$ 23,014,397                             | \$ 316,895,117        | \$ 10,715,120                     |
| -  | 1,506,101                                 | 1,506,101             | -                                 |
| -  | -   | -                     | 192,384                           |
| -  | 276,802                                   | 367,103               | -                                 |
| <u>1,396,712</u>                                 | <u>24,797,300</u>                         | <u>318,768,321</u>    | <u>10,907,504</u>                 |
| 177,105  | 1,528,507                                 | 28,181,395            | 2,473,715                         |
| 912,955  | 21,993,604                                | 276,303,967           | 2,220,681                         |
| -  | -   | -                     | 5,623,143                         |
| -  | 39,416                                    | 1,013,189             | -                                 |
| -  | 3,027,748                                 | 21,465,057            | 1,605,262                         |
| <u>1,090,060</u>                                 | <u>26,589,275</u>                         | <u>326,963,608</u>    | <u>11,922,801</u>                 |
| <u>306,652</u>                                   | <u>(1,791,975)</u>                        | <u>(8,195,287)</u>    | <u>(1,015,297)</u>                |
| 113,415  | 64,647                                    | 9,024,804             | -                                 |
| -  | -   | (35,713)              | -                                 |
| -  | 13,997                                    | 2,833,558             | -                                 |
| 2,964,439  | -   | 2,964,439             | -                                 |
| 1,989  | -   | 16,904,347            | 131,995                           |
| -  | -   | (8,546,949)           | -                                 |
| (2,164,746)                                      | -   | (11,072,046)          | -                                 |
| -  | -   | (5,454,998)           | -                                 |
| -  | -   | (148)                 | (3,203)                           |
| -  | -   | 67,839,812            | -                                 |
| -  | -   | (73,727,274)          | -                                 |
| <u>915,097</u>                                   | <u>78,644</u>                             | <u>729,832</u>        | <u>128,792</u>                    |
| 1,221,749  | (1,713,331)                               | (7,465,455)           | (886,505)                         |
| -  | 2,767,442                                 | 2,767,442             | -                                 |
| -  | 2,687,312                                 | 3,298,417             | 202,000                           |
| (611,307)  | (3,734,419)                               | (5,469,004)           | (3,232)                           |
| <u>610,442</u>                                   | <u>7,004</u>                              | <u>(6,868,600)</u>    | <u>(687,737)</u>                  |
| <u>3,322,698</u>                                 | <u>49,912,024</u>                         | <u>(616,827)</u>      | <u>(616,827)</u>                  |
| <u>\$ 3,933,140</u>                              | <u>\$ 49,919,028</u>                      | <u>\$ (1,304,564)</u> | <u>\$ (1,304,564)</u>             |
|  |   | <u>(1,139,732)</u>    |                                   |
|  |   | <u>\$ (8,008,332)</u> |                                   |

See accompanying notes to basic financial statements

**CITY OF SANTA CLARA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 For the year ended June 30, 2010**

|   | <u>Business-type Activities-Enterprise Funds</u> |                          |                          |
|---|--|--------------------------|--------------------------|
|   | <u>Electric<br/>Utility</u>                      | <u>Water<br/>Utility</u> | <u>Sewer<br/>Utility</u> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |  |                          |                          |
| Receipts from customers   | \$ 252,627,125                                   | \$ 24,302,080            | \$ 16,131,085            |
| Payments to suppliers   | (238,347,133)                                    | (17,147,694)             | (11,932,054)             |
| Payments to employees   | (19,787,185)                                     | (4,592,670)              | (1,699,423)              |
| Internal activity - payments to other funds   | -  | -                        | -                        |
| Claims paid   | -  | -                        | -                        |
| Other receipts (payments)   | 9,709,169  | 134,334                  | 188,118                  |
| Net cash provided (used) by operating activities  | <u>4,201,976</u>                                 | <u>2,696,050</u>         | <u>2,687,726</u>         |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b>  |  |                          |                          |
| Wholesale resource sales  | 67,839,812                                       | -                        | -                        |
| Wholesale resource purchases  | (73,727,274)                                     | -                        | -                        |
| Provision for disputed SCS charges  | (1,532,968)                                      | -                        | -                        |
| Charges for Joint project contribution  | -  | -                        | (3,742,201)              |
| Expenses for joint project  | -  | -                        | -                        |
| Increase (decrease) in due from other funds   | 71,891   | (3,400)                  | (11,751)                 |
| (Increase) decrease in due to other funds   | -  | 20,122                   | -                        |
| Advances from other funds   | -  | -                        | -                        |
| Transfers in  | -  | 611,105                  | -                        |
| Transfers (out)   | (749,843)  | (310,240)                | (63,195)                 |
| Cash Flows from Noncapital Financing Activities   | <u>(8,098,382)</u>                               | <u>317,587</u>           | <u>(3,817,147)</u>       |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                               |  |                          |                          |
| Acquisition and construction of capital assets, net   | (22,627,879)                                     | (1,129,235)              | (756,233)                |
| Principal payments on capital debt  | (4,220,000)                                      | -                        | -                        |
| Interest paid on capital debt   | (8,272,213)                                      | -                        | -                        |
| Cash Flows from Capital and Related<br>Financing Activities                                       | <u>(35,120,092)</u>                              | <u>(1,129,235)</u>       | <u>(756,233)</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |  |                          |                          |
| Rents and royalties received  | 2,425,753  | 84,325                   | -                        |
| Net increase in the fair value of investments   | (169,237)  | 95,835                   | 37,689                   |
| Interest and dividends  | 5,948,052  | 428,732                  | 681,473                  |
| Payments made by fiscal agent   | 8,802,125  | -                        | -                        |
| Deposits made with fiscal agent   | (9,084,085)                                      | -                        | -                        |
| Cash Flows from Investing Activities  | <u>7,922,608</u>                                 | <u>608,892</u>           | <u>719,162</u>           |
| Net increase (decrease) in cash and cash<br>equivalents   | (31,093,890)                                     | 2,493,294                | (1,166,492)              |
| Cash and cash equivalents at beginning of period  | 260,440,115                                      | 10,064,941               | 20,417,148               |
| Cash and cash equivalents at end of period  | <u>\$ 229,346,225</u>                            | <u>\$ 12,558,235</u>     | <u>\$ 19,250,656</u>     |
| Cash and cash equivalents:  |  |                          |                          |
| Pooled cash and investments   | \$ 229,346,225                                   | \$ 12,255,145            | \$ 17,743,103            |
| Cash designated for construction  | -  | 303,090                  | 1,507,553                |
| Total cash and cash equivalents   | <u>\$ 229,346,225</u>                            | <u>\$ 12,558,235</u>     | <u>\$ 19,250,656</u>     |
| Reconciliation of operating income (loss) to net cash<br>provided by operating activities:        |  |                          |                          |
| Operating income (loss)   | \$ (9,658,940)                                   | \$ 672,513               | \$ 2,276,463             |
| Adjustments to reconcile operating income to net<br>cash provided (used) by operating activities: |  |                          |                          |
| Amortization  | 877,997  | 57,801                   | 37,975                   |
| Depreciation  | 16,985,674                                       | 990,023                  | 461,612                  |
| Change in assets and liabilities:   |  |                          |                          |
| Receivables, net  | (14,167,876)                                     | 688,788                  | (314,953)                |
| Inventory   | (959,105)  | 43,030                   | -                        |
| Accrued liabilities   | 3,273,259  | 33,019                   | 23,711                   |
| Long-term portion estimated claims  | -  | -                        | -                        |
| Compensated absences  | 178,361  | 76,542                   | 14,800                   |
| Deferred revenue  | -  | -                        | -                        |
| Other receipts  | 16,579,906                                       | 134,334                  | 188,118                  |
| Other expenses  | (8,907,300)                                      | -                        | -                        |
| Net cash provided (used) by operating activities  | <u>\$ 4,201,976</u>                              | <u>\$ 2,696,050</u>      | <u>\$ 2,687,726</u>      |
| <b>NONCASH TRANSACTIONS:</b>  |  |                          |                          |
| Joint Ventures  |  |                          |                          |
| Nonoperating income (loss)  | <u>\$ 1,736,243</u>                              | <u>\$ -</u>              | <u>\$ (7,191,241)</u>    |
| Capital Contribution  | <u>\$ -</u>                                      | <u>\$ -</u>              | <u>\$ -</u>              |

See accompanying notes to basic financial statements

**CITY OF SANTA CLARA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2010**

| <b>Business-type Activities-Enterprise Funds</b> |   |                       |                                   |
|--|---|-----------------------|-----------------------------------|
| <b>Water<br/>Recycling<br/>Utility</b>           | <b>Non-Major<br/>Enterprise<br/>Funds</b> | <b>Totals</b>         | <b>Internal Service<br/>Funds</b> |
| \$ 912,921                                       | \$ 24,396,811                             | \$ 318,370,022        | \$ 10,653,483                     |
| (958,189)  | (21,341,335)                              | (289,726,405)         | (1,848,653)                       |
| (175,670)  | (1,452,361)                               | (27,707,309)          | (2,438,527)                       |
| -  | -   | -                     | (156,664)                         |
| -  | -   | -                     | (4,959,130)                       |
| <u>1,989</u>                                     | <u>275,501</u>                            | <u>10,309,111</u>     | <u>131,995</u>                    |
| <u>(218,949)</u>                                 | <u>1,878,616</u>                          | <u>11,245,419</u>     | <u>1,382,504</u>                  |
| -  | -   | 67,839,812            | -                                 |
| -  | -   | (73,727,274)          | -                                 |
| -  | -   | (1,532,968)           | -                                 |
| 2,964,439  | -   | (777,762)             | -                                 |
| (2,847,852)                                      | -   | (2,847,852)           | -                                 |
| -  | (11,523)                                  | 45,217                | (17,121)                          |
| -  | 142,689                                   | 162,811               | (46,115)                          |
| -  | 849,705                                   | 849,705               | -                                 |
| -  | 2,687,312                                 | 3,298,417             | 202,000                           |
| (611,307)  | (3,734,419)                               | (5,469,004)           | (3,232)                           |
| <u>(494,720)</u>                                 | <u>(66,236)</u>                           | <u>(12,158,898)</u>   | <u>135,532</u>                    |
| -  | 22,630                                    | (24,490,717)          | (3,397,768)                       |
| -  | (515,262)                                 | (4,735,262)           | -                                 |
| -  | -   | (8,272,213)           | -                                 |
| <u>-</u>   | <u>(492,632)</u>                          | <u>(37,498,192)</u>   | <u>(3,397,768)</u>                |
| -  | 13,997                                    | 2,524,075             | -                                 |
| -  | -   | (35,713)              | -                                 |
| 118,839  | 64,647                                    | 7,241,743             | -                                 |
| -  | -   | 8,802,125             | -                                 |
| -  | -   | (9,084,085)           | -                                 |
| <u>118,839</u>                                   | <u>78,644</u>                             | <u>9,448,145</u>      | <u>-</u>                          |
| (594,830)  | 1,398,392                                 | (28,963,526)          | (1,879,732)                       |
| <u>3,881,900</u>                                 | <u>3,214,561</u>                          | <u>298,018,665</u>    | <u>15,580,622</u>                 |
| <u>\$ 3,287,070</u>                              | <u>\$ 4,612,953</u>                       | <u>\$ 269,055,139</u> | <u>\$ 13,700,890</u>              |
| \$ 3,287,070                                     | \$ 4,102,953                              | \$ 266,734,496        | \$ 13,700,890                     |
| -  | 510,000                                   | 2,320,643             | -                                 |
| <u>\$ 3,287,070</u>                              | <u>\$ 4,612,953</u>                       | <u>\$ 269,055,139</u> | <u>\$ 13,700,890</u>              |
| \$ 306,652                                       | \$ (1,791,975)                            | \$ (8,195,287)        | \$ (1,015,297)                    |
| -  | 39,416                                    | 1,013,189             | -                                 |
| -  | 3,027,748                                 | 21,465,057            | 1,605,262                         |
| (483,792)  | (38,876)                                  | (14,316,709)          | (61,637)                          |
| -  | (1,301)                                   | (917,376)             | (32,166)                          |
| (43,798)   | 655,764                                   | 3,941,955             | 245,092                           |
| -  | -   | -                     | 474,067                           |
| -  | 72,651                                    | 342,354               | 35,188                            |
| -  | (84,811)                                  | (84,811)              | -                                 |
| 1,989  | -   | 16,904,347            | 131,995                           |
| -  | -   | (8,907,300)           | -                                 |
| <u>\$ (218,949)</u>                              | <u>\$ 1,878,616</u>                       | <u>\$ 11,245,419</u>  | <u>\$ 1,382,504</u>               |
| <u>\$ -</u>                                      | <u>\$ -</u>                               | <u>\$ (5,454,998)</u> | <u>\$ -</u>                       |
| <u>\$ -</u>                                      | <u>\$ 2,767,442</u>                       | <u>\$ 2,767,442</u>   | <u>\$ -</u>                       |

See accompanying notes to basic financial statements

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**CITY OF SANTA CLARA  
FIDUCIARY FUNDS**

**FIDUCIARY 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.

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**CITY OF SANTA CLARA  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2010**

|   | <u>Agency<br/>Funds</u>     |
|---|-----------------------------|
| <b>ASSETS</b>                           |                             |
| Pooled cash and investments (Note 8)    | \$ 15,504,503               |
| Investments with fiscal agents (Note 8) | <u>211,984</u>              |
| Total Assets                            | <u><u>\$ 15,716,487</u></u> |
| <br><b>LIABILITIES</b>                  |                             |
| Due to bondholders                      | \$ 3,560,117                |
| Accrued liabilities                     | 7,837,093                   |
| Refundable deposits                     | <u>4,319,277</u>            |
| Total Liabilities                       | <u><u>\$ 15,716,487</u></u> |

See accompanying notes to basic financial statements

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**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 three 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 118,830 accounts for 6.6% of the total Santa Clara County estimated population of 1.8 million.

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

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. 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. The Redevelopment Agency of the City of Santa Clara**

The Redevelopment Agency of the City of Santa Clara (Agency) was established by the City Council in 1957 with the authority and responsibility for developing and upgrading blighted areas of the City. The members of the City Council are also members of the Agency's Board of Directors and, as such, are authorized to transact business and exercise power to plan, engineer, and implement projects of the Redevelopment Plan. The City performs all accounting and administrative functions of the Agency. The financial activities of the Agency have been reported in the accompanying basic financial statements in the Redevelopment Agency Fund. Separate financial statements have been issued for the Agency and are available at Santa Clara City Hall in the City Clerk's Office.

**B. City of Santa Clara Sports and Open Space Authority**

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1 – DEFINITION OF THE REPORTING ENTITY (continued)**

**C. City of Santa Clara Public Facilities Financing Corporation**

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

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

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

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental, proprietary, and fiduciary*—are presented. The emphasis of fund

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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.

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, liabilities, revenues or expenditures/expenses equal to ten percent of corresponding totals for all governmental or enterprise funds and at least five percent 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.

**Redevelopment Agency Fund** - This fund accounts for the construction or acquisition of public improvements of the Agency; housing set aside funds received from Agency tax increment for the purpose of developing low to moderate income housing; and for monies for the payment of Agency long-term obligations which are financed by tax increment and lease revenues.

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

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

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

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

**C. Basis of Accounting**

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

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

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

The City follows Statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Governmental Accounting Standards Board (GASB) pronouncements.

Governments have the option of following Statements and interpretations of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 for their business-type activities and enterprise funds. However the City has elected not to implement any FASB statements or interpretations issued after November 30, 1989.

During fiscal year 2009-10 the City implemented the GASB Statement No. 51 "*Accounting and Financial Reporting for Intangible Assets*," which requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This statement became effective July 1, 2009 for the City and did not result in a financial impact on the financial statements.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

During fiscal year 2009-10 the City implemented GASB Statement No. 53 “*Accounting and Financial Reporting for Derivative Instruments*” which requires governments to measure and report most derivative instruments at fair value on the statement of net assets, and gains (losses) be reported on the statement of revenues, expenses and change in fund net assets. Under hedge accounting, gains (losses) are reported on the statement of net assets as deferred (inflows) outflows of resources until termination, at which time the deferred amounts are reported as an adjustment to the underlying hedged transaction. In accordance with approved risk management policies, the City uses derivative instruments to manage its exposure to pricing fluctuations. The City also uses derivative instruments to hedge its exposure to changing interest rates through the use of an interest rate swap. In FY09-10, all City’s hedges were deemed effective. The hedge contracts on power purchases are recognized as a reduction (increase) in the purchase power cost on the statement of revenues, expenses and change in fund net assets and are shown on the statement of net assets as short term derivative instrument. The interest rate hedges are shown as noncurrent deferred inflow of resources and long term derivative instruments (refer to Note 11).

The GASB issued Statement No. 58 “*Accounting and Financial Reporting for Chapter 9 Bankruptcies*”. This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. This statement is not applicable to the City.

The City is analyzing the effects of the following pronouncements and plans to adopt them by the effective dates. The City does not anticipate a material financial impact with the adoption of these standards.

The GASB issued Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*” which requires the governments to classify fund balances into five components: Nonspendable, Restricted, Committed, Assigned and Unassigned. This statement becomes effective July 1, 2010 for the City.

The GASB issued Statement No. 57 “*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*” which related to the use of the alternative measurement method and the frequency and timing of measurement by employers that participate in agent multiple-employer other postemployment benefits plans. This statement becomes effective June 15, 2011.

The GASB issued Statement No. 59 “*Financial Instruments Omnibus*”. This statement updates and improves standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement became effective June 15, 2010.

**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).

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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.

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.

**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 Redevelopment Agency has purchased parcels of land as part of its efforts 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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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<br>Years | Capitalization<br>Threshold |
|----------------|-----------------------|-----------------------------|
| Buildings      | 20-50                 | \$ 20,000                   |
| Improvements   | 20-50                 | \$ 20,000                   |
| Equipment      | 3-25                  | \$ 5,000                    |
| Infrastructure | 10-50                 | \$ 20,000                   |

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

Capital assets and the related obligations acquired under lease/purchase agreements are capitalized and accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 13, *Accounting for Leases*.

**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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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. Employees are paid for unused vacation and certain benefits upon termination of employment.

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

The accrual for compensated absences comprised the following at June 30, 2010. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

|                   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|-------------------|----------------------------|-----------------------------|----------------------|
| Beginning Balance | \$ 13,313,996              | \$ 3,293,366                | \$ 16,607,362        |
| Additions         | 2,561,990                  | 538,921                     | 3,100,911            |
| Payments          | 2,228,706                  | 196,568                     | 2,425,274            |
| Ending Balance    | <u>\$ 13,647,280</u>       | <u>\$ 3,635,719</u>         | <u>\$ 17,282,999</u> |
| Current Portions  | <u>\$ 1,603,997</u>        | <u>\$ 427,316</u>           | <u>\$ 2,031,313</u>  |

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

**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 has additional \$20 million combined coverage with Everest National and American Merchants Casualty.

In addition, the City is also self-insured up to \$500 thousand 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 thousand per claim with coverage up to \$5 million with CSAC Excess Insurance Authority.

Additionally, 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. of \$100 million per occurrence in excess of self-insured amounts varying from \$2,500 to \$500,000 per occurrence. No claims settlement amount exceeded the City's insurance coverage in the past three fiscal years.

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

**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. 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 reservation of fund balance 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).

**O. 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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

**P. Net Assets and Fund Equity**

Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Reserved fund equity represents those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent the City's current plans for future use of financial resources.

**Q. Bond Discounts/Issuance Costs**

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

**R. 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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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, 2010, was \$24.7 billion, an increase of .8% compared to the previous year. The average tax rate was 1.13% per \$100 of assessed valuation.

**S. 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 utilities in accordance with the City Charter. Non-City owned and operated electric utilities pay a franchise fee, which is also a governmental activities general revenue source.

**T. 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.

**U. 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.

**V. Lease Agreements**

Any operating leases with scheduled rent increases are accounted for in accordance with SFAS Statement No. 13, Accounting for Leases.

**W. Arbitrage Rebate Liability**

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

**X. 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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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

**Y. 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.

**Z. 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.

**AA. 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.

**AB. 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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING (continued)**

reflected in the accompanying required supplementary information to the basic financial statements are as follows:

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

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

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

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

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

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

**A. California's Great America Theme Park Ground Lease**

In June 1985, the Agency acquired the Great America Theme Park (Theme Park) and entered into a management agreement with Kings Entertainment Company (Kings) to manage the Theme Park

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

operations. The Agency 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 Agency 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 Agency 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 Agency 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 (10) years each. Cedar Fair exercised the first ten (10) year renewal option by letter notification to the Agency received in December 2007. In the event of a termination or expiration of the Ground Lease, the Agency has an option to repurchase the assets of the Theme Park.

The basic 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. For fiscal year ended June 30, 2010, Cedar Fair had no additional rent to pay.

The Agency transfers the lease revenues to the City for payments on its obligations under a Cooperation Agreement with the City related to the development of the Santa Clara Gateway Irvine Project (see Note 5).

The following schedule summarizes the approximate future minimum lease revenues to be received by the Agency from the Theme Park ground lease:

**CITY OF SANTA CLARA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010**

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

| Fiscal Year | Amount        |
|-------------|---------------|
| 2011        | \$ 5,300,000  |
| 2012        | 5,300,000     |
| 2013        | 5,300,000     |
| 2014        | 5,300,000     |
| 2015        | 5,300,000     |
| Thereafter  | 23,850,000    |
|             | \$ 50,350,000 |

Cooperation Agreement Pertaining to Theme Park Parking

The Agency is a party to a Cooperation Agreement with the City whereby the City leased land adjacent to the Theme Park to the Agency to be used in accordance with the Agency's redevelopment plan. The land is currently being used as parking lots for the Theme Park. Under the Cooperation Agreement and related lease agreement, the Agency is required to remit parking lease payments to the City's General Fund and Electric Utility (Silicon Valley Power). Lease payments remitted to the City for the year ended June 30, 2010, totaled approximately \$173,334. Cedar Fair is obligated to reimburse the Agency for all lease payments made to the City in connection with this lease, except for lease payments on the Centennial (parking) lease. The Centennial lease covers a piece of land used as a replacement of parking spaces lost by the Theme Park as a result of the Santa Clara Hilton Hotel Development. As a consideration to the Theme Park for the displacement, the Agency undertook to pay for the lease and not obligate Cedar Fair for reimbursement. For fiscal year 2009-10, the Centennial lease payment was \$38,640.

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

| Fiscal Year | Amount       |
|-------------|--------------|
| 2011        | \$ 173,334   |
| 2012        | 173,334      |
| 2013        | 173,334      |
| 2014        | 173,334      |
| 2015        | 173,334      |
| Thereafter  | 2,829,110    |
| Total       | \$ 3,695,780 |

**B. TECHMART Office Building Ground Lease**

In May 1998, the Agency entered into a long-term ground lease of the TECHMART parcel with CarrAmerica. The lease has a fifty-five-year term with options for two additional ten-year terms. The Agency received \$1 million annual rent for each of the first ten years of the lease. Rent

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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 can not be subordinated to any other financing. For the fiscal year ended June 30, 2010, Lessee paid to the Agency rent of \$1.1 million.

On July 13, 2006, CarrAmerica merged with Nantucket Acquisition, Inc., a wholly owned subsidiary of The Blackstone Group; the terms and conditions of the lease agreement remain in effect. The Agency is to pay all lease revenues received from the lease of the TECHMART parcel to the City’s General Fund.

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

| <u>Fiscal Year</u> | <u>Amount</u>        |
|--------------------|----------------------|
| 2011               | \$ 1,100,000         |
| 2012               | 1,100,000            |
| 2013               | 1,109,167            |
| 2014               | 1,210,000            |
| 2015               | 1,210,000            |
| Thereafter         | 66,666,287           |
|                    | <u>\$ 72,395,454</u> |

**C. Hyatt Regency Hotel Ground Lease and Ballroom Lease**

In April, 1985, the Agency entered into a long-term ground lease with SCCC Associates (Lessee) for the development of a certain portion of that piece of land – the Bayshore North Redevelopment Project Area, and eventual operation of a high quality hotel and related facilities, amenities and improvements including one of the ballrooms in the Convention Center. The lease is for an initial term of fifty years. The Lessee has options to renew the lease for four additional periods of ten years each and one additional period of nine years. In 2005, SHC New Santa Clara, L.L.C., the successor-in-interest to SCCC Associates at that time sold the interest to Hyatt Equities, L.L.C. Under the terms of the lease, the Agency is entitled to receive a specified amount of minimum rent subject to adjustment at times specified in the lease. The Agency is also entitled to receive additional rent if specified percentage of the gross revenues of the hotel exceeds the total amount of minimum rent for the applicable lease year.

The minimum rent of the Ballroom lease is adjusted every three years according to the agreement. The current minimum rent was adjusted to \$339 thousand from \$269 thousand effective July 1, 2008. For fiscal year ended June 30, 2010, Lessee paid to the Agency minimum and percentage rents of \$949 thousand and \$339 thousand in Ground lease and Ballroom lease, respectively. Lessee has agreed to pay any impositions, including, but not limited to, taxes and assessments levied against the parcel. The Agency is to pay all lease revenues received from the lease of the Hyatt parcel to the City’s General Fund.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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

| Fiscal Year | Ground Lease<br>Amount | Ballroom Lease<br>Amount | Total                |
|-------------|------------------------|--------------------------|----------------------|
| 2011        | \$ 400,000             | \$ 339,060               | \$ 739,060           |
| 2012        | 400,000                | 339,060                  | 739,060              |
| 2013        | 400,000                | 339,060                  | 739,060              |
| 2014        | 400,000                | 339,060                  | 739,060              |
| 2015        | 400,000                | 339,060                  | 739,060              |
| Thereafter  | 7,933,333              | 6,724,690                | 14,658,023           |
|             | <u>\$ 9,933,333</u>    | <u>\$ 8,419,990</u>      | <u>\$ 18,353,323</u> |

**D. Hilton Hotel Ground Lease**

In July 1999, the Agency 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 fifty-five years. The Lessee has options to renew the lease for three additional periods of ten years. Under the terms of the lease, the Agency is entitled to receive a specified amount of minimum rent subject to adjustment at times specified in the lease. Beginning with the third lease year, the Agency 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, 2010, Lessee paid to the Agency \$468 thousand in minimum and percentage rents. Lessee has agreed to pay any impositions, including but not limited to taxes and assessments levied against the parcel.

Previously, the Agency paid all lease revenues received from this lease to the City's Electric Utility Fund. This arrangement terminated on July 11, 2006, when the City Council approved the sale of the City's Electric Utility interest in the ground lease revenues to the Agency. The Agency transfers the lease revenues to the City for payments on its obligations under a Cooperation Agreement with the City related to the development of the Santa Clara Gateway Irvine Project (see Note 5).

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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

| <u>Fiscal Year</u> | <u>Amount</u>        |
|--------------------|----------------------|
| 2011               | \$ 400,000           |
| 2012               | 400,000              |
| 2013               | 400,000              |
| 2014               | 400,000              |
| 2015               | 400,000              |
| Thereafter         | 15,633,333           |
|                    | <u>\$ 17,633,333</u> |

**NOTE 5 – THE IRVINE COMPANY GROUND LEASE**

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

In April 2000, the Agency 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 site will be subdivided into three parcels to accommodate the phased development of the project. The Agency and Developer have identified certain improvements (conditions precedent) to be completed to prepare the site for development. The Agency and Developer have also identified responsibilities for certain costs of the conditions precedent. As of June 30, 2010, the Agency has appropriated \$15.4 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, and the Yerba Buena Way Site Remediation. 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.

Under the DDA, the Agency has leased out to the Developer Parcel 2 effective February 16, 2001. Rent on Parcel 2 began 28 months and 3 days from the effective date. The term of the lease shall be at least 75 years but no more than 80 years from the effective date of the lease. The Agency 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, 2010, Lessee paid to the Agency rent of \$3.6 million.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 5 – THE IRVINE COMPANY GROUND LEASE (continued)**

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

| Fiscal Year | Amount         |
|-------------|----------------|
| 2011        | \$ 3,639,002   |
| 2012        | 3,639,002      |
| 2013        | 3,639,002      |
| 2014        | 3,639,002      |
| 2015        | 3,639,002      |
| Thereafter  | 220,614,496    |
|             | \$ 238,809,506 |

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 and extend the maximum term from thirteen (13) years to seventeen (17) years, setting an outside term date of November 1, 2018 subject to five (5) one-year extensions; and provide the Developer the right to terminate the Agreement and Lease with respect to Parcel 2 between October 1, 2018 and October 1, 2022.

**B. Santa Clara Gateway Cooperation Agreement**

In April 2000, the Agency entered into a Cooperation Agreement (Agreement) with the City, whereby the Agency acquired from the City a 42-acre site (site) bounded by Great America Parkway, Highway 237, Lafayette Street and the City's Golf Course. The Agency agreed to pay consideration to the City for the site in an amount equal to all rent that the Agency will receive from the eventual lease of the site. The Cooperation Agreement was amended in June 2005 to expand the sources of funds from which the Agency makes payments on the site to the City. The Agency agreed to make payments from any source of funds when and as available and not reasonably needed for other redevelopment purposes. As of the end of the fiscal year, the Agency has identified the lease payments on the ground leases of the Theme Park and of the Santa Clara Hilton Hotel as additional sources for payment of the site. The amended Agreement also provided for payment of interest by the Agency at the highest rate allowable by law on the \$101 million agreed upon valuation of the site.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 5 – THE IRVINE COMPANY GROUND LEASE (continued)**

The following schedule summarizes the approximate future payments to the City by the Agency on the Cooperation Agreement:

| Fiscal<br>Year | Irvine<br>Parcel 2    | Theme Park           | Santa Clara<br>Hotel | Total                 |
|----------------|-----------------------|----------------------|----------------------|-----------------------|
| 2011           | \$ 3,639,002          | \$ 5,300,000         | \$ 400,000           | \$ 9,339,002          |
| 2012           | 3,639,002             | 5,300,000            | 400,000              | 9,339,002             |
| 2013           | 3,639,002             | 5,300,000            | 400,000              | 9,339,002             |
| 2014           | 3,639,002             | 5,300,000            | 400,000              | 9,339,002             |
| 2015           | 3,639,002             | 5,300,000            | 400,000              | 9,339,002             |
| Thereafter     | 220,614,496           | 23,850,000           | 15,633,333           | 260,097,829           |
| Total          | <u>\$ 238,809,506</u> | <u>\$ 50,350,000</u> | <u>\$ 17,633,333</u> | <u>\$ 306,792,839</u> |

**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, 2010, the City paid the Chamber \$1.47 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, 2010, the Convention Center paid the Chamber \$45 thousand. Each agreement is extendible for an additional year at the end of each year. Either party may terminate the agreements by providing 180 days written notice.

**B. American Golf Corporation**

In May 1987, SOSA entered into a management agreement with American Golf Corporation (AGC) to manage the operations of the Santa Clara Golf and Tennis Club (SCG&TC). On June 4, 2002, SOSA approved an additional extension of the management agreement to June 30, 2007. The terms of the extended management agreement are essentially the same as the original agreement. On March 20, 2007, the management agreement was extended to June 30, 2012 under terms that are essentially the same as the original agreement. Under the current agreement, AGC is entitled to receive an annual management fee equal to a fixed amount (currently \$148 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 2010, the City paid a total of \$292 thousand under this contract.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 7 – FAIRWAY GLEN DEVELOPMENT PROJECT AGREEMENTS**

**A. Disposition and Development Agreement (Original DDA)**

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

In April 1994, subsequent to the lease of the first two residential parcels and the completion of construction of the Bella Vista Apartment Community (Phase R-1) on those parcels, the developer exercised the option to terminate the Original DDA as to all remaining phases of development. SOSA and the developer entered into discussions relative to a limited development of the remaining parcels. The discussions resulted in the Agreement to Amend Ground Lease (See Note 7B) and a new Disposition and Development Agreement (New DDA) for the development of Parcels R-3 and R-4 (See Note 7C).

**B. Agreement to Amend Ground Lease**

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

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

Under the Sublease, the Agency is entitled to a minimum rent of \$1,200 per net acre monthly, or \$27,054 per month. The minimum rent is subject to adjustment at amounts calculated at times specified in the Amended Sublease. The minimum rent was adjusted to \$41,805 per month starting July 2003, following the refinancing of the sublessee's interest in June 2003. The Agency is also entitled to additional rent calculated at a specified percentage of net operating income, operating cash flow, and as applicable, refinancing or sales proceeds. In fiscal year 2010, the Agency received \$502 thousand, \$140 thousand and \$49 thousand in minimum, percentage and participation rents, respectively. All amounts received by the Agency under the agreement are paid to SOSA. The Sublease provides for a maximum term of 75 years from August 15, 1996 that includes two ten-year option terms.

**C. New Disposition and Development Agreement (New DDA)**

In January 1996, the Agency and the developer entered into a New Disposition and Development Agreement (New DDA). The New DDA provides for the execution and recordation of Master

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 7 –FAIRWAY GLEN DEVELOPMENT PROJECT AGREEMENTS (continued)**

Leases for Parcels R-3 and R-4 between SOSA and the Agency and for the subleasing of Parcels R-3 and R-4 from the Agency by the developer. Under the New DDA, the Agency has ground subleased Parcels R-3 and R-4, and the Developer has constructed thereon 252 and 276 housing units, respectively.

Under the terms of subleases, the Agency is entitled to a minimum rent payment of \$1,200 per net acre per month or \$11,945 per month for Nantucket (Parcel R-3) and \$12,970 per month for Carlyle (Parcel R-4). In addition, the Agency receives percentage and participation rents calculated in accordance with formulas specified in the subleases. Commencing with the rent payment of September 2005, the minimum rent for Parcel R-3 was adjusted to \$17,462 per month as a result of the refinancing of the sublessee’s interest on the Nantucket Community in August 2005. Likewise, effective with the rent payment of May 2006, the minimum rent for Parcel R-4 was adjusted to \$21,355 as a result of the refinancing of the sublessee’s interest on the Carlyle Community in April 2006. In fiscal year 2010, the Agency received from the Parcel R-3 sublease \$210 thousand, \$69 thousand and \$0 in minimum, percentage and participation rents, respectively, and from the Parcel R-4 sublease, \$256 thousand, \$133 thousand and \$76 thousand in minimum, percentage and participation rents, respectively. All amounts received by the Agency under the foregoing agreements are paid to SOSA.

**D. SOSA Future Lease Revenues**

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

| Fiscal Year | Fairway Glen Development Project |                     |                      | David's<br>Restaurant | Total                |
|-------------|----------------------------------|---------------------|----------------------|-----------------------|----------------------|
|             | R-1<br>Bella Vista               | R-3<br>Nantucket    | R-4<br>Carlyle       |                       |                      |
| 2011        | \$ 501,660                       | \$ 209,544          | \$ 256,260           | \$ 54,000             | \$ 1,021,464         |
| 2012        | 501,660                          | 209,544             | 256,260              | 54,000                | 1,021,464            |
| 2013        | 501,660                          | 209,544             | 256,260              | 18,000                | 985,464              |
| 2014        | 501,660                          | 209,544             | 256,260              | -                     | 967,464              |
| 2015        | 501,660                          | 209,544             | 256,260              | -                     | 967,464              |
| Thereafter  | 18,143,370                       | 7,648,356           | 9,930,075            | -                     | 35,721,801           |
| Total       | <u>\$ 20,651,670</u>             | <u>\$ 8,696,076</u> | <u>\$ 11,211,375</u> | <u>\$ 126,000</u>     | <u>\$ 40,685,121</u> |

**NOTE 8 – CASH AND INVESTMENTS**

**A. Pooled Cash and Investment**

The City pools cash from all sources and all funds except restricted cash and investments with fiscal agent. Allocable portions of the pooled portfolio for each fund type are reported under the captions “Pooled cash and investments” and “Cash designated for construction.” Interest income

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 8 – CASH AND INVESTMENTS (continued)**

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 \$583.8 million as of June 30, 2010. This amount includes the City's cash and cash equivalents of \$545.5 million, and cash and investments with fiscal agents of \$38.3 million.

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

|  |    |             |
|--|----|-------------|
| Pooled cash and investments                | \$ | 454,697,679 |
| Cash designated for construction           |    | 68,723,965  |
| Deposits                                   |    | 6,440,983   |
| Total cash and investments                 |    | 529,862,627 |
| Investments with fiscal agent - current    |    | 12,379,979  |
| Investments with fiscal agent - noncurrent |    | 25,884,928  |
| Total cash with fiscal agent               |    | 38,264,907  |
| Total Cash in the Statement of Net Assets  |    | 568,127,534 |
| Cash in Fiduciary Funds                    |    | 15,716,487  |
| Total Cash                                 | \$ | 583,844,021 |

The City's cash and investments balances in Governmental, Proprietary, Internal Service Funds, and Fiduciary Funds were as follows:

|  | Governmental<br>Funds | Proprietary<br>Funds | Internal Service<br>Funds | Fiduciary<br>Funds | Total          |
|--|-----------------------|----------------------|---------------------------|--------------------|----------------|
| Pooled cash and investments                | \$ 174,262,293        | \$ 266,734,496       | \$ 13,700,890             |                    | \$ 454,697,679 |
| Investments with fiscal agent - current    | 6,277,279             | 6,102,700            |                           |                    | 12,379,979     |
| Cash designated for construction           | 66,403,322            | 2,320,643            |                           |                    | 68,723,965     |
| Investments with fiscal agent - noncurrent | 16,521,068            | 9,363,860            |                           | -                  | 25,884,928     |
| Deposits                                   |                       | 6,440,983            |                           |                    | 6,440,983      |
| Trust                                      |                       |                      |                           | 15,716,487         | 15,716,487     |
| Total cash and investments                 | \$ 263,463,962        | \$ 290,962,682       | \$ 13,700,890             | \$ 15,716,487      | \$ 583,844,021 |

**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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 8 – CASH AND INVESTMENTS (continued)**

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:

| 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)

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 8 – CASH AND INVESTMENTS (continued)**

**C. Investments with Fiscal Agents**

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

The City also maintains required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code 53601 (L) allows these funds to be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, other agreements, or certificates of participation in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance. For disclosure purposes, debt proceeds that comply with this provision are listed as follows:

| Description                                | Invested Amount | Nature of Funds | Invested with           | Maturity | Credit Rating |
|--|-----------------|-----------------|-------------------------|----------|---------------|
| Agency Tax Allocation<br>Bonds Series 2003 | \$ 5,855,236    | Bond Proceeds   | Dreyfus Family of Funds | None     | AAAm          |
| Agency Tax Allocation<br>Bonds Series 1999 | \$ 56,879,286   | Bond Proceeds   | Fidelity Investment     | None     | AAAm          |

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

**D. Interest Rate and Credit Risks**

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

The average maturity of the City's pooled investment portfolio at June 30, 2010 was approximately 1.35 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 by the following table that shows the distribution of the City's investments by maturity or call date, whichever is earlier.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 8 – CASH AND INVESTMENTS (continued)**

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, 2010 for each investment type:

| Type of Investment                             | Credit Rating | Maturity              |                       |                       |                      |                   | Carrying Value        |
|--|---------------|-----------------------|-----------------------|-----------------------|----------------------|-------------------|-----------------------|
|  |               | Under 180 Days        | 181 - 365 Days        | 1 - 3 Years           | 3 - 5 Years          | Over 5 Years      |                       |
| <b>Pooled investments:</b>                     |               |                       |                       |                       |                      |                   |                       |
| Cash   | N/A           | \$ 23,146,749         | \$ -                  | \$ -                  | \$ -                 | \$ -              | \$ 23,146,749         |
| U.S. Treasury notes and bonds                  | AAA           | 5,015,625             | 12,182,694            | -                     | -                    | -                 | 17,198,319            |
| Federal Farm Credit Banks                      | AAA           | 6,039,375             | 15,402,188            | 34,997,703            | -                    | -                 | 56,439,266            |
| Federal Home Loan Banks                        | AAA           | 32,300,313            | 49,457,813            | 134,607,500           | 12,892,500           | -                 | 229,258,126           |
| Federal National Mortgage Association          | AAA           | -                     | 3,113,438             | 9,487,397             | -                    | -                 | 12,600,835            |
| Federal Home Loan Mortgage Corporation         | AAA           | 3,028,473             | 6,112,575             | 12,814,415            | -                    | -                 | 21,955,463            |
| Corporate notes                                | AAA           | 3,019,113             | 6,166,263             | 19,071,453            | -                    | -                 | 28,256,829            |
| Corporate notes                                | AA            | 3,045,369             | -                     | 24,904,218            | -                    | -                 | 27,949,587            |
| Corporate notes                                | AA-           | 3,039,963             | -                     | -                     | -                    | -                 | 3,039,963             |
| Mutual fund - Fidelity                         | AAAm          | 17,701,481            | -                     | -                     | -                    | -                 | 17,701,481            |
| Mutual fund - Dreyfus                          | AAAm          | 2,171,760             | -                     | -                     | -                    | -                 | 2,171,760             |
| State Investment Pool (LAIF)                   | Not Rated     | -                     | 39,443,595            | -                     | -                    | -                 | 39,443,595            |
| Total pooled investments in the City Treasury  |               | <u>98,508,221</u>     | <u>131,878,566</u>    | <u>235,882,686</u>    | <u>12,892,500</u>    | <u>-</u>          | <u>479,161,973</u>    |
| <b>Debt &amp; Other investments:</b>           |               |                       |                       |                       |                      |                   |                       |
| U.S. Treasury notes and bonds                  | AAA           | -                     | -                     | -                     | -                    | 102,086           | 102,086               |
| Federal Farm Credit Banks                      | AAA           | -                     | -                     | 100,156               | 101,344              | -                 | 201,500               |
| Federal Home Loan Banks                        | AAA           | 50,188                | -                     | 100,094               | 299,876              | 153,188           | 603,346               |
| Corporate notes (Bentzien Trust)               | AAA           | -                     | -                     | -                     | -                    | 50,402            | 50,402                |
| Corporate notes (Bentzien Trust)               | AA            | 75,393                | 75,656                | 208,029               | 146,508              | 103,966           | 609,552               |
| Corporate stock (Bentzien Trust)               | A&B           | 613,681               | -                     | -                     | -                    | -                 | 613,681               |
| Mutual fund - Dreyfus (Bond Proceeds)          | AAA           | 9,364,141             | -                     | -                     | -                    | -                 | 9,364,141             |
| Mutual fund - Fidelity (Bond Proceeds)         | AAA           | 56,879,286            | -                     | -                     | -                    | -                 | 56,879,286            |
| Mutual fund - Bank of New York (Debt Fund)     | AAA           | 33,078,217            | -                     | -                     | -                    | -                 | 33,078,217            |
| Mutual fund - Federated Prime (Bentzien Trust) | N/R           | 543,846               | -                     | -                     | -                    | -                 | 543,846               |
| Mutual fund - U S Bank                         | N/R           | 211,981               | -                     | -                     | -                    | -                 | 211,981               |
| State Investment Pool (LAIF)                   | Not Rated     | -                     | 2,424,010             | -                     | -                    | -                 | 2,424,010             |
| Total non-city pooled investments              |               | <u>100,816,733</u>    | <u>2,499,666</u>      | <u>408,279</u>        | <u>547,728</u>       | <u>409,642</u>    | <u>104,682,048</u>    |
| Total investments                              |               | <u>\$ 199,324,954</u> | <u>\$ 134,378,232</u> | <u>\$ 236,290,965</u> | <u>\$ 13,440,228</u> | <u>\$ 409,642</u> | <u>\$ 583,844,021</u> |

Note: Maturity is based on call dates for callable notes.

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

The City accounts for investments in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires governmental entities to report certain investments at fair value based on quoted market information obtained from recognized sources. The City has reported its investments at fair value with the exception of its share of external investment pools and mutual funds, the carrying value of which approximates fair value. In determining the change in fair value of its investments, the City used an aggregate method of calculation. The entire portfolio was valued at the beginning and end of the year and the change in fair value, net of purchases and maturities during the year, was reported as a \$13.5 million increase in investment earnings.

**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:

**CITY OF SANTA CLARA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 8 – CASH AND INVESTMENTS (continued)**

| <u>Issuer</u>                | <u>Bond-rating</u> | <u>Fair Value</u> | <u>Expiration</u> | <u>% of Holding</u> |
|------------------------------|--------------------|-------------------|-------------------|---------------------|
| Federal Farm Credit Banks    | AAA                | \$ 56,640,766     | N/A               | 9.7%                |
| Federal Home Loan Banks      | AAA                | \$ 229,861,471    | N/A               | 39.4%               |
| Local Agency Investment Fund | N/A                | \$ 41,867,606     | N/A               | 7.2%                |
| Fidelity Mutual Fund         | AAAm               | \$ 74,580,767     | N/A               | 12.7%               |
| Bank of New York             | AAA                | \$ 33,078,217     | N/A               | 5.6%                |

**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 in the Interest Rate Risk Section above.

**H. Local Agency Investment Fund**

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**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 expenditure 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, 2010 were as follows:

| Fund Receiving Transfers               | Fund Making Transfers            | Amount Transferred   |   |
|--|----------------------------------|----------------------|---|
| <b>General Fund</b>                    | Non-Major Governmental           | \$ 5,999,885         | A |
|  | Redevelopment Agency             | 9,406,709            | B |
|  | Sports and Open Space Authority  | 2,583,662            | C |
| <b>Non-Major Governmental</b>          | Redevelopment Agency             | 600                  | D |
|  | General Fund                     | 11,870,123           | E |
|  | Redevelopment Agency             | 461,350              | F |
|  | Non-Major Governmental           | 16,000               | G |
|  | Electric Utility                 | 40,000               | H |
|  | Electric Utility                 | 682,775              | I |
|  | Water Utility                    | 302,564              | I |
|  | Sewer Utility                    | 60,367               | I |
|  | Solid Waste                      | 67,794               | I |
|  | Cemetery                         | 1,500                | I |
| <b>Worker's Comp Insurance Claims</b>  | General Fund                     | 158,772              | J |
|  | Electric Utility                 | 27,068               | J |
|  | Water Utility                    | 7,676                | J |
|  | Sewer                            | 2,828                | J |
|  | Water Recycling Utility          | 202                  | J |
|  | Solid Waste                      | 1,212                | J |
|  | Cemetery                         | 1,010                | J |
|  | Communication Technical Services | 404                  | J |
|  | Automotive Services              | 2,828                | J |
| <b>Water Utility</b>                   | Water Recycling Utility          | 611,105              | K |
| <b>Solid Waste</b>                     | General Fund                     | 767,160              | L |
| <b>Cemetery</b>                        | Non-Major Governmental           | 35,159               | M |
| <b>Sports and Open Space Authority</b> | Santa Clara Golf and Tennis Club | 1,079,241            | N |
| <b>Santa Clara Convention Center</b>   | General Fund                     | 805,752              | O |
| <b>Interfund Transfers</b>             |                                  | <u>\$ 34,993,746</u> |   |

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 9 – INTERFUND TRANSACTIONS AND BALANCES (continued)**

**The reasons for material transfers are set forth below:**

- (A) Transfer to general fund from capital project funds to return unspent project funds.
- (B) Transfer per the cooperation agreement between general fund and RDA.
- (C) Transfer per the cooperation agreement between general fund and SOSA and Santa Clara Convention Center.
- (D) Transfer to fund their respective share of financial, human resources software.
- (E) Transfer to fund various projects in the capital funds and pay governmental debt service.
- (F) Transfer to fund HUD projects in the capital fund.
- (G) Transfer to fund project in fire from public building funds.
- (H) Transfer to fund street tree planting and community activities.
- (I) Transfer to fund their respective share of financial, human resources software, utility billing and other projects.
- (J) Transfer to fund workers' compensation claims and computer dispatch upgrades and technology improvements.
- (K) Transfer to fund Water Recycling Activities.
- (L) Transfer to Solid Waste to subsidize operations.
- (M) Transfer of interest earned on Endowment and Perpetual Care Trust Funds.
- (N) Transfer lease payments from American Golf, Interland, and others in accordance with the lease agreements.
- (O) Transfer to Convention Center to subsidize operations due to budget deficit.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**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, 2010.

| Receivable Fund                         | Payable Fund                         | Amount       |
|---|--------------------------------------|--------------|
| <b>General Fund</b>                     | Santa Clara Convention Center        | \$ 1,466,574 |
|   | Non-Major Governmental               | 184,601      |
| <b>Non-Major Governmental</b>           | Internal Service Funds               | 18,091       |
|   | Receivable by Governmental Funds     | \$ 1,669,266 |
| <b>Electric Utility</b>                 | Internal Service Funds               | \$ 1,578,822 |
| <b>Water Utility</b>                    | Internal Service Funds               | 66,332       |
| <b>Sewer</b>                            | Internal Service Funds               | 355,863      |
| <b>Cemetery</b>                         | Internal Service Funds               | 179,535      |
|   | Receivable by Enterprise Funds       | \$ 2,180,552 |
| <b>Internal Service Funds (Various)</b> | Internal Service Funds (Various)     | \$ 205,727   |
|   | Water Utility                        | 170,007      |
|   | Receivable by Internal Service Funds | \$ 375,734   |

**Note:** The city uses due to/due from as a balancing mechanism in funds with positive cash balances.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 9 – INTERFUND TRANSACTIONS AND BALANCES (continued)**

**C. Long-Term Interfund Advances**

At June 30, 2010, the funds below had made advances which were not expected to be repaid within the next year.

| <u>Fund Receiving Advance</u>  | <u>Fund Making Advance</u> | <u>Amount of Advance</u> |
|--------------------------------|----------------------------|--------------------------|
| Redevelopment Agency           | General Fund               | \$ 7,299,325             |
| Cemetery                       | General Fund               | 2,904,689                |
| Santa Clara Golf & Tennis Club | General Fund               | 4,024,134                |
| Total Advances                 |                            | <u>\$ 14,228,148</u>     |

**Redevelopment Agency Fund** has a \$7,299,325 advance that bears interest which is based on the City's portfolio rate, and will be repaid to General Fund in annual installments after fulfilling the Agency's debt service, Capital projects and 20% housing set-aside transfer obligations.

**Cemetery Fund** has a \$2,904,689 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 \$4,024,134 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.

**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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 10 - CAPITAL ASSETS**

**A. Capital Assets Summary**

Capital Assets at June 30, 2010 are comprised of:

|  | Balance<br>June 30, 2009 | Additions             | Retirements        | Transfers             | Balance<br>June 30, 2010 |
|--|--------------------------|-----------------------|--------------------|-----------------------|--------------------------|
| <b>Governmental Activities</b>           |                          |                       |                    |                       |                          |
| Non Depreciable Assets:                  |                          |                       |                    |                       |                          |
| Land                                     | \$ 112,791,391           | \$ 515,830            | \$ -               | \$ (602,194)          | \$ 112,705,027           |
| Construction in progress                 | 4,950,952                | 12,194,774            | -                  | (7,981,118)           | 9,164,608                |
| Total Non Depreciable Assets             | <u>117,742,343</u>       | <u>12,710,604</u>     | <u>-</u>           | <u>(8,583,312)</u>    | <u>121,869,635</u>       |
| Capital assets being depreciated:        |                          |                       |                    |                       |                          |
| Land improvements                        | 18,555,140               | -                     | -                  | 383,807               | 18,938,947               |
| Buildings                                | 157,888,975              | -                     | -                  | 249,780               | 158,138,755              |
| Infrastructure                           | 426,987,639              | 771,569               | -                  | 4,340,544             | 432,099,752              |
| Machinery & equipment                    | 65,937,263               | 3,709,383             | (1,327,295)        | 871,184               | 69,190,535               |
| Total Capital assets being depreciated   | <u>669,369,017</u>       | <u>4,480,952</u>      | <u>(1,327,295)</u> | <u>5,845,315</u>      | <u>678,367,989</u>       |
| Less accumulated depreciation for:       |                          |                       |                    |                       |                          |
| Land improvements                        | (6,039,524)              | (829,548)             | -                  | -                     | (6,869,072)              |
| Buildings                                | (27,498,710)             | (3,294,554)           | -                  | -                     | (30,793,264)             |
| Infrastructure                           | (163,803,432)            | (11,590,107)          | -                  | -                     | (175,393,539)            |
| Machinery & equipment                    | (45,224,251)             | (5,153,961)           | 1,275,548          | -                     | (49,102,664)             |
| Total accumulated depreciation           | <u>(242,565,917)</u>     | <u>(20,868,170)</u>   | <u>1,275,548</u>   | <u>-</u>              | <u>(262,158,539)</u>     |
| Net Depreciable Assets                   | <u>426,803,100</u>       | <u>(16,387,218)</u>   | <u>(51,747)</u>    | <u>5,845,315</u>      | <u>416,209,450</u>       |
| Governmental Activity Net Capital Assets | <u>\$ 544,545,443</u>    | <u>\$ (3,676,614)</u> | <u>\$ (51,747)</u> | <u>\$ (2,737,997)</u> | <u>\$ 538,079,085</u>    |
| <b>Business-Type Activities</b>          |                          |                       |                    |                       |                          |
| Non Depreciable Assets:                  |                          |                       |                    |                       |                          |
| Land                                     | \$ 19,961,645            | \$ -                  | \$ -               | \$ 4,263              | \$ 19,965,908            |
| Construction in progress                 | 53,433,755               | 21,853,248            | -                  | (39,991,934)          | 35,295,069               |
| Total Non Depreciable Assets             | <u>73,395,400</u>        | <u>21,853,248</u>     | <u>-</u>           | <u>(39,987,671)</u>   | <u>55,260,977</u>        |
| Capital Assets being depreciated:        |                          |                       |                    |                       |                          |
| Land Improvements                        | 23,883,604               | -                     | -                  | -                     | 23,883,604               |
| Buildings                                | 60,389,300               | 29,445                | -                  | 29,430,371            | 89,849,116               |
| Infrastructure                           | 782,301,349              | -                     | -                  | 11,859,680            | 794,161,029              |
| Machinery & equipment                    | 16,252,321               | 227,650               | (412,956)          | 1,435,617             | 17,502,632               |
| Total Capital Assets being depreciated   | <u>882,826,574</u>       | <u>257,095</u>        | <u>(412,956)</u>   | <u>42,725,668</u>     | <u>925,396,381</u>       |
| Less accumulated depreciation for:       |                          |                       |                    |                       |                          |
| Land Improvements                        | (15,256,991)             | (794,420)             | -                  | -                     | (16,051,411)             |
| Buildings & improvements                 | (37,497,583)             | (2,351,166)           | -                  | -                     | (39,848,749)             |
| Infrastructure                           | (304,554,213)            | (17,346,734)          | -                  | -                     | (321,900,947)            |
| Machinery & equipment                    | (12,817,690)             | (972,737)             | 412,808            | -                     | (13,377,619)             |
| Total accumulated depreciation           | <u>(370,126,477)</u>     | <u>(21,465,057)</u>   | <u>412,808</u>     | <u>-</u>              | <u>(391,178,726)</u>     |
| Net Depreciable Assets                   | <u>512,700,097</u>       | <u>(21,207,962)</u>   | <u>(148)</u>       | <u>42,725,668</u>     | <u>534,217,655</u>       |
| Enterprise Activity Net Capital Assets   | <u>\$ 586,095,497</u>    | <u>\$ 645,286</u>     | <u>\$ (148)</u>    | <u>\$ 2,737,997</u>   | <u>\$ 589,478,632</u>    |

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 10 – CAPITAL ASSETS (continued)**

**B. Construction in Progress Summary**

Construction in Progress for governmental activities as of June 30, 2010 consisted of the following projects:

| <u>Governmental Projects</u>                     | <u>Authorized</u>    | <u>Expended</u>     | <u>Future<br/>Commitments</u> |
|--|----------------------|---------------------|-------------------------------|
| Transportation Improvements                      | \$ 3,810,042         | \$ 847,610          | \$ 2,962,432                  |
| Technology Application & Implementation Projects | 4,601,655            | 1,602,249           | 2,999,406                     |
| Redevelopment Agency Projects                    | 65,210,000           | 1,221,995           | 63,988,005                    |
| City Building Improvements                       | 6,747,558            | 5,013,449           | 1,734,109                     |
| Parks and Recreation Facilities Improvement      | 1,891,386            | 479,305             | 1,412,081                     |
|  | <u>\$ 82,260,641</u> | <u>\$ 9,164,608</u> | <u>\$ 73,096,033</u>          |

Construction in Progress for business-type activities as of June 30, 2010 consisted of the following:

| <u>Enterprise Fund Projects</u>  | <u>Authorized</u>    | <u>Expended</u>      | <u>Future<br/>Commitments</u> |
|----------------------------------|----------------------|----------------------|-------------------------------|
| Electric Projects                | \$ 68,578,700        | \$ 33,055,642        | \$ 35,523,058                 |
| Water/Sewer/Solid Waste Projects | 2,832,106            | 2,239,427            | 592,679                       |
|                                  | <u>\$ 71,410,806</u> | <u>\$ 35,295,069</u> | <u>\$ 36,115,737</u>          |

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 10 – CAPITAL ASSETS (continued)**

**C. Depreciation Allocation**

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

Governmental Activities:

|                        |                  |
|------------------------|------------------|
| General Administration | \$ 2,325,588     |
| City Clerk             | 307              |
| City Attorney          | 423              |
| Human Resources        | 4,702            |
| Finance                | 115,220          |
| Public Works           | 12,201,150       |
| Parks and Recreation   | 1,479,545        |
| Public Safety          |                  |
| Police                 | 1,270,373        |
| Fire                   | 659,488          |
| Planning & Inspection  | 107,296          |
| Library                | <u>1,098,816</u> |
|                        | 19,262,908       |

Capital assets held by the City's Internal Service

|   |                  |
|---|------------------|
| Funds are charged to the various functions based on their usage of the assets | <u>1,605,262</u> |
|---|------------------|

|                               |                             |
|-------------------------------|-----------------------------|
| Total Governmental Activities | <u><u>\$ 20,868,170</u></u> |
|-------------------------------|-----------------------------|

Business-Type Activities:

Utility Funds:

|                                  |                  |
|----------------------------------|------------------|
| Electric Utility                 | \$ 16,985,674    |
| Water Utility                    | 990,023          |
| Sewer Utility                    | 461,612          |
| Solid Waste                      | 2,547            |
| Cemetery                         | 36,811           |
| Santa Clara Golf and Tennis Club | 809,376          |
| Santa Clara Convention Center    | <u>2,179,014</u> |

|                                |                             |
|--------------------------------|-----------------------------|
| Total Business-Type Activities | <u><u>\$ 21,465,057</u></u> |
|--------------------------------|-----------------------------|

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 11 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS**

**A. Summary of Long-Term Obligations**

As of June 30, 2010, outstanding long-term obligations consisted of the following:

| <u>Type of Indebtedness</u>                        | <u>Issue Date</u> | <u>Final Maturity</u> | <u>Interest Rates</u> |
|--|-------------------|-----------------------|-----------------------|
| Governmental Activity Debt:                        |                   |                       |                       |
| General Long Term Debt:                            |                   |                       |                       |
| Special Assessment Bond With City Commitment       | 12/1/1998         | 9/2/2011              | 5.00-5.20             |
| 1997 Certificates of Participation                 | 7/1/1997          | 8/1/2022              | 4.5-5.375             |
| 2002A Certificates of Participation                | 11/14/2002        | 2/1/2032              | 3.00-5.00             |
| 2002B Certificates of Participation                | 11/14/2002        | 2/1/2014              | 3.00-4.50             |
| Redevelopment Agency Obligations:                  |                   |                       |                       |
| Bayshore North Project 1992 TA and Refunding Bonds | 10/22/1992        | 7/1/2014              | 7.00                  |
| Bayshore North Project-1999 TA Bonds Series A      | 8/1/1999          | 6/1/2023              | 5.25-5.50             |
| Bayshore North Project-1999 TA Bonds Series B      | 8/1/1999          | 6/1/2017              | 5.25-5.50             |
| Bayshore North Project-2002 TA Refunding Bonds     | 6/6/2002          | 6/1/2014              | 4.00-5.50             |
| Bayshore North Project-2003 TA Bonds               | 5/14/2003         | 6/1/2023              | 5.00                  |
| Subtotal Government Activity Debt                  |                   |                       |                       |
| Business Type Activity Debt:                       |                   |                       |                       |
| Enterprise Long Term Debt:                         |                   |                       |                       |
| Electric Utility:                                  |                   |                       |                       |
| 1998 Series A Revenue Bonds                        | 3/1/1998          | 7/1/2027              | 5.00                  |
| 2003 Series A Revenue Bonds                        | 10/9/2003         | 7/1/2028              | 2.50-5.25             |
| 2008 Series A Revenue Bonds                        | 4/23/2008         | 7/1/2034              | Variable              |
| 2008 Series B Revenue Bonds                        | 5/29/2008         | 7/1/2027              | Variable              |
| Less Unamortized Discount                          |                   |                       |                       |
| Total of Electric Utility Revenue Bonds            |                   |                       |                       |
| Total Long-Term Debt Obligations                   |                   |                       |                       |

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

| <u>Authorized<br/>and Issued</u> | <u>Outstanding<br/>as of June 30,<br/>2009</u> | <u>Debt<br/>Retired</u> | <u>Additions and<br/>Amortization<br/>of Discounts</u> | <u>Outstanding<br/>as of June 30,<br/>2010</u> | <u>Current<br/>Portion</u> |
|----------------------------------|--|-------------------------|--|--|----------------------------|
| \$ 10,325,000                    | \$ 3,155,000                                   | \$ 1,000,000            | \$ -   | \$ 2,155,000                                   | \$ 1,050,000               |
| 16,050,000                       | 11,840,000                                     | 590,000                 | -  | 11,250,000                                     | 620,000                    |
| 25,025,000                       | 22,255,000                                     | 570,000                 | -  | 21,685,000                                     | 590,000                    |
| 33,505,000                       | 18,405,000                                     | 2,720,000               | -  | 15,685,000                                     | 2,815,000                  |
| 74,240,000                       | 11,740,000                                     | 5,675,000               | -  | 6,065,000                                      | 6,065,000                  |
| 31,550,000                       | 31,550,000                                     | -                       | -  | 31,550,000                                     | -                          |
| 16,905,000                       | 16,905,000                                     | -                       | -  | 16,905,000                                     | 1,530,000                  |
| 33,910,000                       | 21,180,000                                     | -                       | -  | 21,180,000                                     | 4,965,000                  |
| 43,960,000                       | 43,960,000                                     | -                       | -  | 43,960,000                                     | -                          |
| <u>285,470,000</u>               | <u>180,990,000</u>                             | <u>10,555,000</u>       | <u>-</u>   | <u>170,435,000</u>                             | <u>17,635,000</u>          |
| 89,275,000                       | 1,860,000                                      | 880,000                 | -  | 980,000  | 980,000                    |
| 100,000,000                      | 89,275,000                                     | 2,900,000               | -  | 86,375,000                                     | 2,985,000                  |
| 49,655,000                       | 49,655,000                                     | -                       | -  | 49,655,000                                     | -                          |
| 86,600,000                       | 86,600,000                                     | 440,000                 | -  | 86,160,000                                     | 460,000                    |
| -                                | (7,454,760)                                    | -                       | 407,803  | (7,046,957)                                    | -                          |
| <u>325,530,000</u>               | <u>219,935,240</u>                             | <u>4,220,000</u>        | <u>407,803</u>   | <u>216,123,043</u>                             | <u>4,425,000</u>           |
| <u>\$ 611,000,000</u>            | <u>\$ 400,925,240</u>                          | <u>\$ 14,775,000</u>    | <u>\$ 407,803</u>                                      | <u>\$ 386,558,043</u>                          | <u>\$ 22,060,000</u>       |

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

**B. City's Long-term Obligations**

Special Assessment Bonds with City Commitment

On December 1, 1998, the City completed the sale of the Santa Clara Convention Center Complex Improvement Project Reassessment District No. 186 Series 1998 Bonds (SCCC 1998 Bonds) having a par value of \$10.33 million. The SCCC 1998 Bonds were issued to refund the Santa Clara Convention Center Complex Improvement Project Reassessment District No. 183 Series 1985 Bonds totaling \$10.34 million. The Reassessment Bonds consist of \$3.63 million of serial bonds maturing from 2000 to 2005; \$4.55 million of term bonds maturing from 2006 to 2010; and \$2.16 million of term bonds maturing from 2011 to 2012. The District consists of two parcels, both owned by the Redevelopment Agency of the City of Santa Clara and subject to ground leases. Debt service on the SCCC 1998 Bonds is primarily payable from annual installments of unpaid reassessments. Special assessment bonds are collateralized by liens against the properties benefited and debt service payments on each issue are made from assessments included on the County tax roll. The City is entitled to recover any delinquent payments either from the property owner or from the proceeds of a foreclosure sale.

With the exception of the SCCC 1998 Bonds, the City has no duty to transfer into the redemption fund the amount of the delinquency out of available funds of the City, other than from the reserve fund. Therefore, special assessment bonds other than the SCCC 1998 Bonds are reported under the Agency Fund in the financial statements because they are not considered part of the City's long-term debt obligations.

On September 2, 2010, the City paid off the remaining debt obligation of \$2,155,000. Any residual reassessments will be refunded in accordance with the terms of the Bond Agreement.

1997 Police Administration Building Project Certificates of Participation

On May 19, 1997, the City Council established the Santa Clara Public Facilities Financing Corporation (PFFC). The PFFC was the issuing agency for the 1997 Police Administration Building Project Certificates of Participation (1997 COP). In July 1997, the PFFC, issued a \$16.05 million 25-year COP. The issue consists of \$11.73 million of serial bonds maturing from 2000 to 2018 and \$4.32 million of term bonds maturing in 2022. Debt service on the 1997 COP is secured by lease payments to be made by the City to the PFFC for the use of the Police Administration Building site. The PFFC assigns lease payments to the certificate-holders. On June 29, 2010, the City Council approved the refinancing of the outstanding 1997 Certificates of Participation with privately placed lease bonds.

2002 Certificates of Participation, Series A Bonds

On November 14, 2002, the City's PFFC issued \$25.03 million of the 2002 Certificates of Participation, Series A Bonds (2002A COP). Proceeds of the 2002A COP were used to construct the City's Central Park Library. The 2002A COP matures serially in years 2004 through 2032, and bear interest at 3.0% to 5.0%. Debt service on the 2002A COP is secured by lease payments to

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

be made by the City to the PFFC for the use of the library. The PFFC assigns the lease payments to the certificate owners.

2002 Certificates of Participation, Series B Bonds

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

Compliance

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

**C. Redevelopment Agency Long-term Obligations**

Bayshore North Project 1992 Tax Allocation Refunding Bonds

On October 22, 1992, the Agency issued \$74.24 million of the Bayshore North Project 1992 Tax Allocation Refunding Bonds 1992 Bonds (RDA 1992 Bonds). Proceeds of the RDA 1992 Bonds along with other available funds were deposited into two escrow funds. These escrow funds were used to advance refund a portion of the RDA 1987 Bonds and the RDA 1988A Bonds, and to reimburse the City for lease payments made by the City with respect to the RDA 1986 Refunding Certificates of Participation (Santa Clara Convention Center). The advance refunded portion of the RDA 1988 Bonds was retired on June 1, 1998. On June 6, 2002 the City exercised its option to redeem \$34.29 million of the RDA 1992 Bonds using proceeds of the Bayshore North Project 2002 Tax Allocation Refunding Bonds (RDA 2002 Bonds). The redemption price was \$102. Debt service on the RDA 1992 Bonds is secured by tax increment revenue of the Agency.

Bayshore North Project 1999 Tax Allocation Bonds, Series A

On August 1, 1999, the Agency 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. Debt service of the RDA 1999A Bonds is funded by the Agency's tax increment revenues.

Bayshore North Project 1999 Tax Allocation Bonds, Series B

On August 1, 1999, the Agency 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

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

parking garage that was also funded by the RDA 1999A Bonds. The RDA 1999B Bonds mature serially in years 2011 through 2017. Optional redemption by the City is available beginning June 1, 2009. Debt service of the RDA 1999A Bonds is funded by the Agency's tax increment revenues.

Bayshore North Project 2002 Tax Allocation Bonds

On June 6, 2002, the Agency issued \$33.91 million of Bayshore North Project 2002 Tax Allocation Bonds (2002 Bonds), with an effective interest rate ranging from 4.0% to 5.5% for a term of 12 years. The proceeds of the 2002 Bonds were used to retire a portion of 1992 Bonds. Debt service for the bonds is funded from property taxes levied against the property owners.

Bayshore North Project 2003 Tax Allocation Bonds

On May 14, 2003, the Agency issued \$43.96 million of Bayshore North Project 2003 Tax Allocation Bonds (RDA 2003 Bonds) to fund various Agency 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. Debt service of the RDA 2003 Bonds is funded by the Agency's tax increment revenues.

Compliance

Various debt agreements governing the Agency's bonds contain a number of covenants, including continuing disclosure requirements. The Agency 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.

**D. Enterprise Funds**

**Electric Utility**

Subordinated Electric Revenue Refunding Bonds, 1998 Series A

On March 1, 1998, the City issued \$89.28 million of the 1998 Subordinated Electric Revenue Refunding Series A Bonds (Electric 1998A Bonds). The Bonds mature annually in serial amounts from July 1, 1998 to July 1, 2027. Debt service payment is secured by a pledge of net revenues of the Electric Utility Enterprise Fund. On July 1, 2008 \$80.53 million of the Electric 1998A Bonds were redeemed using proceeds from Subordinated Electric Revenue Refunding Bonds, 2008 Series B. The balance of \$980 thousand of the Electric 1998A Bonds were redeemed in July 2010.

Subordinated Electric Revenue Refunding Bonds, 2003 Series A

On October 9, 2003, Silicon Valley Power issued \$100 million of the Subordinated Electric Revenue Bonds, Series 2003A (Electric 2003A Bonds) to finance a portion of the Donald Von Raesfeld Power Plant. The Electric 2003A Bonds mature annually in serial amounts from July 1, 2005 to July 1, 2025 with the final Term Bond maturity of July 1, 2028. Debt service on the 2003A Bonds is secured by a pledge of net revenues of the Electric Utility Enterprise Fund.

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

Subordinated Electric Revenue Refunding Bonds, 2008 Series A

On April 23, 2008, Silicon Valley Power issued \$49.66 million of the Subordinated Electric Revenue Bonds, Series 2008A (Electric 2008A Bonds) to refinance the Electric 2003B Bonds on April 28, 2008. The Electric 2008A Bonds mature annually in serial amounts from July 1, 2028 to July 1, 2034. The Electric 2008A Bonds are multi-modal bonds that are authorized to be issued in variable mode. Initially, the Electric 2008A Bonds were issued in the Daily Mode. Payment of the principal of, and interest on, and purchase price of, the Electric 2008A Bonds are made from proceeds of draws on the Letter of Credit provided by Bank of America. Debt service on the 2008A Bonds is secured by a pledge of net revenues of the Electric Utility Enterprise Fund.

Subordinated Electric Revenue Refunding Bonds, 2008 Series B

On May 29, 2008, Silicon Valley Power issued \$86.6 million of the Subordinated Electric Revenue Bonds, Series 2008B (Electric 2008B Bonds) to refinance \$80.53 million of the Electric 1998A Bonds on July 1, 2008. The Electric 2008B Bonds mature annually in serial amounts from July 1, 2009 to July 1, 2027. The Electric 2008B Bonds are multi-modal bonds that are authorized to be issued in variable mode. Initially, the Electric 2008B Bonds were issued in the Weekly Mode. Payment of the principal of and interest on, and purchase price of, the Electric 2008B Bonds are made from proceeds of draws on the Letter of Credit provided by Dexia Credit Local. Debt service on the 2008B Bonds is secured by a pledge of net revenues of the Electric Utility Enterprise Fund.

**E. Derivative Instruments**

In FY 09-10, 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 assets. For the reporting period, all of SVP's derivatives meet the hedge effectiveness tests under GASB Statement No. 53.

Interest Rate Swap Agreements-2008 Series B Bonds

Pursuant to the Interest Rate Hedging Policy adopted by the City Council in 2006, as a means to lower the borrowing costs, the City has a variable-to-fixed interest rate Swap Agreement with JPMorgan related to the 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.

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

|               | Notional<br>Amount (000's) | City Pays Fixed<br>Rate to<br>Counterparty | City Receives Floating Rate<br>From Counterparty<br>06/30/10 | City Pays Variable Rate on<br>Bond 06/30/10 |
|---------------|----------------------------|--|--|---|
| 2008 Series B | \$ 83,015                  | 3.47%                                      | Weekly Mode - 65% of<br>LIBOR=0.22694%                       | Weekly Mode -<br>SIFMA=0.25%                |

The swap is classified as a debt instrument and had a negative fair market value of \$10,867,835 as of June 30, 2010, a deferred inflow change of \$3,153,541 from June 30, 2009. The swap is classified as a deferred inflow of resources and derivative financial instrument on the statement of net assets. The fair market value was based on MID-MARKET LEVELS as of the close of business date on June 30, 2010. The value was estimated from proprietary models based upon well recognized financial principles and reasonable estimates about relevant future market conditions.

**Rollover Risk**

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

**Interest Rate Risk/Basis Risk**

SVP is exposed to interest rate risk on its swap agreement. The SVP's net payment on the SWAP increased as the LIBOR swap index decreases. With respect to basis risk, under the swap, the City receives 65% of LIBOR and pays the Securities Industry and Financial Markets Association (SIFMA) rate to bondholders of the City's 2008B bonds. The basis risk is the difference between the two rates. As of June 30, 2010, 65% of LIBOR was 0.22694% and the SIFMA rate was 0.25%.

Using rates as of June 30, 2010, 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<br><u>June 30</u> | <u>Variable-Rate Bond</u> |                     | <u>Interest Rate</u> | <u>Total</u>          |
|-------------------------------|---------------------------|---------------------|----------------------|-----------------------|
|                               | <u>Principal</u>          | <u>Interest</u>     | <u>Swaps, Net</u>    |                       |
| 2011                          | \$ 460,000                | \$ 214,250          | \$ 2,677,957         | \$ 3,352,207          |
| 2012                          | 3,160,000                 | 206,350             | 2,576,287            | 5,942,637             |
| 2013                          | 3,350,000                 | 197,975             | 2,468,617            | 6,016,592             |
| 2014                          | 3,550,000                 | 189,100             | 2,355,110            | 6,094,210             |
| 2015                          | 3,760,000                 | 179,700             | 2,235,117            | 6,174,817             |
| 2016-2020                     | 22,245,000                | 737,725             | 9,141,538            | 32,124,263            |
| 2021-2025                     | 29,025,000                | 410,288             | 5,047,661            | 34,482,948            |
| 2026-2028                     | 20,610,000                | 52,913              | 646,828              | 21,309,741            |
|                               | <u>\$ 86,160,000</u>      | <u>\$ 2,188,300</u> | <u>\$ 27,149,115</u> | <u>\$ 115,497,415</u> |

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**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 assets 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.

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

SVP had the following future derivative instruments outstanding at June 30, 2010 with Bache Commodities to hedge cash flows on CAISO NP15 power purchases:

| Objective                                | Notional Amount (MWh) | Trade Date | Effective Date | Maturity Date | Terms                                 | Classification        | Fair Value         |                         | Change in Fair Value |                    |
|--|-----------------------|------------|----------------|---------------|---------------------------------------|-----------------------|--------------------|-------------------------|----------------------|--------------------|
|  |                       |            |                |               |                                       |                       | Amount             | Classification          | Amount               | Amount             |
| Hedge cash flows on NP15 power purchases | 61,600                | Apr-10     | Jul-10         | Sep-10        | Pay \$50.00/Mwh; settle on CAISO NP15 | Derivative Instrument | \$(455,256)        | Purchased Power Expense |                      | \$(455,256)        |
| Hedge cash flows on NP15 power purchases | 30,800                | May-10     | Jul-10         | Sep-10        | Pay \$49.75/Mwh; settle on CAISO NP15 | Derivative Instrument | (144,052)          | Purchased Power Expense |                      | (144,052)          |
| Hedge cash flows on NP15 power purchases | 30,800                | May-10     | Oct-10         | Dec-10        | Pay \$49.00/Mwh; settle on CAISO NP15 | Derivative Instrument | (70,400)           | Purchased Power Expense |                      | (70,400)           |
| Hedge cash flows on NP15 power purchases | 30,800                | May-10     | Oct-10         | Dec-10        | Pay \$49.25/Mwh; settle on CAISO NP15 | Derivative Instrument | (75,500)           | Purchased Power Expense |                      | (75,500)           |
| Hedge cash flows on NP15 power purchases | 10,400                | Jun-10     | Jul-10         | Jul-10        | Pay \$48.00/Mwh; settle on CAISO NP15 | Derivative Instrument | (45,552)           | Purchased Power Expense |                      | (45,552)           |
| Hedge cash flows on NP15 power purchases | 30,800                | Jun-10     | Jul-10         | Sep-10        | Pay \$47.00/Mwh; settle on CAISO NP15 | Derivative Instrument | (59,352)           | Purchased Power Expense |                      | (59,352)           |
|  |                       |            |                |               | Total                                 |                       | <u>\$(850,112)</u> |                         |                      | <u>\$(850,112)</u> |

SVP had no future derivative instruments outstanding at June 30, 2009.

**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, 2010, SVP was not exposed to credit risk because the swap and all open derivative contracts had a negative fair value. However, should interest rates change and the fair market value of the swap become positive, the City would be exposed to credit risk in the amount of the fair market values. The swap and open contract counterparties were rated A+ and A, respectively, by S&P at June 30, 2010.

SVP's policy for requiring collateral on hedging instruments varies based on individual contracts and counterparty credit ratings. Under the interest rate swap agreement, collateral is required based on the counterparty rating and dollar threshold on the mark-to-market value of swap. Under the trading agreements with Merrill Lynch, Pierce, Fenner & Smith, Inc. and Bache Commodities, the trading accounts are prefunded by SVP. If the account value falls below zero, margin calls are invoked. At June 30, 2010 SVP had posted collateral of \$4,908,014 on the interest rate swap and \$1,532,968 was deposited with Merrill Lynch, Pierce, Fenner & Smith, Inc. and Bache Commodities for wholesale trading. At June 30, 2010, 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,

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

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, 2010 SVP had 16 derivative instrument purchase contracts with Bache Commodities.

Termination Risk

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

Price Risk

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

**F. Repayment Requirements**

As of June 30, 2010, the debt service requirements to maturity for the City's and the Agency's long-term obligations and the funds from which payment will be made are as follows:

| For the Year Ending<br>June 30 | Government Activities |                      | Business-Type Activities |                      |
|--------------------------------|-----------------------|----------------------|--------------------------|----------------------|
|                                | Principal             | Interest             | Principal                | Interest             |
| 2011                           | \$ 17,635,000         | \$ 8,428,543         | \$ 4,425,000             | \$ 4,404,357         |
| 2012                           | 12,110,000            | 7,710,550            | 6,255,000                | 4,289,782            |
| 2013                           | 11,465,000            | 7,210,540            | 6,560,000                | 4,163,332            |
| 2014                           | 15,740,000            | 6,626,208            | 6,885,000                | 4,031,582            |
| 2015                           | 9,175,000             | 5,842,373            | 7,250,000                | 3,868,232            |
| 2016-2020                      | 53,450,000            | 21,630,322           | 42,250,000               | 16,610,885           |
| 2021-2025                      | 41,380,000            | 6,947,181            | 54,660,000               | 10,510,413           |
| 2026-2030                      | 6,435,000             | 1,758,000            | 53,515,000               | 3,105,788            |
| 2031-2035                      | 3,045,000             | 230,250              | 41,370,000               | 215,950              |
|                                | <u>\$ 170,435,000</u> | <u>\$ 66,383,966</u> | <u>\$ 223,170,000</u>    | <u>\$ 51,200,318</u> |

Reconciliation of Long-term Obligations

|  |                       |
|--|-----------------------|
| Principal outstanding as reported above              | \$ 393,605,000        |
| Deduct Unamortized discount - Electric Revenue Bonds | (7,046,957)           |
| Total Long-term Obligations                          | <u>\$ 386,558,043</u> |

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

**G. Defeasances**

The following is a summary of the refunding issues, the issues defeased, and the remaining principal balance of the defeased debt for the City as of June 30, 2010:

| Issue Defeased  | Interest Rates<br>on Defeased<br>Issue | Originally<br>Defeased | Balance<br>Outstanding<br>on Defeased<br>Bonds | Refunding<br>Issue                                      |
|---|--|------------------------|--|---|
| Bayshore North 1992 Tax<br>Allocation & Refunding Bonds | 5.75%                                  | \$ 34,290,000          | \$ 21,860,000                                  | Bayshore North 2002 Tax<br>Allocation & Refunding Bonds |
| Total Defeased Bonds                                    |  | <u>\$ 34,290,000</u>   | <u>\$ 21,860,000</u>                           |   |

The proceeds from the above refunding issues are placed in irrevocable escrow accounts overseen by independent bank fiscal agents. These proceeds are generally invested in U.S. Treasury Securities, which together with earned interest will provide amounts sufficient for future payment of interest, principal, and redemption premium on the defeased bonds. These escrow accounts are not included as assets of the City. The defeased bonds are excluded from the City's long-term obligations because the arrangement satisfies legal requirements of defeasance.

**H. 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, 2010, are \$3.65 billion and \$3.65 billion respectively. 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.

**I. 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, 2010, the City has thirteen outstanding bond issues that are subject to the arbitrage rebate regulations. The City monitors the earnings on each of these issues and records any accrued rebate liability at the end of each individual bond year.

**J. Special Assessment Debt Without City Commitment**

Special assessment districts have been established in various parts of the City to provide improvements to properties located in those districts. Properties are assessed for the cost of the improvements; these assessments are payable solely by the property owners over the term of the debt issued to finance the improvements. With the exception of the Santa Clara Convention Center Improvement Project No. 186, the City is not legally obligated to pay these debts or be the purchaser of last resort of foreclosed properties in the special assessment districts. Nor is it

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

obligated to advance available City funds to repay this debt in the event of default by any of these districts.

At June 30, 2010, the balance of these districts' outstanding debt was as follows:

| Issue   | Fiscal Year Issued | Interest Rate | Principal Maturities |                    | Outstanding 6/30/10 |
|---|--------------------|---------------|----------------------|--------------------|---------------------|
|   |                    |               | Annual Amount        | Fiscal Years Ended |                     |
| Mill Creek - District No. 1                       | 1995               | 7.01%-7.12%   | 265,000-365,000      | 1998-2011          | \$ 715,000          |
| Traffic Mitigation District 1988-1 Division No. 2 | 1996               | 5.90%         | 285,000-380,000      | 1998-2012          | 1,080,000           |
| Mission College/Mercado No. 187                   | 1998               | 7.00%         | 490,000-600,000      | 1999-2011          | 1,170,000           |
|   |                    |               |                      |                    | \$ 2,965,000        |

**NOTE 12 - SOLID WASTE LANDFILL CLOSURE**

At June 30, 2010, the balance of the Solid Waste Landfill Postclosure Obligation was as follows:

| Type of Indebtedness                        | Outstanding as of June 30, 2009 | Reduction  | Outstanding as of June 30, 2010 | Current Portion |
|---|---------------------------------|------------|---------------------------------|-----------------|
| Solid Waste Landfill Postclosure Obligation | \$ 4,037,353                    | \$ 515,261 | \$ 3,522,092                    | \$ 543,000      |

The City of Santa Clara All Purpose Landfill (Landfill) was closed in September 1993. Federal and state laws and regulations require closure activities such as removal of landfill structures, decommissioning of environmental control systems, site security, and final cover construction and postclosure care such as ongoing monitoring of environmental impact. The City's postclosure plan (Plan) accepted by the California Integrated Waste Management Board (CIWMB) 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. As of June 30, 2010, the estimated liability totaled \$3.52 million. This obligation is payable from solid waste user fees and any related subsidy from the General Fund.

The City also has a Pledge of Revenue Agreement establishing financial assurance for postclosure maintenance of the Landfill with the CIWMB. As of June 30, 2010, the total pledge amount is \$705 thousand. This amount is reviewed annually and updated for the increase in the San Francisco Bay Region Consumer Price Index.

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**NOTE 13 – PARTICIPATION IN JOINT VENTURES**

**A. Investments in Joint Venture**

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

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

|  | <u>NCPA</u>                          | <u>TANC</u>                         | <u>SJSC</u>                               | <u>MSR EA</u>                   | <u>MSR PPA</u>                  | <u>SVACA</u>                           |
|--|--------------------------------------|-------------------------------------|---|---------------------------------|---------------------------------|--|
| Date of latest audited financial statement | 6/30/2009                            | 6/30/2009                           | 6/30/2009                                 | 12/31/2009                      | 12/31/2009                      | 6/30/2009                              |
| Participant's address                      | 651 Commerce Dr. Roseville, CA 95678 | P.O. Box 15129 Sacramento, CA 95851 | 200 E. Santa Clara St. San Jose, CA 95113 | P.O. Box 4060 Modesto, CA 95352 | P.O. Box 4060 Modesto, CA 95352 | 3370 Thomas Road Santa Clara, CA 95051 |

The City's basic financial statements reflect the following investments in joint ventures as of June 30, 2010:

|                          | <u>NCPA</u> |               |                    | <u>TANC</u> | <u>SJSC</u>  | <u>MSR EA</u>      | <u>MSR PPA</u>     | <u>SVACA</u> |
|--------------------------|-------------|---------------|--------------------|-------------|--------------|--------------------|--------------------|--------------|
|                          | Geothermal  | Hydroelectric | Combustion Turbine |             |              |                    |                    |              |
| Participating percentage | 44.39%      | 37.02%        | 25.00%             | 20.47%      | 17.24%       | 33.40%             | 35.00%             | 73.59%       |
| Investment               |             | \$26,796,234  |                    | \$751,925   | \$83,928,114 | -                  | -                  | \$5,692,586  |
| Method of accounting     |             | Equity        |                    | Equity      | Equity       | Equity (Suspended) | Equity (Suspended) | Equity       |

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**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, the City was contingently liable for long-term debt as follows (in thousands):

|         | Total<br>Debt | Participating<br>Share | Contingent<br>Liability |
|---------|---------------|------------------------|-------------------------|
| NCPA    | \$ 628,895    | 37.57%                 | \$ 236,276              |
| TANC    | 435,790       | 20.84%                 | 90,819                  |
| SJSC    | 38,254        | 17.24%                 | 6,595                   |
| MSR PPA | 380,580       | 35.00%                 | 133,203                 |
| MSR EA  | 901,620       | 55.48%                 | 500,200                 |
| Total   | \$ 2,385,139  |                        | \$ 967,093              |

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.

**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 eleven cities with publicly owned electric utility distribution systems, one irrigation district, one public utility district, one port authority, one transit district, and two other associate member entities. 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.

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

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.

Geothermal Project

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

Based upon current operation protocols and forecasted operations, NCPA expects average annual generation and peak capacity to decrease further, reaching approximately 72 MW by the year 2031.

Combustion Turbine Project No. 1

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

Lodi Energy Center

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

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**NOTE 13 – PARTICIPATION IN JOINT VENTURES (continued)**

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

California-Oregon Transmission Project

TANC is a participant and also the Project Manager of the California-Oregon Transmission Project (Project), a 339-mile long, 500-kilovolt alternating current transmission project between Southern Oregon and Central California. As Project Manager, TANC is responsible for the overall direction and coordination of all Project operations and maintenance, additions and betterments, and for general and administrative support.

The Project was declared commercially operable on March 24, 1993, with a rated transfer capability of 1,600 megawatts and provides a third transmission path between the electric systems of the Pacific Northwest and those in California. The Project has successfully met and completed the major environmental requirements. As of June 30, 2009, the most recent data available, TANC's investment in the Project was \$507.9 million, less accumulated depreciation and amortization of \$168 million.

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

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

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

In 1959, the City and the City of San Jose entered into an agreement to construct and operate the Plant. Under the terms of the agreement, the cities own an undivided interest in the Plant and share in the capital and operating costs on a pro rata basis, determined by the ratio of each city's assessed valuation to the sum of both cities assessed valuations. Such percentages are determined annually and applied to the capital and operating costs of the Plant, determined on an accrual basis. For the fiscal year ended June 30, 2009, the City's portion was approximately 17.24%, which is also its interest in the net assets of the Plant.

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

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

conversion of salt marsh and destruction of endangered species habitat. Flow limits are not included in the current five year permit from the RQWCB.

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

The SBWRP distribution system includes approximately 60 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 I costs was approximately \$20.07 million.

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 I. The City contributed existing capital reserves, existing recycled water distribution system, and additional construction of system extensions. Other sources for funding of Phase I include U.S. Bureau of Reclamation grants, State of California Revolving Fund loans, \$6.45 million transferred in fiscal 1995 from the Clean Water Financing Authority to the City of San Jose Wastewater Treatment Plant Capital Fund, and cash contributions from other participating agencies.

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 I 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.

**F. MSR Public Power Agency**

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

The City's equity in MSR PPA's net losses exceeds its investment and, therefore, the equity method of accounting for the investment has been suspended. As of December 31, 2009, the date of the latest available audited financial statements, the City's unrecognized share of member's deficit of MSR PPA was \$55.9 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

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

extent such funding is necessary. During the year ended June 30, 2009, the City made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in the Electric Utility Enterprise Fund expenses.

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

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

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

On December 9, 2009, MSR PPA entered into a series of agreements with Iberdrola Renewables Inc. to purchase additional wind power energy from the same site, called Big Horn II, with a nominal installed capacity of 50 MW and an expected capacity factor of about 35%, as firmed, shaped, and delivered to the California-Oregon Border (COB) for a twenty-year period. Deliveries of energy under this project are scheduled to begin 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 electric power resources for the benefit of the members. The personnel of its members and contract professional staff perform other administrative and management functions of MSR PPA. The member's income and expense sharing ratio is as follows: Modesto Irrigation District – 33.3%; City of Santa Clara – 33.4%; and City of Redding – 33.3%.

The City's equity in MSR EA's net losses exceeds its investment and, therefore, the equity method of accounting for the investment has been suspended. As of December 31, 2009, the date of the latest available audited financial statements, the City's unrecognized share of member's deficit of MSR EA was \$6.6 million. Under the joint exercise of power agreement, which formed MSR EA, the City is responsible for funding up to 33.3% of MSR EA's operating cost, to the extent such

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**NOTE 13 – PARTICIPATION IN JOINT VENTURES (continued)**

funding is necessary. During the year ended June 30, 2010, the City made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in the Electric Utility Enterprise Fund expenses.

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

**H. Silicon Valley Animal Control Authority**

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

During the fiscal year ended June 30, 2010, the City of Santa Clara contributed \$1,095,788 to SVACA. The City's equity interest in SVACA was \$5,692,586 at June 30, 2009. 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.

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

Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Offices at 400 "P" Street, Sacramento, California 95814.

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

**B. Pension Plan Benefits**

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

**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), years of service, and final compensation (monthly average of member's highest 12 consecutive months' full-time equivalent monthly pay). The service retirement benefit for this group is not capped.

**Safety Plan**

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

The service retirement benefit for the Safety Plan group is capped at 90% of final compensation.

**C. Funding Policy**

Permanent employees are required to make contributions to their account. For employees who are covered by formulas modified to coordinate with Social Security, a rate of zero is charged for the first \$133.33 per month. The member employees' contribution rates are set by State statute and only change with significant contract amendments. The rates at the end of fiscal year 2009-10 were:

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

| <u>Category</u>              | <u>Member Rates As</u> |                      |
|------------------------------|------------------------|----------------------|
|                              | <u>A Percentage Of</u> | <u>Member Paid</u>   |
|                              | <u>Wages</u>           | <u>Contributions</u> |
| Miscellaneous Plan Members   | 8.00%                  | 4,588,172            |
| Safety Plan:                 |                        |                      |
| Fire Public Safety Members   | 9.00%                  | 1,840,609            |
| Police Public Safety Members | 11.25%                 | 2,140,038            |

The City is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the Board of Administration (the employer rate). The City's payroll for employees covered by CalPERS for fiscal year ended June 30, 2010 was \$97,932,507 (consisting of \$58,458,749 for Miscellaneous Plan employees and \$39,473,758 for Public Safety Plan employees), out of the total payroll for the City of \$119,188,858. The CalPERS employer rate and annual costs are described below.

**D. Annual Pension Cost and Employer Rates**

The required contribution for the year ended June 30, 2010 was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The Entry Age Normal Actuarial Cost Method is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future, as well as those already accrued.

According to this cost method, the normal cost for an employee is the level amount that would fund the projected benefit if it were paid annually from the date of employment until retirement. CalPERS uses a modification of the Entry Age Normal Actuarial Cost Method in which the City's total normal cost is expressed as a level percent of payroll. CalPERS also uses the level percentage of projected payroll method to amortize any unfunded actuarial liabilities (or excess assets) on a closed basis over the remaining amortization period. The remaining amortization period at June 30, 2007 was 30 years for the Safety Plan and 30 years for the Miscellaneous Plan.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement for the year ended June 30, 2010 include the following:

- A rate of return on the investment of present and future assets of 7.75% per year compounded annually.
- Projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for Miscellaneous Plan members, and 3.25% to 11.15% for Safety Plan members.
- Overall payroll growth of 3.25% compounded annually.
- Inflation factor of 3.00% compounded annually.
- The City's actuarial required contribution rates and incurred costs paid to CalPERS for the last three fiscal years is as follows:

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

| Fiscal Year Ending | Required Contribution Rates for Safety | Required Contribution Rates for Miscellaneous | Annual Pension Cost (APC) for Safety and Miscellaneous Employees | Percentage of APC Contributed | Net Pension Obligation |
|--------------------|--|---|--|-------------------------------|------------------------|
| 6/30/2008          | 25.88%                                 | 17.67%  | \$18,377,072   | 100%                          | -                      |
| 6/30/2009          | 26.69%                                 | 16.98%  | \$19,530,840   | 100%                          | -                      |
| 6/30/2010          | 26.12%                                 | 17.02%  | \$20,257,754   | 100%                          | -                      |

**E. Funded Status of Miscellaneous Plan**

In order to dampen the effect of short term market value fluctuations on employer contribution rates, the following smoothing technique is used. First an Expected Value of Assets is computed by bringing forward the prior year's Actuarial Value of Assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return. The Actuarial Value of Assets is then computed as the Expected Value of Assets plus one-fifteenth of the difference between Market Value of Assets and the Expected Value of Assets as of the valuation date. However, in no case will the Actuarial Value of Assets be less than 80% or greater than 120% of the actual Market Value of Assets.

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

Funded Status of Miscellaneous Plan:

| Valuation Date | Entry Age Normal Accrued Liability | Actuarial Value of Assets | Unfunded / (Overfunded) Liability | Funded Ratio | Annual Covered Payroll | Unfunded / (Overfunded) As a % Of Payroll |
|----------------|------------------------------------|---------------------------|-----------------------------------|--------------|------------------------|---|
| 6/30/2007      | \$376,099,469                      | \$308,331,733             | \$67,767,736                      | 82.00%       | \$51,176,159           | 132.40%                                   |
| 6/30/2008      | \$400,573,785                      | \$329,060,386             | \$71,513,399                      | 82.20%       | \$51,236,934           | 139.60%                                   |
| 6/30/2009      | \$451,521,919                      | \$342,041,141             | \$109,480,778                     | 75.80%       | \$56,413,334           | 194.07%                                   |

Funded Status of Safety Plan:

| Valuation Date | Entry Age Normal Accrued Liability | Actuarial Value of Assets | Unfunded / (Overfunded) Liability | Funded Ratio | Annual Covered Payroll | Unfunded / (Overfunded) As a % Of Payroll |
|----------------|------------------------------------|---------------------------|-----------------------------------|--------------|------------------------|---|
| 6/30/2007      | \$437,316,663                      | \$371,594,232             | \$65,722,431                      | 85.00%       | \$35,727,714           | 184.00%                                   |
| 6/30/2008      | \$464,723,806                      | \$393,471,006             | \$71,252,800                      | 84.70%       | \$36,570,408           | 194.80%                                   |
| 6/30/2009      | \$501,232,341                      | \$408,340,849             | \$92,891,492                      | 81.50%       | \$38,994,256           | 238.22%                                   |

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 15 – RETIREMENT PLAN - DEFINED CONTRIBUTION PLAN**

The City's PARS (Public Agency Retirement System) Plan (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 Plan, the City makes no contributions; however, all administrative costs of the plan are funded by the City. The Plan administrator is Phase II Systems. The total assets of the Plan are held in trust for the employees and are not included in the City's assets or equity.

**NOTE 16 – DEFERRED COMPENSATION PLAN**

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

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 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 \$3,468 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 No. 45 which the City implemented in

**CITY OF SANTA CLARA**  
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**NOTE 17 – OTHER POST EMPLOYMENT BENEFITS (continued)**

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, 2008, the most recent valuation available, the actuarially required ARC for fiscal year 2009-10 was \$2.081 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 2010 and the two preceding years were as follows:

| Fiscal Year<br>Ended | Annual OPEB<br>Cost | Percentage of Annual<br>OPEB cost Contributed | Net OPEB<br>Obligation |
|----------------------|---------------------|---|------------------------|
| June 30, 2008        | \$ 2,955,000        | 100%  | -                      |
| June 30, 2009        | \$ 2,795,000        | 100%  | -                      |
| June 30, 2010        | \$ 2,081,000        | 100%  | -                      |

**C. Plan Funded Status Information**

As of June 30, 2008, the latest valuation date, the funded status of the plan, was as follows:

|   |               |
|---|---------------|
| Actuarial accrued liability (AAL)                 | \$ 27,902,000 |
| Actuarial value of plan assets                    | \$ 4,502,000  |
| Unfunded actuarial accrued liability(UAAL)        | \$ 23,400,000 |
| Funded ratio (actuarial value of plan assets/AAL) | 16.1%         |
| Covered payroll (active plan members)             | \$ 87,943,000 |
| UAAL as a percentage of covered payroll           | 26.6%         |

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.

The actuarial value of assets and accrued liabilities appears in the supplemental section of the financial statements.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 17 – OTHER POST EMPLOYMENT BENEFITS (continued)**

**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, 2008 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 5.75% was used.
- The demographics for terminations, mortality, disability and retirements were based upon the CalPERS 1997-2002 Experience Study Rates.
- Healthcare costs trends utilized actual rates for 2009 and a 9.1% increase for HMO and 9.8% increase for PPO non-Medicare plans. Future years were reduced by decrements of approximately of .65% and .75% respectively per year to an ultimate rate of 4.5% for HMO and PPO plans by year 2017. For Medicare plans, 9.4% increase for HMO and 10.1% increase for PPO plans trends were utilized. Future years were reduced by decrements of .7% per year to an ultimate rate of 4.5% for both HMO and PPO plans by year 2017.
- The increase on caps were linked to healthcare premium trends and 3% for reimbursement plans.
- The CPI was assumed to be constant at 3% per year.
- Aggregate benefit increases assumed to be 3.25% per year.
- Age for females assumed to be three years younger than males.
- Safety and Miscellaneous employees were assumed to be 90% and 85 % married respectively.
- Participation in the plan was assumed to be 80%.
- Medical coverage at retirement was assumed to be at 75%.

There were assets of \$4.5 million in the plan as of the valuation date. The asset valuation assumptions are as follows:

- Valuation assets projected to June 30, 2009, using assumed 5.75%
- 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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**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.

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. Based on this development, the City has deferred implementation of its direct access program.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

Other Effects of Restructuring

The restructuring of the electric industry has created a substantially changed market for electricity. Compared to the prior market structure, this market has exhibited increased uncertainty and volatility. In anticipation of this restructured market, the City developed a strategic plan to guide its electric utility's transition efforts into the new environment. As part of the Strategic Plan, the Cost Reduction Account was established to protect ratepayers from rate volatility in future years due to revenue shortfalls or unexpected costs. As of June 30, 2010, the balance of the Cost Reduction Account is \$84.2 million.

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 \$67.8 million and \$73.7 million, respectively, for the fiscal year ended June 30, 2010 have been separately reported on the statement of revenues, expenses and changes in net assets. Associated receivables representing delivered but unbilled energy, and corresponding payable amounts totaling \$6.8 million and \$6.92 million, respectively, have been reported in the proprietary funds statement of net assets.

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

Credit Arrangements

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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.

**C. Electric Utility Rate Increase**

In December 2009, the City Council adopted a 7% rate increase on January 1, 2010 and 7% increase on January 1, 2011. The primary reasons for the increase were the increased cost and use of fuel for electric generation, combined with a significant reduction in energy available from Western Area Power Administration. City staff continues to monitor costs and revenues to assess future rate increase recommendations.

**NOTE 19 – NET ASSETS/FUND EQUITY**

Net Assets is measured on the full accrual basis, while Fund Balance is measured on the modified accrual basis.

**A. Net Assets**

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions. These captions apply only to Net Assets, which is determined only at the government-wide level, and are described below:

*Invested in Capital Assets, net of related debt* describes the portion of Net Assets 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 Assets 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 investments in joint ventures, 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 Assets which is not restricted as to use.

**B. Fund Balances/Net Assets, Reserves and Designations**

Fund equity for Governmental funds consist of Reserved and Unreserved amounts and Restricted and Unrestricted amounts for the Proprietary funds.

Governmental Funds Reserved fund equity represents that portion of a fund balance that has been encumbered or is legally segregated for a specific future use. A portion of Unreserved fund balance may be designated to indicate the City Council's plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans are subject to change and the appropriations might not ever be legally authorized or result in expenditures. The Unreserved portion that is designated for building inspection and other at June 30, 2010 is comprised of the following:

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 19 – NET ASSETS/FUND EQUITY (continued)**

|  |    |           |
|--|----|-----------|
| Building Inspection                                | \$ | 1,315,584 |
| Unrealized Investment Gains                        |    | 1,772,366 |
| Other  |    | 869,079   |
|  |    | 869,079   |
| Total Designated for Building Inspection and Other | \$ | 3,957,029 |

Proprietary Funds Restricted Net Assets represents that portion of the retained earnings that has been invested in capital assets net of related debt. The remaining portion is unrestricted retained earnings.

**C. Net Asset/Fund Balance Deficits**

The funds listed below had an accumulated deficit as of June 30, 2010:

| Fund Name                              | Accumulated<br>Deficit |
|--|------------------------|
| Enterprise Funds:                      |                        |
| Solid Waste                            | \$ 1,092,509           |
| Cemetery                               | \$ 1,319,494           |
| Internal Service Funds:                |                        |
| Workers' Compensation Insurance Claims | \$ 14,843,798          |

The Solid Waste Enterprise Fund accumulated deficit is the result of the unfunded post closure liability associated with the closure of the City's Landfill. It is anticipated that future earnings and operating transfers will be sufficient to meet the City's post closure obligation. The City's long term plans include construction of additional facilities that will help bring the Cemetery Enterprise Fund closer towards recovery. The Workers Compensation Insurance Claims' Internal Service Fund accumulated deficit is expected to be offset by future charges to the General Fund and the proprietary funds.

**NOTE 20 – RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts, errors and omissions, general liability, injuries to employees and unemployment claims. The City currently reports all of its risk management activities in its Internal Service Funds. Claims, expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated using actuarial methods or other estimating techniques. These losses include an estimate of claims that have been incurred but not reported. As of June 30, 2010, the amount of these liabilities was \$19,009,578.

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 20 – RISK MANAGEMENT (continued)**

Changes in the reported liability since June 30, 2010 resulted from the following:

|  | <u>Special<br/>Liability</u> | <u>Workers'<br/>Compensation</u> | <u>Total</u>         |
|--|------------------------------|----------------------------------|----------------------|
| Liability as of June 30, 2008                      | \$ 1,102,816                 | \$ 17,932,592                    | \$ 19,035,408        |
| Claims and changes in estimates during fiscal 2008 | 1,133,697                    | 3,197,764                        | 4,331,461            |
| Claim payments                                     | <u>(1,513,388)</u>           | <u>(3,318,345)</u>               | <u>(4,831,733)</u>   |
| Liability as of June 30, 2009                      | \$ 723,125                   | \$ 17,812,011                    | \$ 18,535,136        |
| Claims and changes in estimates during fiscal 2010 | 2,356,801                    | 3,277,002                        | 5,633,803            |
| Claim payments                                     | <u>(1,699,560)</u>           | <u>(3,459,801)</u>               | <u>(5,159,361)</u>   |
| Liability as of June 30, 2010                      | <u>\$ 1,380,366</u>          | <u>\$ 17,629,212</u>             | <u>\$ 19,009,578</u> |
| Current Claims Payable                             | \$ 814,416                   | \$ 3,702,135                     | \$ 4,516,551         |
| Long Term Claims Payable                           | 565,950                      | 13,927,077                       | 14,493,027           |
| Liability as of June 30, 2010                      | <u>\$ 1,380,366</u>          | <u>\$ 17,629,212</u>             | <u>\$ 19,009,578</u> |

With respect to the Special Liability accrual of \$1,380,366, the City has numerous unsettled lawsuits filed or claims asserted against it as of June 30, 2010. 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 in SFAS No. 5, Accounting for Contingencies.

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, 2010, are approximately \$1,380,366. The final outcome of claims and lawsuits, which have been categorized as reasonably possible loss contingencies, is not presently determinable and any associated potential loss cannot be estimated. Accordingly, no provision has been made in the accompanying basic financial statements relative to the potential outcome of such claims and lawsuits. However, the ultimate resolution of such claims and lawsuits is not expected to have a material effect on the accompanying basic financial statements.

**NOTE 21 – COMMITMENTS AND CONTINGENCIES**

**A. Supplemental Educational Revenue Augmentation Funds (SERAF)**

In July 2009, the California State Legislature passed a series of bills affecting counties, cities, redevelopment agencies and special districts. This legislation authorized the State of California to take revenues from local governments for fiscal years 2009-10 and 2010-11. The affected revenues of the Agency include property taxes. In fiscal year 2009-10, the Agency paid \$9.8 million to the State under this legislation. In fiscal year 2010-11, the amount of the SERAF takeaway that the Agency is required to pay is \$2 million. Litigation regarding the SERAF takeaway is pending.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 21 – COMMITMENTS AND CONTINGENCIES (continued)**

**B. Stadium**

On June 8, 2010, the citizens of the City of Santa Clara approved Measure J by a majority vote, which authorized the City to lease land in the Agency's Bayshore North Redevelopment Project Area for the purposes of development a stadium under certain terms and conditions as set forth in the ballot measure. The City and the Agency are currently negotiating the terms of the Lease and Disposition and Development Agreement (DDA) for the Stadium with 49ers Stadium, LLC. The terms of the DDA and Ground Lease will set out the financial arrangements regarding the Stadium development and operations, which will be consistent with Measure J.

**C. Electricity Purchase Contracts**

The City has future commitments under construction projects as detailed in Note 10B, electricity purchase contracts as discussed in Note 18A, and is contingently liable under joint venture agreements discussed in Note 13B.

**D. 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**  
**June 30, 2010**

**NOTE 22 – SUBSEQUENT EVENTS**

**A. July 2009 State Assembly Bills**

In July 2009, the California State Legislature passed a series of bills affecting counties, cities, redevelopment agencies and special districts. This legislation authorized the State of California to borrow from or defer revenues to local governments for fiscal year 2009-10. The City's affected revenues include property taxes and redevelopment agency property taxes. As of this writing, the impact to the City and Agency is the Redevelopment Agency (Agency) funding of \$9.8 million, which is used for capital improvements in the City's two redevelopment project areas. Additionally, the City expects a \$2.0 million "State Takeaway" in fiscal year 2010-11. Property Tax funding of \$3.1 million, which is used by the General Fund for services to the City, such as Police, Fire, Library, Parks and Recreation, etc.

**B. Silicon Valley Power Settlement**

Silicon Valley Power and Pacific Gas and Electric Company ("PG&E") were engaged in certain disputes in the proceedings associated with the voluntary petition in bankruptcy under Chapter 11 of the Bankruptcy Code filed by PG&E on April 6, 2001, in the United States Bankruptcy Court for the Northern District of California, San Francisco Division, designated as Case No. 01-30923 DM ("PG&E Bankruptcy Proceedings").

A tentative agreement was reached that is reflected in the binding term sheet executed by the Parties dated October 21, 2010; The intent of the agreement is to accomplish a global settlement, resolving all claims between the Parties relating to transactions in Western Energy Markets.

It is probable that Silicon Valley Power will pay approximately \$7.6 million in 2011 to settle this claim.

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***Required Supplementary  
Information***



**CITY OF SANTA CLARA**  
**SCHEDULE OF FUNDING PROGRESS – OTHER POST RETIREMENT BENEFIT PLAN**  
**June 30, 2010**

| Actuarial<br>Valuation Date | Actuarial Value<br>of Assets | Actuarial Accrued<br>Liability (AAL) -<br>Entry Age | Unfunded<br>AAL (UAAL) | Funded<br>Ratio | Covered<br>Payroll | Percentage of<br>Covered<br>Payroll |
|-----------------------------|------------------------------|---|------------------------|-----------------|--------------------|-------------------------------------|
|                             | (a)                          | (b)   | (b - a)                | (a/b)           | (c)                | ((b - a) / c)                       |
| 06/30/2005                  | -                            | \$ 30,589,000                                       | \$30,589,000           | 0.0%            | \$ 83,091,000      | 36.8%                               |
| 06/30/2008                  | \$ 4,502,000                 | \$ 27,902,000                                       | \$23,400,000           | 16.1%           | \$ 87,943,000      | 26.6%                               |

**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, 2010**

|  | Budgeted Amounts |               | Actual Amounts<br>Budgetary Basis | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|---------------|-----------------------------------|---|
|  | Original         | Final         |                                   |   |
| <b>REVENUES</b>                        |                  |               |                                   |   |
| Taxes:                                 |                  |               |                                   |   |
| Sales                                  | \$ 34,500,000    | \$ 34,500,000 | \$ 30,102,296                     | \$ (4,397,704)  |
| Ad valorem                             | 29,254,186       | 29,254,186    | 29,432,789                        | 178,603   |
| Transient occupancy                    | 8,500,000        | 8,500,000     | 8,106,319                         | (393,681)   |
| Other                                  | 3,500,000        | 3,500,000     | 3,529,071                         | 29,071  |
| Licenses, permits, fines and penalties | 4,782,130        | 4,795,005     | 4,238,165                         | (556,840)   |
| Intergovernmental                      | 920,000          | 1,280,206     | 1,088,312                         | (191,894)   |
| Charges for services                   | 21,674,564       | 21,752,525    | 22,793,210                        | 1,040,685   |
| Contributions in-lieu of taxes         | 14,213,444       | 14,213,444    | 13,448,039                        | (765,405)   |
| Interest and rents                     | 9,345,338        | 9,360,049     | 8,549,129                         | (810,920)   |
| Other                                  | 112,943          | 114,698       | 753,505                           | 638,807   |
| Total Revenues                         | 126,802,605      | 127,270,113   | 122,040,835                       | (5,229,278)   |
| <b>EXPENDITURES</b>                    |                  |               |                                   |   |
| Current:                               |                  |               |                                   |   |
| General government:                    |                  |               |                                   |   |
| General Administration:                |                  |               |                                   |   |
| Salary & benefits                      | 409,523          | 2,643,773     | 2,553,694                         | 90,079  |
| Material, service & supplies           | 10,471,871       | 10,540,552    | 10,119,482                        | 421,070   |
| Internal service fund charges          | 98,966           | 98,966        | 98,966                            | -   |
| Capital outlay                         | -                | -             | -                                 | -   |
| Total General Administration           | 10,980,360       | 13,283,291    | 12,772,142                        | 511,149   |
| City Clerk:                            |                  |               |                                   |   |
| Salary & benefits                      | 542,049          | 586,849       | 586,750                           | 99  |
| Material, service & supplies           | 77,740           | 70,894        | 70,888                            | 6   |
| Internal service fund charges          | 4,672            | 4,672         | 4,672                             | -   |
| Total City Clerk                       | 624,461          | 662,415       | 662,310                           | 105   |
| City Attorney:                         |                  |               |                                   |   |
| Salary & benefits                      | 1,163,670        | 1,078,561     | 1,078,454                         | 107   |
| Material, service & supplies           | 70,060           | 232,605       | 232,506                           | 99  |
| Internal service fund charges          | 12,111           | 12,111        | 12,111                            | -   |
| Capital outlay                         | -                | -             | -                                 | -   |
| Total City Attorney                    | 1,245,841        | 1,323,277     | 1,323,071                         | 206   |
| Human Resources:                       |                  |               |                                   |   |
| Salary & benefits                      | 1,752,039        | 1,752,039     | 1,566,682                         | 185,357   |
| Material, service & supplies           | 268,348          | 299,348       | 254,152                           | 45,196  |
| Internal service fund charges          | 16,956           | 16,956        | 16,956                            | -   |
| Capital outlay                         | -                | -             | -                                 | -   |
| Total Human Resources                  | 2,037,343        | 2,068,343     | 1,837,790                         | 230,553   |

**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, 2010  
(continued)**

|                               | Budgeted Amounts |            | Actual Amounts<br>Budgetary Basis | Variance with<br>Final Budget |
|-------------------------------|------------------|------------|-----------------------------------|-------------------------------|
|                               | Original         | Final      |                                   | Positive<br>(Negative)        |
| Finance:                      |                  |            |                                   |                               |
| Salary & benefits             | 6,853,429        | 6,605,829  | 6,450,583                         | 155,246                       |
| Material, service & supplies  | 701,883          | 846,939    | 841,403                           | 5,536                         |
| Internal service fund charges | 181,203          | 181,203    | 181,203                           | -                             |
| Capital outlay                | -                | -          | -                                 | -                             |
| Total Finance                 | 7,736,515        | 7,633,971  | 7,473,189                         | 160,782                       |
| Total General Government      | 22,624,520       | 24,971,297 | 24,068,502                        | 902,795                       |
| Public Works:                 |                  |            |                                   |                               |
| Salary & benefits             | 12,695,047       | 12,630,247 | 11,751,080                        | 879,167                       |
| Material, service & supplies  | 2,153,565        | 2,127,102  | 2,070,746                         | 56,356                        |
| Internal service fund charges | 1,212,922        | 1,212,922  | 1,212,922                         | -                             |
| Capital outlay                | 4,000            | 4,219      | 4,072                             | 147                           |
| Total Public Works            | 16,065,534       | 15,974,490 | 15,038,820                        | 935,670                       |
| Parks and Recreation:         |                  |            |                                   |                               |
| Salary & benefits             | 9,768,280        | 9,835,780  | 9,835,735                         | 45                            |
| Material, service & supplies  | 2,213,964        | 2,502,864  | 2,502,844                         | 20                            |
| Internal service fund charges | 639,002          | 639,002    | 639,002                           | -                             |
| Capital outlay                | -                | -          | -                                 | -                             |
| Total Parks and Recreation    | 12,621,246       | 12,977,646 | 12,977,581                        | 65                            |
| Public Safety:                |                  |            |                                   |                               |
| Police:                       |                  |            |                                   |                               |
| Salary & benefits             | 39,742,408       | 38,897,911 | 38,584,707                        | 313,204                       |
| Material, service & supplies  | 2,288,081        | 1,996,910  | 1,951,976                         | 44,934                        |
| Internal service fund charges | 2,969,830        | 2,969,830  | 2,969,830                         | -                             |
| Capital outlay                | -                | 3,485      | 3,485                             | -                             |
| Total Police                  | 45,000,319       | 43,868,136 | 43,509,998                        | 358,138                       |
| Fire:                         |                  |            |                                   |                               |
| Salary & benefits             | 32,444,984       | 30,930,647 | 30,480,027                        | 450,620                       |
| Material, service & supplies  | 628,175          | 783,365    | 783,309                           | 56                            |
| Internal service fund charges | 2,086,319        | 2,086,319  | 2,086,319                         | -                             |
| Capital outlay                | -                | -          | -                                 | -                             |
| Total Fire                    | 35,159,478       | 33,800,331 | 33,349,655                        | 450,676                       |
| Total Public Safety           | 80,159,797       | 77,668,467 | 76,859,653                        | 808,814                       |

**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, 2010  
(continued)**

|  | Budgeted Amounts |               | Actual Amounts<br>Budgetary Basis | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|---------------|-----------------------------------|---|
|  | Original         | Final         |                                   |   |
| Planning & Inspection:   |                  |               |                                   |   |
| Salary & benefits  | 5,082,769        | 5,082,769     | 5,029,145                         | 53,624  |
| Material, service & supplies   | 627,756          | 629,236       | 496,110                           | 133,126   |
| Internal service fund charges  | 168,418          | 168,418       | 168,418                           | -   |
| Total Planning & Inspection  | 5,878,943        | 5,880,423     | 5,693,673                         | 186,750   |
| Library:   |                  |               |                                   |   |
| Salary & benefits  | 5,782,049        | 5,782,049     | 5,681,429                         | 100,620   |
| Material, service & supplies   | 1,304,478        | 1,557,372     | 1,528,996                         | 28,376  |
| Internal service fund charges  | 75,390           | 75,390        | 75,390                            | -   |
| Total Library  | 7,161,917        | 7,414,811     | 7,285,815                         | 128,996   |
| Total Expenditures   | 144,511,957      | 144,887,134   | 141,924,044                       | 2,963,090   |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES                                     | (17,709,352)     | (17,617,021)  | (19,883,209)                      | (2,266,188)   |
| OTHER FINANCING SOURCES (USES)   |                  |               |                                   |   |
| Transfers in   | 15,050,444       | 20,322,323    | 17,990,256                        | (2,332,067)   |
| Transfers (out)  | (14,333,408)     | (14,617,776)  | (13,601,807)                      | 1,015,969   |
| Sale of capital assets   | -                | -             | 2,063                             | 2,063   |
| Total Other Financing Sources (Uses)   | 717,036          | 5,704,547     | 4,390,512                         | (1,314,035)   |
| EXCESS (DEFICIENCY) OF REVENUES AND<br>OTHER SOURCES OVER EXPENDITURES<br>AND OTHER USES | (16,992,316)     | (11,912,474)  | (15,492,697)                      | \$ (3,580,223)  |
| ADJUSTMENTS TO BUDGETARY BASIS:  |                  |               |                                   |   |
| Expenditures of prior year encumbrances recognized on the GAAP basis                     |                  |               | 2,240,616                         |   |
| Current year encumbrances recognized on the budgetary basis                              |                  |               | (2,261,333)                       |   |
| Net change in receivables recognized on the GAAP basis                                   |                  |               | 1,384,570                         |   |
| Net change in accrued liabilities recognized on the GAAP basis                           |                  |               | 18,877                            |   |
| Beginning Fund balance   | 64,825,876       | 64,825,876    | 64,825,876                        |   |
| Ending Fund balance  | \$ 47,833,560    | \$ 52,913,402 | \$ 50,715,909                     |   |

**CITY OF SANTA CLARA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2010**

**NOTE 1 – REQUIRED SUPPLEMENTARY INFORMATION**

**A. BUDGETS AND BUDGETARY ACCOUNTING**

The results of operations are presented in the budget and actual comparison statement in accordance with the budgetary process (budgetary basis) to provide a meaningful comparison with the budget.

The major differences between the budgetary basis actual and GAAP basis actual are as follows:

- Year-end encumbrances are recognized as the equivalent of expenditures in the budgetary basis financial statements, while encumbered amounts are not recognized as expenditures on the GAAP basis until the liability is incurred.
- Expenditures of prior year encumbrances are recognized on the GAAP basis in the current year, while on the budgetary basis prior year encumbrances were recognized in the prior year.
- Accrued liabilities and compensated absences are recognized on the GAAP basis, while the budgetary basis does not recognize accrued liabilities.
- Revenues considered susceptible to accrual on the GAAP basis are not recognized on the budgetary basis until received.
- Increases to certain GAAP basis advances to other funds are treated as expenditures for budgetary basis financial statements.
- Component units and proprietary funds included in the City's basic financial statements, for which no annual budgets are prepared, are excluded from the budgetary basis financial statements.

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## ***Supplementary Information***



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| <p style="text-align: center;"><b>CITY OF SANTA CLARA<br/>NON-MAJOR GOVERNMENTAL FUNDS</b></p> |
|--|

**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.

**COMMUNITY ACTIVITIES**

This fund accounts for fees and expenses related to certain special recreation activity programs for adults (including seniors), and teens.

**HUD PROGRAMS**

This fund accounts for grant funds received from other governmental agencies for the purpose of developing viable urban communities.

**CITY AFFORDABLE HOUSING**

This fund accounts for the City's Below Market Housing Program for low and moderate income residents.

**MAINTENANCE**

This fund accounts for the maintenance of two Parking Districts located near the City's Convention Center and the downtown area. Funds are received by means of a Special Benefit Assessment levied against the property owners in the respective districts.

**OPERATING GRANTS FUND**

This fund accounts for grant funds received from other governmental agencies for various operating activities.

**DEBT SERVICE FUNDS**

**SPECIAL ASSESSMENTS**

This fund accumulates monies for payment of Special Assessment bonds which are financed by assessments placed on the County tax roll.

**PUBLIC FACILITIES FINANCING CORPORATION**

This fund accumulates monies for the repayment of Certificates of Participation, which are financed by lease payments made by the City's General Fund to the PFFC for use of the Police Administration Building and Library sites.

**GENERAL GOVERNMENT**

This fund accumulates monies for the payment of General Government long-term obligations, which are financed by various General Fund revenues.

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| <p style="text-align: center;"><b>CITY OF SANTA CLARA<br/>NON-MAJOR GOVERNMENTAL FUNDS (continued)</b></p> |
|--|

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

Included Special Assessment District funds used to finance public improvements deemed to benefit the properties against which special assessments are made.

**CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS (continued)**

PERMANENT FUNDS

PERPETUAL CARE AND ENDOWMENT FUND

These funds account for cemetery maintenance funded by plot owners.

CHARITABLE TRUST FUND

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

**CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2010**

|  | SPECIAL REVENUE FUNDS |                         |                      |                            |
|--|-----------------------|-------------------------|----------------------|----------------------------|
|  | Gas Tax               | Community<br>Activities | HUD<br>Programs      | City Affordable<br>Housing |
| <b>ASSETS</b>                                      |                       |                         |                      |                            |
| Cash and investments:                              |                       |                         |                      |                            |
| Pooled cash and investments                        | \$ 8,199,830          | \$ 844,960              | \$ 804,534           | \$ 441,764                 |
| Investments with fiscal agent - current            | -                     | -                       | -                    | -                          |
| Cash designated for construction                   | -                     | -                       | -                    | -                          |
| Receivables (net of allowance for uncollectibles): |                       |                         |                      |                            |
| Accounts   | -                     | 173,383                 | -                    | -                          |
| Interest   | -                     | -                       | -                    | -                          |
| Loans  | -                     | -                       | 11,572,953           | 9,424,012                  |
| Special assessments                                | -                     | -                       | -                    | -                          |
| Intergovernmental                                  | 178,146               | -                       | 3,558,389            | -                          |
| Due from other funds                               | -                     | -                       | -                    | -                          |
| Investments with fiscal agent - noncurrent         | -                     | -                       | -                    | -                          |
| Other  | -                     | -                       | -                    | -                          |
|  | <b>\$ 8,377,976</b>   | <b>\$ 1,018,343</b>     | <b>\$ 15,935,876</b> | <b>\$ 9,865,776</b>        |
| <b>LIABILITIES</b>                                 |                       |                         |                      |                            |
| Accrued liabilities                                | \$ 180,714            | \$ 5,816                | \$ 200,119           | \$ -                       |
| Due to other funds                                 | -                     | -                       | 140,358              | -                          |
| Deferred revenue                                   | -                     | 28,901                  | 14,879,960           | 9,424,012                  |
|  | <b>180,714</b>        | <b>34,717</b>           | <b>15,220,437</b>    | <b>9,424,012</b>           |
| <b>FUND EQUITY</b>                                 |                       |                         |                      |                            |
| Reserved for encumbrances                          | 135,014               | -                       | 75,991               | -                          |
| Reserved for debt service                          | -                     | -                       | -                    | -                          |
| Reserved for special programs                      | 8,062,248             | 983,626                 | 639,448              | -                          |
| Unreserved:  |                       |                         |                      |                            |
| Designated for capital projects                    |                       |                         |                      |                            |
| Reported in:                                       |                       |                         |                      |                            |
| Special revenue funds                              | -                     | -                       | -                    | 441,764                    |
| Capital projects funds                             | -                     | -                       | -                    | -                          |
| Undesignated                                       |                       |                         |                      |                            |
| Reported in:                                       |                       |                         |                      |                            |
| Special revenue funds                              | -                     | -                       | -                    | -                          |
|  | <b>8,197,262</b>      | <b>983,626</b>          | <b>715,439</b>       | <b>441,764</b>             |
| <b>Total Fund Balances</b>                         | <b>\$ 8,197,262</b>   | <b>\$ 983,626</b>       | <b>\$ 715,439</b>    | <b>\$ 441,764</b>          |
| <b>Total Liabilities and Fund Balances</b>         | <b>\$ 8,377,976</b>   | <b>\$ 1,018,343</b>     | <b>\$ 15,935,876</b> | <b>\$ 9,865,776</b>        |

**CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2010**

DEBT SERVICE FUNDS

| <u>Maintenance</u> | <u>Operating<br/>Grants<br/>Fund</u> | <u>Special<br/>Assessments</u> | <u>Public Facilities<br/>Financing Corp.</u> | <u>General<br/>Government</u> |
|--------------------|--------------------------------------|--------------------------------|--|-------------------------------|
| \$ 159,214         | \$ -                                 | \$ 2,527,726                   | \$ 164,008                                   | \$ 998,399                    |
| -                  | -                                    | -                              | 1  | -                             |
| 159,896            | -                                    | -                              | -  | -                             |
| -                  | -                                    | -                              | -  | -                             |
| -                  | -                                    | -                              | 354  | 410                           |
| -                  | -                                    | -                              | -  | -                             |
| -                  | -                                    | 1,105,000                      | -  | -                             |
| -                  | 543,348                              | -                              | -  | -                             |
| 18,091             | -                                    | -                              | -  | -                             |
| -                  | -                                    | -                              | 3,437,238                                    | 3,979,492                     |
| -                  | 335,818                              | -                              | -  | -                             |
| <u>\$ 337,201</u>  | <u>\$ 879,166</u>                    | <u>\$ 3,632,726</u>            | <u>\$ 3,601,601</u>                          | <u>\$ 4,978,301</u>           |
| <br>               |                                      |                                |  |                               |
| \$ 40,661          | \$ 34,209                            | \$ -                           | \$ -   | \$ -                          |
| -                  | 44,243                               | -                              | -  | -                             |
| -                  | -                                    | 1,105,000                      | -  | -                             |
| <u>40,661</u>      | <u>78,452</u>                        | <u>1,105,000</u>               | <u>-</u>                                     | <u>-</u>                      |
| <br>               |                                      |                                |  |                               |
| 800                | 27,802                               | -                              | -  | -                             |
| -                  | -                                    | 2,527,726                      | 3,601,601                                    | 4,978,301                     |
| 135,844            | 772,912                              | -                              | -  | -                             |
| <br>               |                                      |                                |  |                               |
| 159,896            | -                                    | -                              | -  | -                             |
| -                  | -                                    | -                              | -  | -                             |
| <br>               |                                      |                                |  |                               |
| <u>296,540</u>     | <u>800,714</u>                       | <u>2,527,726</u>               | <u>3,601,601</u>                             | <u>4,978,301</u>              |
| <br>               |                                      |                                |  |                               |
| <u>\$ 337,201</u>  | <u>\$ 879,166</u>                    | <u>\$ 3,632,726</u>            | <u>\$ 3,601,601</u>                          | <u>\$ 4,978,301</u>           |

**CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2010 (continued)**

|  | CAPITAL PROJECTS FUNDS                   |   |                               |                                   |                                      |
|--|--|---|-------------------------------|-----------------------------------|--------------------------------------|
|  | Parks<br>and<br>Recreation<br>Facilities | Streets<br>and<br>Highways<br>Improvement | Storm<br>Drain<br>Improvement | Fire<br>Department<br>Improvement | Library<br>Department<br>Improvement |
| <b>ASSETS</b>                                      |  |   |                               |                                   |                                      |
| Cash and investments:                              |  |   |                               |                                   |                                      |
| Pooled cash and investments                        | \$ 1,885,774                             | \$ 18,378,883                             | \$ 1,887,137                  | \$ 172,223                        | \$ 603,157                           |
| Investments with fiscal agent - current            | -  | -   | -                             | -                                 | -                                    |
| Cash designated for construction                   | -  | 3,508,904                                 | -                             | -                                 | -                                    |
| Receivables (net of allowance for uncollectibles): |  |   |                               |                                   |                                      |
| Accounts   | -  | -   | 5,700                         | -                                 | -                                    |
| Interest   | -  | -   | -                             | -                                 | -                                    |
| Loans  | -  | -   | -                             | -                                 | -                                    |
| Special assessments                                | -  | -   | -                             | -                                 | -                                    |
| Intergovernmental                                  | -  | 1,017,542                                 | -                             | -                                 | -                                    |
| Due from other funds                               | -  | -   | -                             | -                                 | -                                    |
| Investments with fiscal agent - noncurrent         | -  | -   | -                             | -                                 | -                                    |
| Other  | -  | -   | -                             | -                                 | -                                    |
| <b>Total Assets</b>                                | <b>\$ 1,885,774</b>                      | <b>\$ 22,905,329</b>                      | <b>\$ 1,892,837</b>           | <b>\$ 172,223</b>                 | <b>\$ 603,157</b>                    |
| <b>LIABILITIES</b>                                 |  |   |                               |                                   |                                      |
| Accrued liabilities                                | \$ 140,613                               | \$ 217,288                                | \$ 20,172                     | \$ -                              | \$ -                                 |
| Due to other funds                                 | -  | -   | -                             | -                                 | -                                    |
| Deferred revenue                                   | -  | -   | -                             | -                                 | -                                    |
| <b>Total Liabilities</b>                           | <b>140,613</b>                           | <b>217,288</b>                            | <b>20,172</b>                 | <b>-</b>                          | <b>-</b>                             |
| <b>FUND EQUITY</b>                                 |  |   |                               |                                   |                                      |
| Reserved for encumbrances                          | 27,247                                   | 402,043                                   | 20,919                        | -                                 | -                                    |
| Reserved for debt service                          | -  | -   | -                             | -                                 | -                                    |
| Reserved for special programs                      | -  | -   | -                             | -                                 | -                                    |
| Unreserved:  |  |   |                               |                                   |                                      |
| Designated for capital projects                    |  |   |                               |                                   |                                      |
| Reported in:                                       |  |   |                               |                                   |                                      |
| Special revenue funds                              | -  | -   | -                             | -                                 | -                                    |
| Capital projects funds                             | 1,717,914                                | 22,285,998                                | 1,851,746                     | 172,223                           | 603,157                              |
| Undesignated                                       |  |   |                               |                                   |                                      |
| Reported in:                                       |  |   |                               |                                   |                                      |
| Special revenue funds                              | -  | -   | -                             | -                                 | -                                    |
| <b>Total Fund Balances</b>                         | <b>1,745,161</b>                         | <b>22,688,041</b>                         | <b>1,872,665</b>              | <b>172,223</b>                    | <b>603,157</b>                       |
| <b>Total Liabilities and Fund Balances</b>         | <b>\$ 1,885,774</b>                      | <b>\$ 22,905,329</b>                      | <b>\$ 1,892,837</b>           | <b>\$ 172,223</b>                 | <b>\$ 603,157</b>                    |

**CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2010 (continued)**

| PERMANENT FUNDS      |                          |                        |                   |                   |                     | Total<br>Non-Major<br>Governmental<br>Funds |
|----------------------|--------------------------|------------------------|-------------------|-------------------|---------------------|---|
| Public<br>Facilities | Street<br>Beautification | Special<br>Assessments | Perpetual<br>Care | Endowment<br>Fund | Charitable<br>Trust |   |
| \$ 14,352,309        | \$ 107,800               | \$ 1,018,825           | \$ 38,244         | \$ 993,444        | \$ 167,777          | \$ 53,746,008                               |
| -                    | -                        | -                      | -                 | -                 | -                   | 1   |
| -                    | -                        | -                      | -                 | -                 | -                   | 3,668,800                                   |
| 25,000               | -                        | -                      | -                 | -                 | -                   | 204,083                                     |
| -                    | -                        | -                      | -                 | -                 | 14,245              | 15,009                                      |
| -                    | -                        | -                      | -                 | -                 | -                   | 20,996,965                                  |
| -                    | -                        | -                      | -                 | -                 | -                   | 1,105,000                                   |
| -                    | -                        | -                      | -                 | -                 | -                   | 5,297,425                                   |
| -                    | -                        | -                      | -                 | -                 | -                   | 18,091                                      |
| -                    | -                        | -                      | -                 | -                 | 2,762,681           | 10,179,411                                  |
| -                    | -                        | -                      | -                 | -                 | -                   | 335,818                                     |
| <u>\$ 14,377,309</u> | <u>\$ 107,800</u>        | <u>\$ 1,018,825</u>    | <u>\$ 38,244</u>  | <u>\$ 993,444</u> | <u>\$ 2,944,703</u> | <u>\$ 95,566,611</u>                        |
| \$ 946,341           | \$ -                     | \$ -                   | \$ -              | \$ -              | \$ -                | \$ 1,785,933                                |
| -                    | -                        | -                      | -                 | -                 | -                   | 184,601                                     |
| -                    | -                        | -                      | -                 | -                 | -                   | 25,437,873                                  |
| <u>946,341</u>       | <u>-</u>                 | <u>-</u>               | <u>-</u>          | <u>-</u>          | <u>-</u>            | <u>27,408,407</u>                           |
| 1,560,231            | -                        | -                      | -                 | -                 | -                   | 2,250,047                                   |
| -                    | -                        | -                      | -                 | -                 | -                   | 11,107,628                                  |
| -                    | -                        | 1,018,825              | 38,244            | 993,444           | 2,944,703           | 15,589,294                                  |
| -                    | -                        | -                      | -                 | -                 | -                   | 601,660                                     |
| 11,870,737           | 107,800                  | -                      | -                 | -                 | -                   | 38,609,575                                  |
| -                    | -                        | -                      | -                 | -                 | -                   | -   |
| <u>13,430,968</u>    | <u>107,800</u>           | <u>1,018,825</u>       | <u>38,244</u>     | <u>993,444</u>    | <u>2,944,703</u>    | <u>68,158,204</u>                           |
| <u>\$ 14,377,309</u> | <u>\$ 107,800</u>        | <u>\$ 1,018,825</u>    | <u>\$ 38,244</u>  | <u>\$ 993,444</u> | <u>\$ 2,944,703</u> | <u>\$ 95,566,611</u>                        |

**CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the year ended June 30, 2010**

|  | SPECIAL REVENUE FUNDS |                         |                   |                            |
|--|-----------------------|-------------------------|-------------------|----------------------------|
|  | Gas Tax               | Community<br>Activities | HUD<br>Programs   | City Affordable<br>Housing |
| <b>REVENUES</b>  |                       |                         |                   |                            |
| Taxes:   |                       |                         |                   |                            |
| Other  | \$ -                  | \$ -                    | \$ -              | \$ -                       |
| Intergovernmental  | 1,920,984             | -                       | 1,054,870         | -                          |
| Charges for services   | -                     | 879,805                 | -                 | -                          |
| Interest and rents   | 257,583               | 483                     | -                 | 15,013                     |
| Decrease of Pooled Investments<br>due to Market Value        | -                     | -                       | -                 | -                          |
| Other  | -                     | 151,524                 | 458,049           | 1,000                      |
|  | <b>2,178,567</b>      | <b>1,031,812</b>        | <b>1,512,919</b>  | <b>16,013</b>              |
| <b>EXPENDITURES</b>  |                       |                         |                   |                            |
| Current  |                       |                         |                   |                            |
| General Administration                                       | -                     | 42,953                  | 718,082           | -                          |
| Public Works   | 407,659               | -                       | -                 | -                          |
| Parks and Recreation   | -                     | 738,478                 | -                 | -                          |
| Public Safety:   |                       |                         |                   |                            |
| Police   | -                     | -                       | -                 | -                          |
| Fire   | -                     | -                       | -                 | -                          |
| Library  | -                     | 19,453                  | -                 | -                          |
| Capital outlay   | 1,023,782             | 9,286                   | 503,779           | -                          |
| Debt service   |                       |                         |                   |                            |
| Principal payments   | -                     | -                       | -                 | -                          |
| Interest and fiscal fees                                     | -                     | -                       | -                 | -                          |
| Bond cost expense  | -                     | -                       | -                 | -                          |
| Total Expenditures   | <b>1,431,441</b>      | <b>810,170</b>          | <b>1,221,861</b>  | <b>-</b>                   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>747,126</b>        | <b>221,642</b>          | <b>291,058</b>    | <b>16,013</b>              |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                       |                         |                   |                            |
| Transfers in   | -                     | -                       | 461,350           | -                          |
| Transfers (out)  | (420,000)             | (1,587)                 | (430,081)         | -                          |
| Total Other Financing Sources (Uses)                         | <b>(420,000)</b>      | <b>(1,587)</b>          | <b>31,269</b>     | <b>-</b>                   |
| Net change in fund balances                                  | 327,126               | 220,055                 | 322,327           | 16,013                     |
| Fund balances at the beginning of period                     | 7,870,136             | 763,571                 | 393,112           | 425,751                    |
| <b>FUND BALANCES AT END OF PERIOD</b>                        | <b>\$ 8,197,262</b>   | <b>\$ 983,626</b>       | <b>\$ 715,439</b> | <b>\$ 441,764</b>          |

**CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the year ended June 30, 2010**

DEBT SERVICE FUNDS

| Maintenance       | Operating<br>Grants<br>Fund | Special<br>Assessments | Public Facilities<br>Financing Corp. | General<br>Government |
|-------------------|-----------------------------|------------------------|--------------------------------------|-----------------------|
| \$ -              | \$ -                        | \$ 580,768             | \$ -                                 | \$ -                  |
| -                 | 1,058,397                   | -                      | -                                    | -                     |
| 715,093           | 106,244                     | -                      | -                                    | -                     |
| 17,277            | 2,511                       | 50,740                 | 1                                    | 2                     |
| -                 | -                           | -                      | -                                    | -                     |
| -                 | -                           | -                      | 41                                   | 345,117               |
| <u>732,370</u>    | <u>1,167,152</u>            | <u>631,508</u>         | <u>42</u>                            | <u>345,119</u>        |
| -                 | -                           | -                      | -                                    | -                     |
| 1,425,736         | -                           | -                      | -                                    | -                     |
| -                 | 117,164                     | -                      | -                                    | -                     |
| -                 | 303,921                     | -                      | -                                    | -                     |
| -                 | 76,347                      | -                      | -                                    | -                     |
| -                 | 150,720                     | -                      | -                                    | -                     |
| -                 | 106,902                     | -                      | -                                    | -                     |
| -                 | -                           | 1,000,000              | 1,160,000                            | 2,720,000             |
| -                 | -                           | 137,035                | 1,676,666                            | 782,009               |
| -                 | -                           | 805                    | 4,898                                | 1,945                 |
| <u>1,425,736</u>  | <u>755,054</u>              | <u>1,137,840</u>       | <u>2,841,564</u>                     | <u>3,503,954</u>      |
| <u>(693,366)</u>  | <u>412,098</u>              | <u>(506,332)</u>       | <u>(2,841,522)</u>                   | <u>(3,158,835)</u>    |
| 772,660           | 75,596                      | -                      | 2,841,667                            | 3,506,410             |
| -                 | -                           | -                      | -                                    | -                     |
| <u>772,660</u>    | <u>75,596</u>               | <u>-</u>               | <u>2,841,667</u>                     | <u>3,506,410</u>      |
| 79,294            | 487,694                     | (506,332)              | 145                                  | 347,575               |
| <u>217,246</u>    | <u>313,020</u>              | <u>3,034,058</u>       | <u>3,601,456</u>                     | <u>4,630,726</u>      |
| <u>\$ 296,540</u> | <u>\$ 800,714</u>           | <u>\$ 2,527,726</u>    | <u>\$ 3,601,601</u>                  | <u>\$ 4,978,301</u>   |

**CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the year ended June 30, 2010 (continued)**

|  | CAPITAL PROJECTS FUNDS                   |   |                               |                                   |                                      |
|--|--|---|-------------------------------|-----------------------------------|--------------------------------------|
|  | Parks<br>and<br>Recreation<br>Facilities | Streets<br>and<br>Highways<br>Improvement | Storm<br>Drain<br>Improvement | Fire<br>Department<br>Improvement | Library<br>Department<br>Improvement |
| <b>REVENUES</b>  |  |   |                               |                                   |                                      |
| Taxes:   |  |   |                               |                                   |                                      |
| Other  | \$ -                                     | \$ -                                      | \$ -                          | \$ -                              | \$ -                                 |
| Intergovernmental  | -  | 4,079,066                                 | -                             | -                                 | -                                    |
| Charges for services   | -  | 13,971                                    | 128,910                       | -                                 | -                                    |
| Interest and rents   | -  | 403,961                                   | 23,458                        | -                                 | -                                    |
| Decrease of Pooled Investments<br>due to Market Value        | -  | -   | -                             | -                                 | -                                    |
| Other  | 6,623                                    | 164,984                                   | -                             | -                                 | -                                    |
| <b>Total Revenues</b>  | <b>6,623</b>                             | <b>4,661,982</b>                          | <b>152,368</b>                | <b>-</b>                          | <b>-</b>                             |
| <b>EXPENDITURES</b>  |  |   |                               |                                   |                                      |
| Current  |  |   |                               |                                   |                                      |
| General Administration                                       | -  | -   | -                             | -                                 | -                                    |
| Public Works   | -  | 126,467                                   | 215,227                       | -                                 | -                                    |
| Parks and Recreation   | 82,235                                   | -   | -                             | -                                 | -                                    |
| Public Safety:   |  |   |                               |                                   |                                      |
| Police   | -  | -   | -                             | -                                 | -                                    |
| Fire   | -  | -   | -                             | 267,843                           | -                                    |
| Library  | -  | -   | -                             | -                                 | 6,122                                |
| Capital outlay   | 444,138                                  | 2,764,961                                 | 318,145                       | 12,888                            | 131,133                              |
| Debt service   |  |   |                               |                                   |                                      |
| Principal payments   | -  | -   | -                             | -                                 | -                                    |
| Interest and fiscal fees                                     | -  | -   | -                             | -                                 | -                                    |
| Bond cost expense  | -  | -   | -                             | -                                 | -                                    |
| Total Expenditures   | 526,373                                  | 2,891,428                                 | 533,372                       | 280,731                           | 137,255                              |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>(519,750)</b>                         | <b>1,770,554</b>                          | <b>(381,004)</b>              | <b>(280,731)</b>                  | <b>(137,255)</b>                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |  |   |                               |                                   |                                      |
| Transfers in   | 225,000                                  | 320,000                                   | 55,000                        | 353,000                           | 75,000                               |
| Transfers (out)  | (100,234)                                | -   | -                             | (133,211)                         | (676,691)                            |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>124,766</b>                           | <b>320,000</b>                            | <b>55,000</b>                 | <b>219,789</b>                    | <b>(601,691)</b>                     |
| <b>Net change in fund balances</b>                           | <b>(394,984)</b>                         | <b>2,090,554</b>                          | <b>(326,004)</b>              | <b>(60,942)</b>                   | <b>(738,946)</b>                     |
| <b>Fund balances at the beginning of period</b>              | <b>2,140,145</b>                         | <b>20,597,487</b>                         | <b>2,198,669</b>              | <b>233,165</b>                    | <b>1,342,103</b>                     |
| <b>FUND BALANCES AT END OF PERIOD</b>                        | <b>\$ 1,745,161</b>                      | <b>\$ 22,688,041</b>                      | <b>\$ 1,872,665</b>           | <b>\$ 172,223</b>                 | <b>\$ 603,157</b>                    |

**CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the year ended June 30, 2010 (continued)**

| PERMANENT FUNDS      |                          |                        |                   |                   |                     | Total<br>Non-Major<br>Governmental<br>Funds |
|----------------------|--------------------------|------------------------|-------------------|-------------------|---------------------|---|
| Public<br>Facilities | Street<br>Beautification | Special<br>Assessments | Perpetual<br>Care | Endowment<br>Fund | Charitable<br>Trust |   |
| \$ -                 | \$ -                     | \$ -                   | \$ -              | \$ -              | \$ -                | \$ 580,768                                  |
| 122,214              | -                        | -                      | -                 | -                 | -                   | 8,235,531                                   |
| -                    | -                        | -                      | -                 | 23,814            | -                   | 1,867,837                                   |
| -                    | -                        | 17,325                 | 1,322             | 33,837            | 80,478              | 903,991                                     |
| -                    | -                        | -                      | -                 | -                 | 46,794              | 46,794                                      |
| 378,273              | 3,942                    | -                      | -                 | -                 | 418                 | 1,509,971                                   |
| 500,487              | 3,942                    | 17,325                 | 1,322             | 57,651            | 127,690             | 13,144,892                                  |
| 2,301,115            | -                        | -                      | -                 | -                 | 98,383              | 3,160,533                                   |
| -                    | -                        | -                      | -                 | -                 | -                   | 2,175,089                                   |
| -                    | -                        | -                      | -                 | -                 | -                   | 937,877                                     |
| -                    | -                        | -                      | -                 | -                 | -                   | 303,921                                     |
| -                    | -                        | -                      | -                 | -                 | -                   | 344,190                                     |
| -                    | -                        | -                      | -                 | -                 | -                   | 176,295                                     |
| 4,509,429            | 1,203                    | -                      | -                 | -                 | -                   | 9,825,646                                   |
| -                    | -                        | -                      | -                 | -                 | -                   | 4,880,000                                   |
| -                    | -                        | -                      | -                 | -                 | -                   | 2,595,710                                   |
| -                    | -                        | -                      | -                 | -                 | -                   | 7,648                                       |
| 6,810,544            | 1,203                    | -                      | -                 | -                 | 98,383              | 24,406,909                                  |
| (6,310,057)          | 2,739                    | 17,325                 | 1,322             | 57,651            | 29,307              | (11,262,017)                                |
| 4,768,890            | 48,500                   | -                      | -                 | -                 | -                   | 13,503,073                                  |
| (4,249,607)          | (4,474)                  | -                      | (1,322)           | (33,837)          | -                   | (6,051,044)                                 |
| 519,283              | 44,026                   | -                      | (1,322)           | (33,837)          | -                   | 7,452,029                                   |
| (5,790,774)          | 46,765                   | 17,325                 | -                 | 23,814            | 29,307              | (3,809,988)                                 |
| 19,221,742           | 61,035                   | 1,001,500              | 38,244            | 969,630           | 2,915,396           | 71,968,192                                  |
| <u>\$ 13,430,968</u> | <u>\$ 107,800</u>        | <u>\$ 1,018,825</u>    | <u>\$ 38,244</u>  | <u>\$ 993,444</u> | <u>\$ 2,944,703</u> | <u>\$ 68,158,204</u>                        |

**CITY OF SANTA CLARA  
SPECIAL REVENUE MAINTENANCE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)  
For the year ended June 30, 2010**

|   | Budget     | Actual Amount<br>Budgetary Basis | Variance<br>Positive<br>(Negative) |
|---|------------|----------------------------------|------------------------------------|
| <b>REVENUES</b>   |            |                                  |                                    |
| Charges for services  | \$ 735,209 | \$ 715,093                       | \$ (20,116)                        |
| Interest and rents  | -          | 17,277                           | 17,277                             |
|   | 735,209    | 732,370                          | (2,839)                            |
| <b>EXPENDITURES</b>   |            |                                  |                                    |
| Current:  |            |                                  |                                    |
| Public works  |            |                                  |                                    |
| Salary & benefits   | 117,687    | 111,763                          | 5,924                              |
| Material, service & supplies  | 1,384,345  | 1,361,029                        | 23,316                             |
| Internal service fund charges   | 58,733     | 52,868                           | 5,865                              |
| Capital outlay  | 21,970     | -                                | 21,970                             |
|   | 1,582,735  | 1,525,660                        | 57,075                             |
| Total Public Works  | 1,582,735  | 1,525,660                        | 57,075                             |
| Total Expenditures  | 1,582,735  | 1,525,660                        | 57,075                             |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b>                                      | (847,526)  | (793,290)                        | 54,236                             |
| <b>OTHER FINANCING SOURCES (USES)</b>   |            |                                  |                                    |
| Transfers in  | 772,660    | 772,660                          | -                                  |
| Transfers out   | -          | -                                | -                                  |
|   | 772,660    | 772,660                          | -                                  |
| Total Other Financing Sources (Uses)  | 772,660    | 772,660                          | -                                  |
| <b>EXCESS (DEFICIENCY) OF REVENUES AND<br/>OTHER SOURCES OVER EXPENDITURES<br/>AND OTHER USES</b> | (74,866)   | (20,630)                         | \$ 54,236                          |
| <b>ADJUSTMENTS TO BUDGETARY BASIS:</b>  |            |                                  |                                    |
| Expenditures of prior year encumbrances<br>recognized on the GAAP basis                           |            | (10,022)                         |                                    |
| Current year encumbrances recognized on<br>the budgetary basis                                    |            | 54,655                           |                                    |
| Net change in accrued liabilities recognized on<br>the GAAP basis                                 |            | 55,291                           |                                    |
| Beginning Fund balance  | 217,246    | 217,246                          |                                    |
| Ending Fund balance   | \$ 142,380 | \$ 296,540                       |                                    |

|   |
|---|
| <p style="text-align: center;"><b>CITY OF SANTA CLARA</b><br/><b>NON-MAJOR ENTERPRISE FUNDS</b></p> |
|---|

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.

**SPORTS AND OPEN SPACE AUTHORITY FUND (SOSA)**

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

**SANTA CLARA GOLF AND TENNIS CLUB FUND (SCG&TC)**

The SCG&TC was established in 1984 to account for the operations of the City's Public Golf Course or through third party agreements.

**SANTA CLARA CONVENTION CENTER FUND**

The Santa Clara Convention Center Fund was established in 1984 to account for the operations of the City's Convention Center or through third party agreements.

**CITY OF SANTA CLARA  
NON-MAJOR ENTERPRISE FUNDS  
STATEMENT OF NET ASSETS  
June 30, 2010**

|   | <u>Solid<br/>Waste</u> | <u>Cemetery</u>       | <u>Sports and<br/>Open Space<br/>Authority</u> |
|---|------------------------|-----------------------|--|
| <b>ASSETS</b>   |                        |                       |  |
| Current assets:   |                        |                       |  |
| Cash and investments (Note 8):                          |                        |                       |  |
| Pooled cash and investments                             | \$ 1,824,868           | \$ 97,336             | \$ 125,194                                     |
| Receivables (net of allowance for uncollectibles):      |                        |                       |  |
| Accounts  | 1,576,888              | -                     | -  |
| Due from other funds (Note 9B)                          | -                      | 179,535               | -  |
| Materials, supplies and prepaids                        | -                      | -                     | -  |
| Total current assets                                    | <u>3,401,756</u>       | <u>276,871</u>        | <u>125,194</u>                                 |
| Noncurrent assets:                                      |                        |                       |  |
| Cash designated for construction (Note 8)               | 510,000                | -                     | -  |
| Capital assets (Note 10):                               |                        |                       |  |
| Land and land improvements                              | -                      | 1,196,667             | 3,883,046                                      |
| Buildings and infrastructure                            | 127,362                | 1,096,627             | -  |
| Equipment   | 361,570                | 230,341               | -  |
| Construction in progress                                | -                      | -                     | -  |
|   | <u>488,932</u>         | <u>2,523,635</u>      | <u>3,883,046</u>                               |
| Accumulated depreciation                                | 380,674                | 1,115,458             | -  |
|   | <u>108,258</u>         | <u>1,408,177</u>      | <u>3,883,046</u>                               |
| Other assets  | 74,642                 | -                     | -  |
| Total noncurrent assets                                 | <u>692,900</u>         | <u>1,408,177</u>      | <u>3,883,046</u>                               |
| Total assets  | <u>4,094,656</u>       | <u>1,685,048</u>      | <u>4,008,240</u>                               |
| <b>LIABILITIES</b>                                      |                        |                       |  |
| Current liabilities:                                    |                        |                       |  |
| Accrued liabilities                                     | 1,603,832              | 6,222                 | -  |
| Accrued compensated absences (Note 2K)                  | 7,198                  | 11,005                | -  |
| Due to other funds (Note 9B)                            | -                      | -                     | -  |
| Deferred revenue  | -                      | -                     | 4,500  |
| Current portion of landfill closure liability (Note 12) | 543,000                | -                     | -  |
| Total current liabilities                               | <u>2,154,030</u>       | <u>17,227</u>         | <u>4,500</u>                                   |
| Noncurrent liabilities:                                 |                        |                       |  |
| Advance from other funds (Note 9C)                      | -                      | 2,904,689             | -  |
| Landfill closure liability (Note 12)                    | 2,979,092              | -                     | -  |
| Long-term Comp Absences (Note 2K)                       | 54,043                 | 82,626                | -  |
| Total noncurrent liabilities                            | <u>3,033,135</u>       | <u>2,987,315</u>      | <u>-</u>                                       |
| Total liabilities                                       | <u>5,187,165</u>       | <u>3,004,542</u>      | <u>4,500</u>                                   |
| <b>NET ASSETS</b>                                       |                        |                       |  |
| Invested in capital assets, net of related debt         | 108,258                | 1,408,177             | 3,883,046                                      |
| Unrestricted  | (1,200,767)            | (2,727,671)           | 120,694  |
| Total net assets  | <u>\$ (1,092,509)</u>  | <u>\$ (1,319,494)</u> | <u>\$ 4,003,740</u>                            |

**CITY OF SANTA CLARA  
NON-MAJOR ENTERPRISE FUNDS  
STATEMENT OF NET ASSETS  
June 30, 2010**

| <b>Santa Clara<br/>Golf and<br/>Tennis Club</b> | <b>Santa Clara<br/>Convention<br/>Center</b> | <b>TOTAL<br/>Non-Major<br/>Enterprise Funds</b> |
|---|--|---|
| \$ 147,191                                      | \$ 1,908,364                                 | \$ 4,102,953                                    |
| -   | 412,252                                      | 1,989,140                                       |
| -   | -  | 179,535   |
| 68,439  | -  | 68,439  |
| <u>215,630</u>                                  | <u>2,320,616</u>                             | <u>6,340,067</u>                                |
| -   | -  | 510,000   |
| 23,832,610                                      | -  | 28,912,323                                      |
| -   | 77,266,098                                   | 78,490,087                                      |
| 623,404   | 1,939,913                                    | 3,155,228                                       |
| -   | -  | -   |
| <u>24,456,014</u>                               | <u>79,206,011</u>                            | <u>110,557,638</u>                              |
| <u>16,560,388</u>                               | <u>34,753,307</u>                            | <u>52,809,827</u>                               |
| <u>7,895,626</u>                                | <u>44,452,704</u>                            | <u>57,747,811</u>                               |
| -   | -  | 74,642  |
| <u>7,895,626</u>                                | <u>44,452,704</u>                            | <u>58,332,453</u>                               |
| <u>8,111,256</u>                                | <u>46,773,320</u>                            | <u>64,672,520</u>                               |
| 212,535   | 353,201                                      | 2,175,790                                       |
| -   | -  | 18,203  |
| -   | 1,466,574                                    | 1,466,574                                       |
| -   | 500,841                                      | 505,341   |
| -   | -  | 543,000   |
| <u>212,535</u>                                  | <u>2,320,616</u>                             | <u>4,708,908</u>                                |
| 4,024,134                                       | -  | 6,928,823                                       |
| -   | -  | 2,979,092                                       |
| -   | -  | 136,669   |
| <u>4,024,134</u>                                | <u>-</u>                                     | <u>10,044,584</u>                               |
| <u>4,236,669</u>                                | <u>2,320,616</u>                             | <u>14,753,492</u>                               |
| 7,895,626                                       | 44,452,704                                   | 57,747,811                                      |
| <u>(4,021,039)</u>                              | <u>-</u>                                     | <u>(7,828,783)</u>                              |
| <u>\$ 3,874,587</u>                             | <u>\$ 44,452,704</u>                         | <u>\$ 49,919,028</u>                            |

**CITY OF SANTA CLARA  
NON-MAJOR ENTERPRISE FUNDS  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
For the year ended June 30, 2010**

|   | <b>Solid<br/>Waste</b> | <b>Cemetery</b>       | <b>Sports and<br/>Open Space<br/>Authority</b> |
|---|------------------------|-----------------------|--|
| Operating revenues:   |                        |                       |  |
| Charges for services  | \$ 15,661,667          | \$ 454,167            | \$ -   |
| Rents and royalties   | -                      | -                     | 1,506,101                                      |
| Other   | 181,774                | -                     | -  |
| <b>Total operating revenues</b>                             | <b>15,843,441</b>      | <b>454,167</b>        | <b>1,506,101</b>                               |
| Operating expenses:   |                        |                       |  |
| Salaries and benefits                                       | 899,075                | 629,432               | -  |
| Materials, services and supplies                            | 14,848,821             | 271,468               | 18,092   |
| Amortization  | 39,416                 | -                     | -  |
| Depreciation  | 2,547                  | 36,811                | -  |
| <b>Total operating expenses</b>                             | <b>15,789,859</b>      | <b>937,711</b>        | <b>18,092</b>                                  |
| <b>Operating income (loss)</b>                              | <b>53,582</b>          | <b>(483,544)</b>      | <b>1,488,009</b>                               |
| Nonoperating revenues (expenses):                           |                        |                       |  |
| Interest revenue  | -                      | -                     | 6,977  |
| Rents and royalties   | 13,997                 | -                     | -  |
| <b>Total nonoperating revenues</b>                          | <b>13,997</b>          | <b>-</b>              | <b>6,977</b>                                   |
| <b>Income (loss) before<br/>contributions and transfers</b> | <b>67,579</b>          | <b>(483,544)</b>      | <b>1,494,986</b>                               |
| Contributions   | -                      | -                     | -  |
| Transfers in (Note 9A)                                      | 767,160                | 35,159                | 1,079,241                                      |
| Transfers (out) (Note 9A)                                   | (69,006)               | (2,510)               | (2,583,662)                                    |
| <b>Change in net assets</b>                                 | <b>765,733</b>         | <b>(450,895)</b>      | <b>(9,435)</b>                                 |
| <b>Total net assets - beginning</b>                         | <b>(1,858,242)</b>     | <b>(868,599)</b>      | <b>4,013,175</b>                               |
| <b>Total net assets - ending</b>                            | <b>\$ (1,092,509)</b>  | <b>\$ (1,319,494)</b> | <b>\$ 4,003,740</b>                            |

**CITY OF SANTA CLARA  
NON-MAJOR ENTERPRISE FUNDS  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
For the year ended June 30, 2010**

| <u>Santa Clara<br/>Golf and<br/>Tennis Club</u> | <u>Santa Clara<br/>Convention<br/>Center</u> | <u>TOTAL<br/>Non-Major<br/>Enterprise Funds</u> |
|---|--|---|
| \$ 2,821,210                                    | \$ 4,077,353                                 | \$ 23,014,397                                   |
| -   | -  | 1,506,101                                       |
| 95,028  | -  | 276,802   |
| <u>2,916,238</u>                                | <u>4,077,353</u>                             | <u>24,797,300</u>                               |
| -   | -  | 1,528,507                                       |
| 1,914,448                                       | 4,940,775                                    | 21,993,604                                      |
| -   | -  | 39,416  |
| <u>809,376</u>                                  | <u>2,179,014</u>                             | <u>3,027,748</u>                                |
| <u>2,723,824</u>                                | <u>7,119,789</u>                             | <u>26,589,275</u>                               |
| <u>192,414</u>                                  | <u>(3,042,436)</u>                           | <u>(1,791,975)</u>                              |
| -   | 57,670                                       | 64,647  |
| -   | -  | 13,997  |
| <u>-</u>  | <u>57,670</u>                                | <u>78,644</u>                                   |
| 192,414   | (2,984,766)                                  | (1,713,331)                                     |
| -   | 2,767,442                                    | 2,767,442                                       |
| -   | 805,752                                      | 2,687,312                                       |
| <u>(1,079,241)</u>                              | <u>-</u>                                     | <u>(3,734,419)</u>                              |
| (886,827)                                       | 588,428                                      | 7,004   |
| <u>4,761,414</u>                                | <u>43,864,276</u>                            | <u>49,912,024</u>                               |
| <u>\$ 3,874,587</u>                             | <u>\$ 44,452,704</u>                         | <u>\$ 49,919,028</u>                            |

**CITY OF SANTA CLARA  
NON-MAJOR ENTERPRISE FUNDS  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2010**

|   | <b>Solid<br/>Waste</b> | <b>Cemetery</b>     | <b>Sports and<br/>Open Space<br/>Authority</b> |
|---|------------------------|---------------------|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                        |                     |  |
| Receipts from customers   | \$ 15,655,614          | \$ 454,167          | \$ 1,506,101                                   |
| Payments to suppliers   | (14,256,447)           | (270,119)           | (18,092)                                       |
| Payments to employees   | (877,252)              | (575,109)           | -  |
| Other receipts (payments)   | 181,774                | -                   | -  |
| Net cash provided (used) by operating activities  | <u>703,689</u>         | <u>(391,061)</u>    | <u>1,488,009</u>                               |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b>  |                        |                     |  |
| Increase (decrease) in due from other funds   | -                      | (11,523)            | -  |
| (Increase) decrease in due to other funds   | -                      | -                   | -  |
| Advances from other funds   | -                      | 774,705             | -  |
| Transfers in  | 767,160                | 35,159              | 1,079,241                                      |
| Transfers (out)   | (69,006)               | (2,510)             | (2,583,662)                                    |
| Cash Flows from Noncapital Financing Activities   | <u>698,154</u>         | <u>795,831</u>      | <u>(1,504,421)</u>                             |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                                       |                        |                     |  |
| Acquisition and construction of capital assets, net   | 26,893                 | (4,263)             | -  |
| Landfill closure expenses   | (515,262)              | -                   | -  |
| Cash Flows from Capital and Related<br>Financing Activities   | <u>(488,369)</u>       | <u>(4,263)</u>      | <u>-</u>                                       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                        |                     |  |
| Rents and royalties received  | 13,997                 | -                   | -  |
| Interest and dividends  | -                      | -                   | 6,977  |
| Cash Flows from Investing Activities  | <u>13,997</u>          | <u>-</u>            | <u>6,977</u>                                   |
| Net increase (decrease) in cash and cash<br>equivalents   | 927,471                | 400,507             | (9,435)  |
| Cash and cash equivalents at beginning of period  | <u>1,407,397</u>       | <u>(303,171)</u>    | <u>134,629</u>                                 |
| Cash and cash equivalents at end of period  | <u>\$ 2,334,868</u>    | <u>\$ 97,336</u>    | <u>\$ 125,194</u>                              |
| Cash and cash equivalents:  |                        |                     |  |
| Pooled cash and investments   | \$ 1,824,868           | \$ 97,336           | \$ 125,194                                     |
| Cash designated for construction  | 510,000                | -                   | -  |
| Total cash and cash equivalents   | <u>\$ 2,334,868</u>    | <u>\$ 97,336</u>    | <u>\$ 125,194</u>                              |
| <b>Reconciliation of operating income (loss) to net cash<br/>provided (used) by operating activities:</b> |                        |                     |  |
| Operating income (loss)   | \$ 53,582              | \$ (483,544)        | \$ 1,488,009                                   |
| Adjustments to reconcile operating income to net<br>cash provided (used) by operating activities:         |                        |                     |  |
| Amortization  | 39,416                 | -                   | -  |
| Depreciation  | 2,547                  | 36,811              | -  |
| Change in assets and liabilities:   |                        |                     |  |
| Receivables, net  | (6,053)                | -                   | -  |
| Inventory   | -                      | -                   | -  |
| Accrued liabilities   | 595,869                | 1,349               | -  |
| Compensated absences  | 18,328                 | 54,323              | -  |
| Deferred revenue  | -                      | -                   | -  |
| Net cash provided (used) by operating activities  | <u>\$ 703,689</u>      | <u>\$ (391,061)</u> | <u>\$ 1,488,009</u>                            |
| Capital Contributions   | <u>\$ -</u>            | <u>\$ -</u>         | <u>\$ -</u>                                    |

**CITY OF SANTA CLARA  
NON-MAJOR ENTERPRISE FUNDS  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2010**

| <u>Santa Clara<br/>Golf and<br/>Tennis Club</u> | <u>Santa Clara<br/>Convention<br/>Center</u> | <u>TOTAL<br/>Non-Major<br/>Enterprise Funds</u> |
|---|--|---|
| \$ 2,821,210                                    | \$ 3,959,719                                 | \$ 24,396,811                                   |
| (1,925,807)                                     | (4,870,870)                                  | (21,341,335)                                    |
| -   | -  | (1,452,361)                                     |
| <u>93,727</u>                                   | <u>-</u>                                     | <u>275,501</u>                                  |
| <u>989,130</u>                                  | <u>(911,151)</u>                             | <u>1,878,616</u>                                |
| -   | -  | (11,523)  |
| -   | 142,689                                      | 142,689   |
| 75,000  | -  | 849,705   |
| -   | 805,752                                      | 2,687,312                                       |
| (1,079,241)                                     | -  | (3,734,419)                                     |
| <u>(1,004,241)</u>                              | <u>948,441</u>                               | <u>(66,236)</u>                                 |
| -   | -  | 22,630  |
| <u>-</u>  | <u>-</u>                                     | <u>(515,262)</u>                                |
| -   | -  | (492,632)                                       |
| <u>-</u>  | <u>-</u>                                     | <u>13,997</u>                                   |
| -   | 57,670                                       | 64,647  |
| <u>-</u>  | <u>57,670</u>                                | <u>78,644</u>                                   |
| (15,111)  | 94,960                                       | 1,398,392                                       |
| <u>162,302</u>                                  | <u>1,813,404</u>                             | <u>3,214,561</u>                                |
| <u>\$ 147,191</u>                               | <u>\$ 1,908,364</u>                          | <u>\$ 4,612,953</u>                             |
| \$ 147,191                                      | \$ 1,908,364                                 | \$ 4,102,953                                    |
| -   | -  | 510,000   |
| <u>\$ 147,191</u>                               | <u>\$ 1,908,364</u>                          | <u>\$ 4,612,953</u>                             |
| \$ 192,414                                      | \$ (3,042,436)                               | \$ (1,791,975)                                  |
| -   | -  | 39,416  |
| 809,376   | 2,179,014                                    | 3,027,748                                       |
| -   | (32,823)                                     | (38,876)  |
| (1,301)   | -  | (1,301)   |
| (11,359)  | 69,905                                       | 655,764   |
| -   | -  | 72,651  |
| -   | (84,811)                                     | (84,811)  |
| <u>\$ 989,130</u>                               | <u>\$ (911,151)</u>                          | <u>\$ 1,878,616</u>                             |
| <u>\$ -</u>                                     | <u>\$ 2,767,442</u>                          | <u>\$ 2,767,442</u>                             |

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

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 STATEMENTS OF NET ASSETS  
June 30, 2010**

|  | <b>Automotive<br/>Services</b> | <b>Technical<br/>Equipment<br/>Services</b> | <b>Special<br/>Liability<br/>Insurance<br/>Claims</b> | <b>Workers'<br/>Compensation<br/>Insurance<br/>Claims</b> | <b>TOTAL</b>          |
|--|--------------------------------|---|---|---|-----------------------|
| <b>ASSETS</b>                                      |                                |   |   |   |                       |
| Current assets:                                    |                                |   |   |   |                       |
| Cash and investments (Note 8):                     |                                |   |   |   |                       |
| Pooled cash and investments                        | \$ 5,627,120                   | \$ 730,732                                  | \$ 4,725,233  | \$ 2,617,805  | \$ 13,700,890         |
| Receivables (net of allowance for uncollectibles): |                                |   |   |   |                       |
| Accounts   | -                              | -   | -   | 183,609   | 183,609               |
| Due from other funds                               | 289,115                        | 86,619                                      | -   | -   | 375,734               |
| Materials, supplies and prepaids                   | 347,449                        | -   | -   | -   | 347,449               |
| <b>Total current assets</b>                        | <b>6,263,684</b>               | <b>817,351</b>                              | <b>4,725,233</b>                                      | <b>2,801,414</b>  | <b>14,607,682</b>     |
| Noncurrent assets:                                 |                                |   |   |   |                       |
| Equipment  | 21,913,801                     | 2,475,429                                   | -   | -   | 24,389,230            |
| Construction in progress                           | -                              | -   | -   | -   | -                     |
|  | 21,913,801                     | 2,475,429                                   | -   | -   | 24,389,230            |
| Less Accumulated depreciation                      | 15,943,522                     | 2,326,535                                   | -   | -   | 18,270,057            |
| Net Capital Assets                                 | 5,970,279                      | 148,894                                     | -   | -   | 6,119,173             |
| <b>Total noncurrent assets</b>                     | <b>5,970,279</b>               | <b>148,894</b>                              | <b>-</b>  | <b>-</b>  | <b>6,119,173</b>      |
| <b>Total assets</b>                                | <b>12,233,963</b>              | <b>966,245</b>                              | <b>4,725,233</b>                                      | <b>2,801,414</b>  | <b>20,726,855</b>     |
| <b>LIABILITIES</b>                                 |                                |   |   |   |                       |
| Current liabilities:                               |                                |   |   |   |                       |
| Accrued liabilities                                | 320,175                        | 6,907                                       | 856,554   | 3,718,135   | 4,901,771             |
| Accrued compensated absences                       | 22,143                         | 5,154                                       | -   | -   | 27,297                |
| Due to other funds                                 | 2,081,676                      | 322,694                                     | -   | -   | 2,404,370             |
| <b>Total current liabilities</b>                   | <b>2,423,994</b>               | <b>334,755</b>                              | <b>856,554</b>  | <b>3,718,135</b>  | <b>7,333,438</b>      |
| Noncurrent liabilities:                            |                                |   |   |   |                       |
| Long-term Portion Est. Claims                      | -                              | -   | 565,950   | 13,927,077  | 14,493,027            |
| Long-term Comp Absences                            | 166,255                        | 38,699                                      | -   | -   | 204,954               |
| <b>Total noncurrent liabilities</b>                | <b>166,255</b>                 | <b>38,699</b>                               | <b>565,950</b>  | <b>13,927,077</b>   | <b>14,697,981</b>     |
| <b>Total liabilities</b>                           | <b>2,590,249</b>               | <b>373,454</b>                              | <b>1,422,504</b>                                      | <b>17,645,212</b>   | <b>22,031,419</b>     |
| <b>NET ASSETS</b>                                  |                                |   |   |   |                       |
| Invested in capital assets,<br>net of related debt | 5,970,279                      | 148,894                                     | -   | -   | 6,119,173             |
| Unreserved   | 3,673,435                      | 443,897                                     | 3,302,729   | (14,843,798)  | (7,423,737)           |
| <b>Total net assets</b>                            | <b>\$ 9,643,714</b>            | <b>\$ 592,791</b>                           | <b>\$ 3,302,729</b>                                   | <b>\$ (14,843,798)</b>                                    | <b>\$ (1,304,564)</b> |

**CITY OF SANTA CLARA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
For the year ended June 30, 2010**

|                                     | <u>Automotive<br/>Services</u> | <u>Technical<br/>Equipment<br/>Services</u> | <u>Special<br/>Liability<br/>Insurance<br/>Claims</u> | <u>Workers'<br/>Compensation<br/>Insurance<br/>Claims</u> | <u>TOTAL</u>          |
|-------------------------------------|--------------------------------|---|---|---|-----------------------|
| Operating revenues:                 |                                |   |   |   |                       |
| Charges for services                | \$ 5,734,154                   | \$ 878,482                                  | \$ 1,501,463  | \$ 2,601,021  | \$ 10,715,120         |
| Insurance refunds and other         | -                              | -   | -   | 192,384   | 192,384               |
| Total operating revenues            | <u>5,734,154</u>               | <u>878,482</u>                              | <u>1,501,463</u>                                      | <u>2,793,405</u>  | <u>10,907,504</u>     |
| Operating expenses:                 |                                |   |   |   |                       |
| Salaries and benefits               | 1,923,600                      | 550,115                                     | -   | -   | 2,473,715             |
| Materials, services and supplies    | 2,118,721                      | 101,960                                     | -   | -   | 2,220,681             |
| General and administrative          | -                              | -   | 2,361,988   | 3,261,155   | 5,623,143             |
| Depreciation and amortization       | 1,506,390                      | 98,872                                      | -   | -   | 1,605,262             |
| Total operating expenses            | <u>5,548,711</u>               | <u>750,947</u>                              | <u>2,361,988</u>                                      | <u>3,261,155</u>  | <u>11,922,801</u>     |
| Operating income (loss)             | <u>185,443</u>                 | <u>127,535</u>                              | <u>(860,525)</u>                                      | <u>(467,750)</u>  | <u>(1,015,297)</u>    |
| Nonoperating revenues (expenses):   |                                |   |   |   |                       |
| Other revenue                       | 131,995                        | -   | -   | -   | 131,995               |
| Gain (loss) on retirement of assets | (3,203)                        | -   | -   | -   | (3,203)               |
| Total nonoperating revenues         | <u>128,792</u>                 | <u>-</u>                                    | <u>-</u>  | <u>-</u>  | <u>128,792</u>        |
| Income (loss) before transfers      | 314,235                        | 127,535                                     | (860,525)   | (467,750)   | (886,505)             |
| Transfers in                        | -                              | -   | -   | 202,000   | 202,000               |
| Transfers (out)                     | <u>(2,828)</u>                 | <u>(404)</u>                                | <u>-</u>  | <u>-</u>  | <u>(3,232)</u>        |
| Change in net assets                | 311,407                        | 127,131                                     | (860,525)   | (265,750)   | (687,737)             |
| Total net assets - beginning        | <u>9,332,307</u>               | <u>465,660</u>                              | <u>4,163,254</u>                                      | <u>(14,578,048)</u>                                       | <u>(616,827)</u>      |
| Total net assets - ending           | <u>\$ 9,643,714</u>            | <u>\$ 592,791</u>                           | <u>\$ 3,302,729</u>                                   | <u>\$ (14,843,798)</u>                                    | <u>\$ (1,304,564)</u> |

**CITY OF SANTA CLARA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
For the year ended June 30, 2010**

|   | <b>Automotive<br/>Services</b> | <b>Technical<br/>Equipment<br/>Services</b> | <b>Special<br/>Liability<br/>Insurance<br/>Claims</b> | <b>Workers'<br/>Compensation<br/>Insurance<br/>Claims</b> | <b>TOTAL</b>         |
|---|--------------------------------|---|---|---|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                |   |   |   |                      |
| Receipts from customers   | \$ 5,734,904                   | \$ 878,482                                  | \$ 1,501,463  | \$ 2,538,634  | \$ 10,653,483        |
| Payments to suppliers   | (1,752,952)                    | (95,701)                                    | -   | -   | (1,848,653)          |
| Payments to employees   | (1,900,381)                    | (538,146)                                   | -   | -   | (2,438,527)          |
| Internal activity - payments to other funds   | (139,890)                      | (16,774)                                    | -   | -   | (156,664)            |
| Claims paid   | -                              | -   | (1,699,560)   | (3,259,570)   | (4,959,130)          |
| Other receipts (payments)   | 131,995                        | -   | -   | -   | 131,995              |
| Net cash provided (used) by operating activities  | <u>2,073,676</u>               | <u>227,861</u>                              | <u>(198,097)</u>                                      | <u>(720,936)</u>  | <u>1,382,504</u>     |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b>  |                                |   |   |   |                      |
| Increase (decrease) in due from other funds   | (15,556)                       | (1,565)                                     | -   | -   | (17,121)             |
| (Increase) decrease in due to other funds   | (64,062)                       | 17,947                                      | -   | -   | (46,115)             |
| Transfers in  | -                              | -   | -   | 202,000   | 202,000              |
| Transfers (out)   | (2,828)                        | (404)                                       | -   | -   | (3,232)              |
| Cash Flows from Noncapital Financing Activities   | <u>(82,446)</u>                | <u>15,978</u>                               | <u>-</u>  | <u>202,000</u>  | <u>135,532</u>       |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                                       |                                |   |   |   |                      |
| Acquisition and construction of capital assets, net   | (3,397,768)                    | -   | -   | -   | (3,397,768)          |
| Cash Flows from Capital and Related<br>Financing Activities   | <u>(3,397,768)</u>             | <u>-</u>                                    | <u>-</u>  | <u>-</u>  | <u>(3,397,768)</u>   |
| Net increase (decrease) in cash and cash<br>equivalents   | (1,406,538)                    | 243,839                                     | (198,097)   | (518,936)   | (1,879,732)          |
| Cash and investments at beginning of period   | <u>7,033,658</u>               | <u>486,893</u>                              | <u>4,923,330</u>                                      | <u>3,136,741</u>  | <u>15,580,622</u>    |
| Cash and investments at end of period   | <u>\$ 5,627,120</u>            | <u>\$ 730,732</u>                           | <u>\$ 4,725,233</u>                                   | <u>\$ 2,617,805</u>                                       | <u>\$ 13,700,890</u> |
| <b>Reconciliation of operating income (loss) to net cash<br/>provided (used) by operating activities:</b> |                                |   |   |   |                      |
| Operating income (loss)   | \$ 185,443                     | \$ 127,535                                  | \$ (860,525)  | \$ (467,750)  | \$ (1,015,297)       |
| Adjustments to reconcile operating income to net<br>cash provided by operating activities:                |                                |   |   |   |                      |
| Depreciation  | 1,506,390                      | 98,872                                      | -   | -   | 1,605,262            |
| Change in assets and liabilities:   |                                |   |   |   |                      |
| Receivables, net  | 750                            | -   | -   | (62,387)  | (61,637)             |
| Inventory   | (32,166)                       | -   | -   | -   | (32,166)             |
| Accrued liabilities   | 258,045                        | (10,515)                                    | 400,190   | (402,628)   | 245,092              |
| Long-term portion estimated claims  | -                              | -   | 262,238   | 211,829   | 474,067              |
| Compensated absences  | 23,219                         | 11,969                                      | -   | -   | 35,188               |
| Other receipts  | 131,995                        | -   | -   | -   | 131,995              |
| Net cash provided (used) by operating activities  | <u>\$ 2,073,676</u>            | <u>\$ 227,861</u>                           | <u>\$ (198,097)</u>                                   | <u>\$ (720,936)</u>                                       | <u>\$ 1,382,504</u>  |

**CITY OF SANTA CLARA  
FIDUCIARY FUNDS -  
AGENCY FUNDS**

Agency Funds, the only fiduciary funds the City has, 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  
AGENCY FUNDS  
COMBINING BALANCE SHEET  
June 30, 2010**

|   | Employee<br>Benefit &<br>Liability<br>Clearing | Special<br>Assessments | Deposits            | Total                |
|---|--|------------------------|---------------------|----------------------|
| <b>ASSETS</b>                           |  |                        |                     |                      |
| Pooled cash and investments             | \$ 7,837,093                                   | \$ 3,348,133           | \$ 4,319,277        | \$ 15,504,503        |
| Cash and investments with fiscal agents | -  | 211,984                | -                   | 211,984              |
| Total Assets                            | <u>\$ 7,837,093</u>                            | <u>\$ 3,560,117</u>    | <u>\$ 4,319,277</u> | <u>\$ 15,716,487</u> |
| <b>LIABILITIES</b>                      |  |                        |                     |                      |
| Due to bondholders                      | \$ -   | \$ 3,560,117           | \$ -                | \$ 3,560,117         |
| Accrued liabilities                     | 7,837,093                                      | -                      | -                   | 7,837,093            |
| Refundable deposits                     | -  | -                      | 4,319,277           | 4,319,277            |
| Total Liabilities                       | <u>\$ 7,837,093</u>                            | <u>\$ 3,560,117</u>    | <u>\$ 4,319,277</u> | <u>\$ 15,716,487</u> |

**CITY OF SANTA CLARA  
AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the year ended June 30, 2010**

|  | <u>Balance<br/>July 1, 2009</u> | <u>Additions</u>     | <u>Reductions</u>    | <u>Balance<br/>June 30, 2010</u> |
|--|---------------------------------|----------------------|----------------------|----------------------------------|
| <u>Employee Benefit and Liability Clearing</u> |                                 |                      |                      |                                  |
| Pooled cash and investments                    | <u>\$ 6,993,734</u>             | <u>\$ 64,578,249</u> | <u>\$ 63,734,890</u> | <u>\$ 7,837,093</u>              |
| Accrued liabilities                            | <u>\$ 6,993,734</u>             | <u>\$ 64,578,249</u> | <u>\$ 63,734,890</u> | <u>\$ 7,837,093</u>              |
| <u>Special Assessments</u>                     |                                 |                      |                      |                                  |
| Pooled cash and investments                    | \$ 3,281,692                    | \$ 1,488,147         | \$ 1,421,706         | \$ 3,348,133                     |
| Cash and investments with fiscal agent         | <u>211,984</u>                  | <u>-</u>             | <u>-</u>             | <u>211,984</u>                   |
| Total Assets                                   | <u>\$ 3,493,676</u>             | <u>\$ 1,488,147</u>  | <u>\$ 1,421,706</u>  | <u>\$ 3,560,117</u>              |
| Due to bondholders                             | <u>\$ 3,493,676</u>             | <u>\$ 1,488,147</u>  | <u>\$ 1,421,706</u>  | <u>\$ 3,560,117</u>              |
| <u>Deposits</u>                                |                                 |                      |                      |                                  |
| Pooled cash and investments                    | <u>\$ 4,347,376</u>             | <u>\$ 673,093</u>    | <u>\$ 701,192</u>    | <u>\$ 4,319,277</u>              |
| Refundable deposits                            | <u>\$ 4,347,376</u>             | <u>\$ 673,093</u>    | <u>\$ 701,192</u>    | <u>\$ 4,319,277</u>              |
| <u>Total Agency Funds</u>                      |                                 |                      |                      |                                  |
| Pooled cash and investments                    | \$ 14,622,802                   | \$ 66,739,489        | \$ 65,857,788        | \$ 15,504,503                    |
| Cash and investments with fiscal agent         | <u>211,984</u>                  | <u>-</u>             | <u>-</u>             | <u>211,984</u>                   |
| Total Assets                                   | <u>\$ 14,834,786</u>            | <u>\$ 66,739,489</u> | <u>\$ 65,857,788</u> | <u>\$ 15,716,487</u>             |
| Due to bondholders                             | \$ 3,493,676                    | \$ 1,488,147         | \$ 1,421,706         | \$ 3,560,117                     |
| Accrued liabilities                            | 6,993,734                       | 64,578,249           | 63,734,890           | 7,837,093                        |
| Refundable deposits                            | <u>4,347,376</u>                | <u>673,093</u>       | <u>701,192</u>       | <u>4,319,277</u>                 |
| Total Liabilities                              | <u>\$ 14,834,786</u>            | <u>\$ 66,739,489</u> | <u>\$ 65,857,788</u> | <u>\$ 15,716,487</u>             |

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**Statistical Section (Unaudited)**



**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**

**FINANCIAL TRENDS**

1 - 4

Contains trend information to help the reader understand how the City's financial performance has changed over time.

**REVENUE CAPACITY**

5 - 8

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

**DEBT CAPACITY**

9 - 13

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.

**DEMOGRAPHIC AND ECONOMIC INFORMATION**

14 - 15

Offers information to help the reader understand the environment within which the City's financial activities take place.

**OPERATING INFORMATION**

16 - 19

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.

**CITY OF SANTA CLARA  
NET ASSETS BY COMPONENT  
Last Nine Fiscal Years  
(Accrual Basis of Accounting)  
(In Thousands)**

Table 1

|  | <u>2010</u>                | <u>2009</u>                | <u>2008</u>               | <u>2007</u>               | <u>2006</u>               | <u>2005</u>               | <u>2004</u>               | <u>2003</u>               | <u>2002</u>               |
|--|----------------------------|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>Governmental Activities:</b>                    |                            |                            |                           |                           |                           |                           |                           |                           |                           |
| Investment in Capital Assets, Net of Related Debt  | \$ 432,534                 | \$ 438,198                 | \$ 457,789                | \$ 458,933                | \$ 442,141                | \$ 407,174                | \$ 397,364                | \$ 339,694                | \$ 298,345                |
| Restricted   | 227,557                    | 217,590                    | 171,101                   | 161,406                   | 165,684                   | 167,200                   | 157,189                   | 158,375                   | 161,280                   |
| Unrestricted                                       | 45,357                     | 62,748                     | 96,257                    | 84,269                    | 79,583                    | 116,132                   | 137,384                   | 185,082                   | 186,952                   |
| <b>Total Governmental Activities Net Assets:</b>   | <b><u>\$ 705,448</u></b>   | <b><u>\$ 718,536</u></b>   | <b><u>\$ 725,147</u></b>  | <b><u>\$ 704,608</u></b>  | <b><u>\$ 687,408</u></b>  | <b><u>\$ 690,506</u></b>  | <b><u>\$ 691,937</u></b>  | <b><u>\$ 683,151</u></b>  | <b><u>\$ 646,577</u></b>  |
| <b>Business - Type Activities:</b>                 |                            |                            |                           |                           |                           |                           |                           |                           |                           |
| Investment in Capital, Net of Related Debt         | \$ 388,822                 | \$ 381,345                 | \$ 334,006                | \$ 313,110                | \$ 309,902                | \$ 311,767                | \$ 328,025                | \$ 343,791                | \$ 201,959                |
| Restricted   | -                          | -                          | -                         | 1,119                     | 1,413                     | 3,741                     | 42,204                    | 4,133                     | 6,816                     |
| Unrestricted                                       | 403,931                    | 419,417                    | 497,197                   | 541,778                   | 520,701                   | 548,216                   | 466,855                   | 486,309                   | 527,053                   |
| <b>Total Business - Type Activities Net Assets</b> | <b><u>\$ 792,753</u></b>   | <b><u>\$ 800,762</u></b>   | <b><u>\$ 831,203</u></b>  | <b><u>\$ 856,007</u></b>  | <b><u>\$ 832,016</u></b>  | <b><u>\$ 863,724</u></b>  | <b><u>\$ 837,084</u></b>  | <b><u>\$ 834,233</u></b>  | <b><u>\$ 735,828</u></b>  |
| <b>Primary Government</b>                          |                            |                            |                           |                           |                           |                           |                           |                           |                           |
| Investment in Capital, Net of Related Debt         | \$ 821,356                 | \$ 819,543                 | \$ 791,795                | \$ 772,043                | \$ 752,043                | \$ 718,941                | \$ 725,389                | \$ 683,485                | \$ 500,304                |
| Restricted   | 227,557                    | 217,590                    | 171,101                   | 162,525                   | 167,097                   | 170,941                   | 199,393                   | 162,508                   | 168,096                   |
| Unrestricted                                       | 449,288                    | 482,165                    | 593,454                   | 626,047                   | 600,284                   | 664,348                   | 604,239                   | 671,391                   | 714,005                   |
| <b>Total Primary Government Net Assets</b>         | <b><u>\$ 1,498,201</u></b> | <b><u>\$ 1,519,298</u></b> | <b><u>\$1,556,350</u></b> | <b><u>\$1,560,615</u></b> | <b><u>\$1,519,424</u></b> | <b><u>\$1,554,230</u></b> | <b><u>\$1,529,021</u></b> | <b><u>\$1,517,384</u></b> | <b><u>\$1,382,405</u></b> |

Source: Finance Department, City of Santa Clara.  
The City implemented the new reporting model in fiscal year 2001-2002.  
Until 10 years of data are available, only the available years will be presented.

**CITY OF SANTA CLARA  
CHANGES IN NET ASSETS  
Last Nine Fiscal Years  
(Accrual Basis of Accounting)  
(In Thousands)**

**Table 2**

|   | 2010              | 2009              | 2008              | 2007              | 2006              | 2005              | 2004              | 2003              | 2002              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Expenses:</b>                                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Governmental Activities:</b>                     |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| General Administration                              | \$ 3,470          | \$ 18,166         | \$ 15,563         | \$ 9,869          | \$ 11,851         | \$ 17,332         | \$ 10,050         | \$ 8,866          | \$ 8,336          |
| City Clerk  | 674               | 776               | 698               | 720               | 566               | 691               | 553               | 558               | 474               |
| City Attorney                                       | 1,310             | 1,142             | 1,065             | 1,079             | 1,159             | 1,079             | 1,250             | 1,252             | 1,152             |
| Human Resources                                     | 1,815             | 1,962             | 1,711             | 1,745             | 1,722             | 1,730             | 1,657             | 1,737             | 1,719             |
| Finance   | 7,685             | 7,565             | 7,943             | 6,211             | 6,284             | 6,172             | 6,109             | 7,271             | 8,141             |
| Public Works  | 29,344            | 29,991            | 28,394            | 28,769            | 27,420            | 30,752            | 25,124            | 27,026            | 24,295            |
| Parks and Recreation                                | 15,572            | 14,910            | 14,269            | 12,828            | 11,925            | 10,806            | 10,735            | 11,043            | 10,387            |
| Public Safety:                                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Police  | 45,143            | 44,861            | 42,870            | 41,105            | 39,218            | 32,007            | 31,182            | 30,154            | 27,413            |
| Fire  | 34,457            | 35,344            | 33,855            | 32,183            | 31,668            | 29,063            | 28,385            | 28,162            | 26,432            |
| Communications                                      | **                | **                | **                | **                | **                | 3,997             | 4,076             | 4,110             | 3,704             |
| Planning & Inspection                               | 5,918             | 5,616             | 5,353             | 5,083             | 5,699             | 5,471             | 5,197             | 4,960             | 5,150             |
| Library   | 8,470             | 8,666             | 8,416             | 8,106             | 7,960             | 7,898             | 5,985             | 6,015             | 5,753             |
| Community Development                               | 6,447             | 8,207             |                   |                   |                   |                   |                   |                   |                   |
| Interest on long term debt                          | 9,856             | 10,287            | 11,679            | 12,338            | 12,727            | 13,277            | 14,529            | 13,861            | 15,398            |
| Supplemental Educational Revenue Augmentation Funds | 9,834             |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Total Governmental Activities Expenses (Net)</b> | <b>179,995</b>    | <b>187,493</b>    | <b>171,816</b>    | <b>160,036</b>    | <b>158,199</b>    | <b>160,275</b>    | <b>144,832</b>    | <b>145,015</b>    | <b>138,354</b>    |
| <b>Business-Type Activities:</b>                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Utilities:  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Electric -  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Retail  | 280,512           | 316,523           | 293,619           | 269,659           | 250,476           | 194,382           | 202,611           | 204,746           | 220,655           |
| Wholesale   | 73,727            | 110,879           | 177,973           | 197,076           | 249,500           | 165,790           | 207,975           | 227,284           | 395,336           |
| Water   | 23,067            | 22,927            | 21,689            | 21,397            | 19,582            | 18,756            | 18,556            | 16,864            | 15,178            |
| Sewer   | 14,222            | 13,469            | 12,538            | 12,181            | 15,124            | 9,047             | 11,902            | 12,027            | 20,923            |
| Water Recycling                                     | 3,256             | 1,157             | 1,169             | 2,322             | 947               | 853               | 743               | 725               | 463               |
| Solid Waste   | 15,842            | 16,226            | 15,689            | 15,508            | 15,589            | 14,343            | 14,563            | 14,424            | 15,164            |
| Cemetery  | 960               | 721               | 736               | 709               | 770               | 769               | 788               | 814               | 748               |
| Sports and Open Space Authority                     | 18                | 7                 | 39                | 20                | 36                | 26                | 20                | 21                | 22                |
| Santa Clara Golf and Tennis Club                    | 2,724             | 2,735             | 2,603             | 2,591             | 2,697             | 2,528             | 2,591             | 2,567             | 2,631             |
| Santa Clara Convention Center                       | 7,121             | 6,360             | 6,259             | 6,003             | 6,163             | 5,981             | 5,752             | 5,702             | 5,030             |
| <b>Total Business-Type Activities Expenses</b>      | <b>421,449</b>    | <b>491,004</b>    | <b>532,314</b>    | <b>527,466</b>    | <b>560,884</b>    | <b>412,475</b>    | <b>465,501</b>    | <b>485,174</b>    | <b>676,150</b>    |
| <b>Total Primary Government Expenses</b>            | <b>\$ 601,444</b> | <b>\$ 678,497</b> | <b>\$ 704,130</b> | <b>\$ 687,502</b> | <b>\$ 719,083</b> | <b>\$ 572,750</b> | <b>\$ 610,333</b> | <b>\$ 630,189</b> | <b>\$ 814,504</b> |

Note: \*\* Now included in Police

Source: Finance Office, City of Santa Clara.

The City implemented the new reporting model in fiscal year 2001-2002. Until 10 years of data are available, only the available years will be presented.

**CITY OF SANTA CLARA**  
**CHANGES IN NET ASSETS**  
**Last Nine Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(In Thousands)**  
**(continued)**

**Table 2**

|  | 2010                | 2009                | 2008                | 2007                | 2006                | 2005                | 2004                | 2003                | 2002                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Program Revenues:</b>                               |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Governmental Activities:</b>                        |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Charges for Services:                                  |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| General Administration                                 | \$ 9,596            | \$ 9,625            | \$ 9,848            | \$ 9,340            | \$ 9,888            | \$ 9,129            | \$ 64               | \$ 44               | \$ 35               |
| Parks and Recreation                                   | 2,940               | 2,776               | 2,591               | 2,407               | 2,376               | 1,848               | 1,483               | 1,606               | 1,422               |
| Planning and Inspection                                | 3,549               | 3,576               | 5,340               | 4,114               | 4,778               | 4,353               | 3,023               | 3,513               | 3,697               |
| Other Programs   | 6,956               | 7,792               | 6,833               | 5,943               | 5,699               | 6,396               | 4,815               | 4,741               | 5,668               |
| Operating Grants and Contributions                     | 4,105               | 5,650               | 6,485               | 4,732               | 5,418               | 5,465               | 4,601               | 3,849               | 5,810               |
| Capital Gains and Contributions                        | 5,775               | 5,412               | 13,285              | 5,095               | 3,762               | 4,530               | 7,613               | 5,800               | 3,983               |
| <b>Total Governmental Activities Program Revenues</b>  | <b>32,921</b>       | <b>34,831</b>       | <b>44,382</b>       | <b>31,631</b>       | <b>31,921</b>       | <b>31,721</b>       | <b>21,599</b>       | <b>19,553</b>       | <b>20,615</b>       |
| <b>Business-Type Activities:</b>                       |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Utilities:   |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Electric -   |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Retail   | 270,834             | 256,872             | 249,079             | 251,332             | 211,111             | 193,492             | 188,229             | 188,222             | 194,244             |
| Wholesale  | 67,840              | 102,480             | 172,404             | 204,723             | 255,188             | 170,165             | 219,798             | 227,454             | 424,379             |
| Water  | 23,744              | 24,251              | 23,001              | 21,701              | 19,645              | 18,885              | 18,569              | 16,661              | 15,302              |
| Sewer  | 9,443               | 9,287               | 8,330               | 23,178              | 12,948              | 12,065              | 12,017              | 12,532              | 11,920              |
| Water Recycling  | 4,363               | 1,911               | 3,178               | 1,504               | 966                 | 852                 | 897                 | 598                 | 516                 |
| Solid Waste  | 15,843              | 15,619              | 16,185              | 15,624              | 14,688              | 14,405              | 13,527              | 12,296              | 11,795              |
| Cemetery   | 454                 | 356                 | 465                 | 564                 | 511                 | 525                 | 470                 | 468                 | 457                 |
| Sports and Open Space Authority                        | 1,506               | 1,745               | 1,605               | 1,317               | 1,287               | 1,317               | 1,436               | 1,672               | 2,569               |
| Santa Clara Golf and Tennis Club                       | 2,917               | 2,993               | 3,108               | 3,200               | 3,020               | 2,913               | 2,842               | 3,083               | 3,197               |
| Santa Clara Convention Center                          | 6,845               | 21,947              | 12,059              | 6,654               | 4,033               | 3,478               | 3,424               | 2,813               | 3,731               |
| <b>Total Business-Type Activities Program Revenues</b> | <b>403,789</b>      | <b>437,461</b>      | <b>489,414</b>      | <b>529,797</b>      | <b>523,397</b>      | <b>418,097</b>      | <b>461,209</b>      | <b>465,799</b>      | <b>668,110</b>      |
| <b>Total Primary Government Program Revenues</b>       | <b>436,710</b>      | <b>472,292</b>      | <b>533,796</b>      | <b>561,428</b>      | <b>555,318</b>      | <b>449,818</b>      | <b>482,808</b>      | <b>485,352</b>      | <b>688,725</b>      |
| <b>Net (Expense) Revenue:</b>                          |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Governmental Activities                                | (147,074)           | (152,662)           | (127,434)           | (128,405)           | (126,278)           | (128,554)           | (123,233)           | (125,462)           | (117,739)           |
| Business-Type Activities                               | (17,660)            | (53,543)            | (42,900)            | 2,332               | (37,048)            | 7,676               | (3,350)             | (12,983)            | (6,496)             |
| <b>Total Primary Government Net (Expense) Revenue</b>  | <b>\$ (164,734)</b> | <b>\$ (206,205)</b> | <b>\$ (170,334)</b> | <b>\$ (126,073)</b> | <b>\$ (163,326)</b> | <b>\$ (120,878)</b> | <b>\$ (126,583)</b> | <b>\$ (138,445)</b> | <b>\$ (124,235)</b> |

Source: Finance Office, City of Santa Clara.

The City implemented the new reporting model in fiscal year 2001-2002. Until 10 years of data are available, only the available years will be presented.

**CITY OF SANTA CLARA  
CHANGES IN NET ASSETS  
Last Nine Fiscal Years  
(Accrual Basis of Accounting)  
(In Thousands)  
(continued)**

**Table 2**

|   | <u>2010</u>         | <u>2009</u>         | <u>2008</u>         | <u>2007</u>         | <u>2006</u>         | <u>2005</u>         | <u>2004</u>         | <u>2003</u>         | <u>2002</u>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>General Revenue and other changes in Net Assets</b>        |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Governmental Activities:</b>                               |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Taxes:  |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Sales   | \$ 31,876           | \$ 34,894           | \$ 40,516           | \$ 43,176           | \$ 38,066           | \$ 35,696           | \$ 35,976           | \$ 33,815           | \$ 40,104           |
| Ad Valorem Property   | 61,834              | 61,695              | 54,536              | 49,736              | 39,388              | 39,928              | 40,868              | 45,335              | 44,885              |
| Transient occupancy   | 8,302               | 9,138               | 11,269              | 10,542              | 9,601               | 7,863               | 7,160               | 7,890               | -                   |
| Other   | 3,049               | 3,931               | 4,504               | 4,731               | 4,856               | 6,173               | 5,853               | 4,953               | 15,584              |
| Internal Governmental, unrestricted:                          |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Motor Vehicle in-lieu   | 345                 | 394                 | 507                 | 684                 | 668                 | 2,489               | 5,267               | 6,033               | 5,840               |
| Contribution in-lieu of taxes                                 | 13,448              | 15,150              | 14,732              | 14,722              | 12,860              | 11,993              | 11,905              | 11,865              | 11,817              |
| Investment earnings   | 18,179              | 20,665              | 31,462              | 33,838              | 31,544              | 33,786              | 38,568              | 53,861              | 66,071              |
| Net increase (decrease) in the fair value of investments      | 413                 | 16,985              | 1,415               | 4,674               | (16,596)            | (1,290)             | (25,380)            | -                   | -                   |
| Equity in income (losses) of joint ventures                   | (1)                 | 69                  | 1,225               | -                   | -                   | -                   | -                   | -                   | -                   |
| Rents and Royalties   | 3,274               | 3,383               | 2,850               | 2,474               | 5,001               | 5,852               | 13,734              | 12,095              | 10,100              |
| Gain (loss) on retirement of assets                           | 2                   | 4                   | 4                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Other   | 2,917               | 2,845               | 3,049               | 2,687               | 3,803               | 3,292               | 4,437               | 272                 | 4,040               |
| <b>Total Primary Government General Revenue and Transfers</b> | <u>143,638</u>      | <u>169,153</u>      | <u>166,069</u>      | <u>167,264</u>      | <u>129,191</u>      | <u>145,782</u>      | <u>138,388</u>      | <u>176,119</u>      | <u>198,441</u>      |
| <b>Change in Net Assets - Total Primary Government</b>        | (21,096)            | (37,052)            | (4,265)             | 41,191              | (34,135)            | 24,904              | 11,805              | 37,674              | 74,206              |
| <b>Net Assets - Beginning of Year (Restated)</b>              | 1,519,298           | 1,556,350           | 1,560,615           | 1,519,424           | 1,553,559           | 1,528,655           | 1,516,850           | 1,382,183           | 1,307,977           |
| <b>GASB 34 Implementation Adjustment</b>                      | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 96,993              | -                   |
| <b>Net Assets - End of Year - Total Primary Government</b>    | <u>\$ 1,498,202</u> | <u>\$ 1,519,298</u> | <u>\$ 1,556,350</u> | <u>\$ 1,560,615</u> | <u>\$ 1,519,424</u> | <u>\$ 1,553,559</u> | <u>\$ 1,528,655</u> | <u>\$ 1,516,850</u> | <u>\$ 1,382,183</u> |

Source: Finance Office, City of Santa Clara.

The City implemented the new reporting model in fiscal year 2001-2002. Until 10 years of data are available, only the available years will be presented.

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

**Table 3**

|                                    | <u>2010</u>       | <u>2009</u>       | <u>2008</u>       | <u>2007</u>       | <u>2006</u>       | <u>2005</u>       | <u>2004</u>       | <u>2003</u>       | <u>2002</u>       |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| General Fund:                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Reserved                           | \$ 24,778         | \$ 22,278         | \$ 20,858         | \$ 22,394         | \$ 19,656         | \$ 16,266         | \$ 15,844         | \$ 15,805         | \$ 15,925         |
| Unreserved:                        |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Designated                         | 25,938            | 42,548            | 53,693            | 54,725            | 47,802            | 55,002            | 65,799            | 75,612            | 100,091           |
| Undesignated                       | -                 | -                 | 1,462             | -                 | -                 | 7,580             | 689               | 12,717            | 13,471            |
| Total General Fund                 | <u>50,716</u>     | <u>64,826</u>     | <u>76,013</u>     | <u>77,119</u>     | <u>67,458</u>     | <u>78,848</u>     | <u>82,332</u>     | <u>104,134</u>    | <u>129,487</u>    |
| All other Governmental Funds:      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Reserved                           | 93,119            | 99,361            | 108,510           | 78,343            | 71,167            | 84,364            | 78,214            | 94,091            | 96,992            |
| Unreserved, reported in:           |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Capital projects funds             | 113,632           | 115,740           | 115,401           | 136,414           | 153,503           | 154,759           | 170,963           | 179,398           | 118,555           |
| Special revenue funds              | 602               | 426               | 409               | 7,033             | 7,771             | 11,483            | 11,119            | 9,235             | 1,093             |
| Other purposes                     | <u>19,305</u>     | <u>16,770</u>     | <u>13,195</u>     | <u>10,712</u>     | <u>8,299</u>      | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          |
| Total All Other Governmental Funds | <u>226,658</u>    | <u>232,297</u>    | <u>237,515</u>    | <u>232,502</u>    | <u>240,740</u>    | <u>250,606</u>    | <u>260,296</u>    | <u>282,724</u>    | <u>216,640</u>    |
| Total Governmental Funds           | <u>\$ 277,374</u> | <u>\$ 297,123</u> | <u>\$ 313,528</u> | <u>\$ 309,621</u> | <u>\$ 308,198</u> | <u>\$ 329,454</u> | <u>\$ 342,628</u> | <u>\$ 386,858</u> | <u>\$ 346,127</u> |

Source: Finance Office, City of Santa Clara.

The City implemented the new reporting model in fiscal year 2001-2002. Until 10 years of data are available, only the available years will be presented.

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

**Table 4**

|   | 2010              | 2009              | 2008              | 2007              | 2006              | 2005              | 2004              | 2003              | 2002              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>REVENUES:</b>                                |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Taxes:  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Sales   | \$ 31,876         | \$ 34,894         | \$ 40,516         | \$ 43,176         | \$ 38,066         | \$ 35,696         | \$ 35,976         | \$ 33,815         | \$ 40,104         |
| Ad valorem property                             | 61,834            | 61,695            | 54,536            | 49,736            | 39,388            | 39,928            | 40,868            | 45,335            | 44,885            |
| Transient occupancy                             | 8,302             | 9,138             | 11,269            | 10,542            | 9,601             | 7,863             | 7,160             | 7,890             | *                 |
| Other   | 4,099             | 4,931             | 5,459             | 5,636             | 5,716             | 5,005             | 5,070             | 4,184             | 16,308            |
| Licences, permits, fees and penalties           | 4,286             | 5,000             | 5,232             | 5,199             | 4,946             | 5,229             | 4,736             | 4,608             | 4,454             |
| Internal governmental                           | 9,359             | 8,142             | 9,760             | 9,685             | 8,202             | 8,744             | 12,947            | 11,181            | 15,012            |
| Charges for Services                            | 24,647            | 22,396            | 22,907            | 20,417            | 19,881            | 15,329            | 14,862            | 12,283            | 13,913            |
| Contribution in-lieu of taxes                   | 13,448            | 15,150            | 14,732            | 14,722            | 12,861            | 11,993            | 11,905            | 11,865            | 11,817            |
| Interest and rents                              | 25,477            | 25,878            | 30,547            | 29,955            | 28,253            | 30,394            | 31,287            | 36,939            | 40,121            |
| Net (decrease) in the fair value of investments | 449               | 6,409             | 258               | 1,553             | (5,473)           | (484)             | (10,089)          | **                | **                |
| Other   | 2,829             | 2,914             | 3,201             | 2,557             | 1,990             | 4,209             | 5,429             | 2,984             | 3,080             |
| <b>TOTAL REVENUES</b>                           | <b>\$ 186,606</b> | <b>\$ 196,547</b> | <b>\$ 198,417</b> | <b>\$ 193,178</b> | <b>\$ 163,431</b> | <b>\$ 163,906</b> | <b>\$ 160,151</b> | <b>\$ 171,084</b> | <b>\$ 189,694</b> |

Note: \* Included in Taxes - Other

\*\* Included in Interest and Rents

Source: Finance Office, City of Santa Clara.

The City implemented the new reporting model in fiscal year 2001-2002. Until 10 years of data are available, only the available years will be presented.

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

Table 4

|  | 2010               | 2009               | 2008            | 2007            | 2006               | 2005               | 2004               | 2003             | 2002             |
|--|--------------------|--------------------|-----------------|-----------------|--------------------|--------------------|--------------------|------------------|------------------|
| <b>EXPENDITURES</b>  |                    |                    |                 |                 |                    |                    |                    |                  |                  |
| <b>Current:</b>  |                    |                    |                 |                 |                    |                    |                    |                  |                  |
| General Administration   | \$ 25,078          | \$ 24,826          | \$ 27,341       | \$ 29,253       | \$ 27,084          | \$ 29,631          | \$ 23,230          | \$ 23,277        | \$ 23,607        |
| City Clerk   | 662                | 768                | 691             | 755             | 554                | 676                | 541                | 532              | 449              |
| City Attorney  | 1,314              | 1,136              | 1,049           | 1,230           | 1,137              | 1,071              | 1,280              | 1,234            | 1,126            |
| Human Resources  | 1,804              | 1,960              | 1,682           | 1,752           | 1,724              | 1,722              | 1,664              | 1,722            | 1,690            |
| Finance  | 7,535              | 7,458              | 7,726           | 6,224           | 6,206              | 6,034              | 6,023              | 7,064            | 7,939            |
| Public Works   | 17,178             | 17,853             | 16,307          | 17,012          | 15,503             | 15,767             | 14,670             | 14,762           | 14,511           |
| Parks and Recreation   | 13,906             | 13,389             | 12,732          | 11,486          | 10,686             | 10,249             | 10,657             | 10,809           | 10,064           |
| Public Safety:   |                    |                    |                 |                 |                    |                    |                    |                  |                  |
| Police   | 43,959             | 43,317             | 40,089          | 37,450          | 34,837             | 30,776             | 30,197             | 28,833           | 26,155           |
| Fire   | 33,768             | 34,292             | 31,636          | 30,157          | 29,112             | 27,947             | 27,711             | 26,995           | 25,254           |
| Communications   | ***                | ***                | ***             | ***             | ***                | 3,847              | 4,002              | 3,995            | 3,584            |
| Planning & Inspection  | 5,726              | 5,402              | 5,112           | 4,814           | 5,410              | 5,344              | 5,200              | 4,860            | 5,021            |
| Library  | 7,406              | 7,460              | 7,008           | 6,897           | 6,742              | 6,891              | 5,883              | 5,853            | 5,618            |
| Community Development  | 6,446              | 8,207              | -               | -               | -                  | -                  | -                  | -                | -                |
| Capital Outlay   | 13,022             | 27,169             | 24,991          | 26,912          | 29,354             | 19,242             | 50,435             | 48,559           | 28,920           |
| Debt Service:  |                    |                    |                 |                 |                    |                    |                    |                  |                  |
| Principal  | 10,555             | 10,000             | 9,470           | 8,985           | 5,918              | 13,351             | 12,148             | 11,423           | 9,795            |
| Interest   | 10,128             | 10,720             | 11,294          | 11,811          | 12,182             | 12,984             | 14,125             | 13,103           | 10,944           |
| Bond Cost Expense  | 8                  | -                  | -               | -               | -                  | -                  | -                  | -                | -                |
| Supplemental Education Revenue Augmentation Funds                    | 9,834              | -                  | -               | -               | -                  | -                  | -                  | -                | -                |
| <b>TOTAL EXPENDITURES</b>  | <b>208,329</b>     | <b>213,957</b>     | <b>197,128</b>  | <b>194,738</b>  | <b>186,449</b>     | <b>185,532</b>     | <b>207,766</b>     | <b>203,021</b>   | <b>174,677</b>   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <b>(21,723)</b>    | <b>(17,410)</b>    | <b>1,289</b>    | <b>(1,560)</b>  | <b>(23,018)</b>    | <b>(21,626)</b>    | <b>(47,615)</b>    | <b>(31,937)</b>  | <b>15,017</b>    |
| <b>OTHER FINANCING SOURCES (USES):</b>                               |                    |                    |                 |                 |                    |                    |                    |                  |                  |
| Long-term Debt Issuance  | -                  | -                  | -               | -               | -                  | -                  | -                  | 102,490          | 33,910           |
| Bond Premium   | -                  | -                  | -               | -               | -                  | -                  | -                  | 784              | 1,443            |
| Payment to Bond Escrow Agent   | -                  | -                  | -               | -               | -                  | -                  | -                  | (32,540)         | (38,339)         |
| Sale of Capital Assets   | 2                  | 4                  | 4               | 596             | 1,701              | 408                | 51                 | 19               | 1                |
| Transfers In   | 31,493             | 31,477             | 32,196          | 25,698          | 37,055             | 28,728             | 25,819             | 37,061           | 49,722           |
| Transfers Out  | (29,521)           | (30,476)           | (29,582)        | (23,311)        | (35,554)           | (28,099)           | (22,485)           | (35,146)         | (48,579)         |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                          | <b>1,974</b>       | <b>1,005</b>       | <b>2,618</b>    | <b>2,983</b>    | <b>3,202</b>       | <b>1,037</b>       | <b>3,385</b>       | <b>72,669</b>    | <b>(1,841)</b>   |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | <b>\$ (19,749)</b> | <b>\$ (16,405)</b> | <b>\$ 3,907</b> | <b>\$ 1,423</b> | <b>\$ (19,816)</b> | <b>\$ (20,589)</b> | <b>\$ (44,230)</b> | <b>\$ 40,732</b> | <b>\$ 13,176</b> |
| <b>DEBT SERVICE AS A PERCENTAGE OF<br/>NON-CAPITAL EXPENDITURES</b>  | <b>15%</b>         | <b>10%</b>         | <b>11%</b>      | <b>11%</b>      | <b>10%</b>         | <b>14%</b>         | <b>13%</b>         | <b>12%</b>       | <b>12%</b>       |

Note: \*\*\*Included in Police starting in fiscal year 2005-06

Source: Finance Office, City of Santa Clara.

The City implemented the new reporting model in fiscal year 2001-2002. Until 10 years of data are available, only the available years will be presented.

**CITY OF SANTA CLARA**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**  
**(In Thousands)**

**Table 5**

| <b>Fiscal Year<br/>Ending<br/>June 30</b> | <b>Net Local<br/>Secured<br/>Roll</b> | <b>SBE (2)</b> | <b>Net<br/>Unsecured<br/>Roll</b> | <b>Net<br/>Assessed<br/>Valuation (1)</b> | <b>Estimated<br/>Actual<br/>Value</b> | <b>Ratio of<br/>Assessed Value<br/>To Estimated<br/>Value</b> | <b>% of Growth<br/>of Assessed<br/>Valuation</b> | <b>Total Direct<br/>Tax<br/>Rate</b> |
|---|---------------------------------------|----------------|-----------------------------------|---|---------------------------------------|---|--|--------------------------------------|
| 2000 / 01                                 | \$ 11,822,175                         | 2,497          | \$ 3,463,886                      | \$ 15,288,558                             | \$ 15,400,547                         | 99.27%  | 7.61%  | 1.06%                                |
| 2001 / 02                                 | \$ 13,744,409                         | 2,554          | \$ 4,477,383                      | \$ 18,224,346                             | \$ 18,335,454                         | 99.39%  | 19.20%   | 1.08%                                |
| 2002 / 03                                 | \$ 15,110,520                         | 2,861          | \$ 4,207,133                      | \$ 19,320,514                             | \$ 19,429,970                         | 99.44%  | 6.01%  | 1.07%                                |
| 2003 / 04                                 | \$ 15,283,368                         | 2,803          | \$ 3,639,274                      | \$ 18,925,445                             | \$ 19,033,631                         | 99.43%  | -2.04%   | 1.07%                                |
| 2004 / 05                                 | \$ 14,978,836                         | 2,471          | \$ 2,991,292                      | \$ 17,972,599                             | \$ 18,081,181                         | 99.40%  | -5.03%   | 1.08%                                |
| 2005 / 06                                 | \$ 15,663,135                         | 1,756          | \$ 3,037,319                      | \$ 18,702,210                             | \$ 18,813,195                         | 99.41%  | 4.06%  | 1.15%                                |
| 2006 / 07                                 | \$ 17,458,047                         | 1,605          | \$ 2,905,729                      | \$ 20,365,381                             | \$ 20,478,830                         | 99.45%  | 8.89%  | 1.14%                                |
| 2007 / 08                                 | \$ 19,148,464                         | 909            | \$ 2,976,265                      | \$ 22,125,638                             | \$ 22,241,709                         | 99.48%  | 8.64%  | 1.08%                                |
| 2008 / 09                                 | \$ 20,545,808                         | 3,689          | \$ 3,812,579                      | \$ 24,362,076                             | \$ 24,479,723                         | 99.52%  | 10.11%   | 1.12%                                |
| 2009 / 10                                 | \$ 20,707,612                         | 3,689          | \$ 3,844,940                      | \$ 24,556,241                             | \$ 24,674,410                         | 99.52%  | 0.80%  | 1.13%                                |

Notes:

(1) Full cash value.

(2) Beginning in fiscal 1989, Chapter 921 of the Statutes of 1987 requires the establishment of a single County-wide tax rate area for the assignment of the assessed value of certain types of State-assessed utility property.

Source: Santa Clara County, 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<br>Year Ending<br>June 30 | Santa<br>Clara<br>County | School<br>Districts | Special<br>Districts | Total   |
|----------------------------------|--------------------------|---------------------|----------------------|---------|
| 2000 / 01                        | 1.0356%                  | 0.0174%             | 0.0075%              | 1.0605% |
| 2001 / 02                        | 1.0364%                  | 0.0366%             | 0.0062%              | 1.0792% |
| 2002 / 03                        | 1.0388%                  | 0.0252%             | 0.0072%              | 1.0712% |
| 2003 / 04                        | 1.0388%                  | 0.0263%             | 0.0087%              | 1.0738% |
| 2004 / 05                        | 1.0388%                  | 0.0344%             | 0.0092%              | 1.0824% |
| 2005 / 06                        | 1.0388%                  | 0.1001%             | 0.0078%              | 1.1467% |
| 2006 / 07                        | 1.0388%                  | 0.0923%             | 0.0072%              | 1.1383% |
| 2007 / 08                        | 1.0388%                  | 0.0389%             | 0.0071%              | 1.0848% |
| 2008 / 09                        | 1.0388%                  | 0.0775%             | 0.0061%              | 1.1224% |
| 2009 / 10                        | 1.0388%                  | 0.0841%             | 0.0074%              | 1.1303% |

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: \$378,129

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: Santa Clara County, Department of Finance

**CITY OF SANTA CLARA  
PRINCIPAL PROPERTY TAX PAYERS  
2009-10 AND 2002-03 COMPARISON FOR GENERAL FUND  
(In Thousands)**

Table 7

| Organization                             | 2009-10                    |                     | 2002-03                    |                     |
|--|----------------------------|---------------------|----------------------------|---------------------|
|  | Revenue<br>in<br>Thousands | Percent<br>of Total | Revenue<br>in<br>Thousands | Percent<br>of Total |
| Sobrato Development Company              | \$ 3,589                   | 6.69%               | \$ 311                     | 2.17%               |
| Santa Clara Towers LP                    | 2,301                      | 4.29%               |                            |                     |
| Hyatt Equities LLC                       | 2,187                      | 4.08%               |                            |                     |
| Yahoo, Inc.                              | 1,898                      | 3.54%               |                            |                     |
| Prudential Insurance Company of America  | 1,722                      | 3.21%               |                            |                     |
| Intel Corporation                        | 1,518                      | 2.83%               | 1,409                      | 9.83%               |
| Paramount Parks, Inc.                    | 1,257                      | 2.34%               |                            |                     |
| Carr NP Properties LLC                   | 1,147                      | 2.14%               |                            |                     |
| Silicon Valley California LLC            | 1,109                      | 2.07%               |                            |                     |
| Lake Marriott LLC                        | 815                        | 1.52%               |                            |                     |
| Applied Materials, Inc.                  |                            |                     | 537                        | 3.75%               |
| Oracle (formerly Sun Microsystems, Inc.) |                            |                     | 259                        | 1.81%               |
| Agilent Technologies, Inc.               |                            |                     | 204                        | 1.42%               |
| National Semiconductor Corporation       |                            |                     | 195                        | 1.36%               |
| Rivermark Partners LLC                   |                            |                     | 178                        | 1.24%               |
| 3Com Corporation                         |                            |                     | 159                        | 1.11%               |
| Exodus Communications, Inc.              |                            |                     | 147                        | 1.03%               |
| BRE San Tomas LLC                        |                            |                     | 132                        | 0.92%               |
| Top Ten Total                            | \$ 17,543                  | 32.71%              | \$ 3,531                   | 24.64%              |
| City Total                               | <u>\$ 53,638</u>           |                     | <u>\$ 14,333</u>           |                     |

Source: Santa Clara County Assessor 2009/10 Combined Tax Rolls through HdL Coren & Cone.  
Additional years of historical data are not available.

**CITY OF SANTA CLARA  
PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years  
(In Thousands)**

**Table 8**

| <b>Fiscal Year<br/>Ending<br/>June 30</b> | <b>Gross<br/>Tax Levy</b> | <b>Current Tax<br/>Collections</b> | <b>Percentage of<br/>Current Levy<br/>Collected</b> | <b>Delinquent<br/>Tax<br/>Collections</b> | <b>Total<br/>Collections</b> | <b>Percentage of<br/>Total Levy<br/>Collected</b> |
|---|---------------------------|------------------------------------|---|---|------------------------------|---|
| 2000 / 01                                 | \$ 13,733                 | \$ 13,523                          | 98.47%  | \$ 181                                    | \$ 13,704                    | 99.79%  |
| 2001 / 02                                 | \$ 15,848                 | \$ 15,795                          | 99.67%  | \$ 14                                     | \$ 15,809                    | 99.75%  |
| 2002 / 03                                 | \$ 16,884                 | \$ 16,763                          | 99.28%  | \$ 22                                     | \$ 16,785                    | 99.41%  |
| 2003 / 04                                 | \$ 16,182                 | \$ 16,106                          | 99.53%  | \$ (3)                                    | \$ 16,103                    | 99.51%  |
| 2004 / 05                                 | \$ 15,892                 | \$ 15,841                          | 99.68%  | \$ -                                      | \$ 15,841                    | 99.68%  |
| 2005 / 06                                 | \$ 16,624                 | \$ 16,565                          | 99.65%  | \$ -                                      | \$ 16,565                    | 99.65%  |
| 2006 / 07                                 | \$ 18,197                 | \$ 18,128                          | 99.62%  | \$ -                                      | \$ 18,128                    | 99.62%  |
| 2007 / 08                                 | \$ 19,720                 | \$ 19,669                          | 99.74%  | \$ -                                      | \$ 19,669                    | 99.74%  |
| 2008 / 09                                 | \$ 21,123                 | \$ 21,061                          | 99.71%  | \$ -                                      | \$ 21,061                    | 99.71%  |
| 2009 / 10                                 | \$ 21,674                 | \$ 21,631                          | 99.80%  | \$ -                                      | \$ 21,631                    | 99.80%  |

Sources: City of Santa Clara  
Santa Clara County, Department of Finance

**CITY OF SANTA CLARA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
Last Eight Fiscal Years  
(In Thousands)**

**Table 9**

| Fiscal<br>Year<br>Ending<br>June 30 | Governmental Activities             |                               |                     |                                     | Redevelopment<br>Agency | Business<br>Activities | Total Primary<br>Government | Population | Debt per<br>Capita | Total<br>Personal<br>Income<br>(\$000) | Debt/Income<br>Ratio |
|-------------------------------------|-------------------------------------|-------------------------------|---------------------|-------------------------------------|-------------------------|------------------------|-----------------------------|------------|--------------------|--|----------------------|
|                                     | Public Financing Authority          |                               |                     |                                     | Tax Allocation<br>Bonds | Revenue<br>Bonds       |                             |            |                    |  |                      |
|                                     | Certificates<br>of<br>Participation | Insurance<br>Funding<br>Bonds | Assessment<br>Bonds | Total<br>Governmental<br>Activities |                         |                        |                             |            |                    |  |                      |
| 2002 / 03                           | \$ 72,895                           | \$ 20,000                     | \$ 8,240            | \$ 101,135                          | \$ 159,727              | \$ 132,646             | \$ 393,508                  | 104,306    | \$ 3,773           | \$2,818,661                            | 13.96%               |
| 2003 / 04                           | 70,010                              | 20,000                        | 7,490               | 97,500                              | 151,214                 | 280,609                | 529,323                     | 105,831    | 5,002              | 2,677,383                              | 19.77%               |
| 2004 / 05                           | 66,725                              | 20,000                        | 6,700               | 93,425                              | 141,938                 | 275,360                | 510,723                     | 107,200    | 4,764              | 2,720,598                              | 18.77%               |
| 2005 / 06                           | 63,345                              | 20,000                        | 5,875               | 89,220                              | 140,225                 | 269,883                | 499,328                     | 109,106    | 4,577              | 2,765,258                              | 18.06%               |
| 2006 / 07                           | 59,850                              | 20,000                        | 5,015               | 84,865                              | 135,325                 | 258,015                | 478,205                     | 110,771    | 4,317              | 3,831,569                              | 12.48%               |
| 2007 / 08                           | 56,240                              | -                             | 4,110               | 60,350                              | 130,640                 | 230,970                | 421,960                     | 115,503    | 3,653              | 4,121,147                              | 10.24%               |
| 2008 / 09                           | 52,500                              | -                             | 3,155               | 55,655                              | 125,335                 | 227,390                | 408,380                     | 117,242    | 3,483              | 4,225,531                              | 9.66%                |
| 2009 / 10                           | 48,620                              | -                             | 2,155               | 50,775                              | 119,660                 | 223,170                | 393,605                     | 118,830    | 3,312              | 4,291,695                              | 9.17%                |

Sources: Note 11, Note 2; Statement of Net Assets; MuniServices LLC

The City implemented the new reporting model in fiscal year 2001-2002. Until 10 years of data are available, only the available years will be presented.

**CITY OF SANTA CLARA  
POPULATION AND ASSESSED VALUATION  
Last Ten Fiscal Years  
(In Thousands)**

**Table 10**

| <b>Fiscal Year<br/>Ending<br/>June 30</b> | <b>Population</b> | <b>Assessed<br/>Value (1)</b> |
|---|-------------------|-------------------------------|
| 2000 / 01                                 | 102.9             | \$ 15,400,547                 |
| 2001 / 02                                 | 104.6             | \$ 18,335,454                 |
| 2002 / 03                                 | 104.3             | \$ 19,429,970                 |
| 2003 / 04                                 | 105.8             | \$ 19,033,631                 |
| 2004 / 05                                 | 107.2             | \$ 18,081,181                 |
| 2005 / 06                                 | 109.1             | \$ 18,813,195                 |
| 2006 / 07                                 | 110.8             | \$ 20,478,830                 |
| 2007 / 08                                 | 115.5             | \$ 22,241,708                 |
| 2008 / 09                                 | 117.2             | \$ 24,479,723                 |
| 2009 / 10                                 | 118.8             | \$ 24,674,410                 |

Note: (1) Assessed values are estimated actual value.

Sources: State of California, Department of Finance  
Santa Clara County, Department of Finance

**CITY OF SANTA CLARA**  
**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT**  
 June 30, 2010

Table 11

| Description  | % Applicable      | Debt   |
|--|-------------------|--|
| <b><u>Direct Debt:</u></b>   |                   |  |
| Certificates of Participation Series 2002 A                                  | 100%              | \$ 21,685,000  |
| Certificates of Participation Series 2002 B                                  | 100%              | 15,685,000   |
| Certificates of Participation Series 1997                                    | 100%              | 11,250,000   |
| City of Santa Clara 1915 Act Bonds - Special Assessment                      | 100%              | 2,155,000  |
| <b>Total Gross Direct Debt</b>   |                   | <b>50,775,000</b>  |
| <b><u>Overlapping Debt:</u></b>  |                   |  |
| Santa Clara County General Fund Obligations                                  | 8.01%             | 66,046,854   |
| Santa Clara County Pension Fund Obligations                                  | 8.01%             | 31,062,988   |
| Santa Clara Valley Water District Benefit Assessment District                | 8.01%             | 12,202,822   |
| Santa Clara County Board of Education Certificates of Participation          | 8.01%             | 1,087,079  |
| San Jose-Evergreen Community College District Pension Obligations            | 0.08%             | 39,291   |
| West Valley-Mission Community College District Certificates of Participation | 28.03%            | 15,727,630   |
| Foothill DeAnza Community College District                                   | 1.41%             | 6,762,631  |
| San Jose Community College District  | 0.08%             | 202,020  |
| West Valley-Mission Community College District                               | 28.03%            | 60,273,281   |
| Fremont Union High School District   | 3.03%             | 6,135,199  |
| Campbell Union High School District  | 1.73%             | 2,362,361  |
| Campbell Union School District   | 3.84%             | 3,770,794  |
| El Camino Hospital District  | 1.35%             | 1,960,062  |
| San Jose Unified School District   | 0.24%             | 1,231,490  |
| Cupertino Union School District  | 5.08%             | 6,466,330  |
| Santa Clara Unified School District  | 79.95%            | 213,539,799  |
| San Jose Unified School District Certificates of Participation               | 0.24%             | 264,992  |
| Santa Clara County   | 8.01%             | 28,017,500   |
| Santa Clara Valley Water District, Zone W-1                                  | 9.83%             | 89,453   |
| Foothill DeAnza Community College District Certificates of Participation     | 1.41%             | 330,880  |
| Santa Clara Unified School District Certificates of Participation            | 79.95%            | 10,377,770   |
| Santa Clara County Vector Control District Certificates of Participation     | 8.01%             | 317,398  |
| <b>Total Overlapping Debt</b>  |                   | <b>468,268,624</b>   |
| <b>Total Gross Direct and Overlapping Bonded Debt</b>                        |                   | <b>519,043,624</b> (1)   |
| <b>TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT</b>                          |                   | <b>\$ 519,043,624</b>  |
| 2009 / 10 Assessed Value   | \$ 21,613,824,330 | (after deducting \$3,060,585,642 redevelopment incremental value). |
| <b><u>Ratios to Assessed Valuation:</u></b>                                  |                   |  |
| Direct Debt  | \$ (50,775,000)   | 0.235%   |
| Total Gross Debt   |                   | 2.401%   |
| Total Net Debt   |                   | 2.401%   |

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**

| <b>Fiscal Year</b>        | <b>Assessed</b>  | <b>Debt Limit- 15% of</b>  | <b>Debt Applicable</b> | <b>Legal Debt Margin</b> |
|---------------------------|------------------|----------------------------|------------------------|--------------------------|
| <b>Ending<br/>June 30</b> | <b>Valuation</b> | <b>Assessed Valuation*</b> | <b>to Limit</b>        |                          |
| 2000 / 01                 | 15,288,558       | 2,293,284                  | 10,096                 | 2,273,284                |
| 2001 / 02                 | 18,224,346       | 2,733,652                  | 20,000                 | 2,723,556                |
| 2002 / 03                 | 19,320,514       | 2,898,077                  | 20,000                 | 2,878,077                |
| 2003 / 04                 | 18,925,445       | 2,838,817                  | 20,000                 | 2,818,817                |
| 2004 / 05                 | 17,972,599       | 2,695,890                  | 20,000                 | 2,675,890                |
| 2005 / 06                 | 18,702,210       | 2,805,332                  | 20,000                 | 2,785,332                |
| 2006 / 07                 | 20,365,381       | 3,054,807                  | 20,000                 | 3,034,807                |
| 2007 / 08                 | 22,125,638       | 3,318,846                  | -                      | 3,318,846                |
| 2008 / 09                 | 24,362,076       | 3,654,311                  | -                      | 3,654,311                |
| 2009 / 10                 | 24,556,241       | 3,683,436                  | -                      | 3,683,436                |

Notes: \* Section 1309 of the City Charter of the City states: "Bonded Debt Limit.  
The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen percent (15%) of the total assessed valuation of property within the City, exclusive of revenue bonds or any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending, or maintaining municipally owned utilities for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to the provisions of the State Constitution and this Charter."

Sources: Santa Clara County, Department of Finance  
City of Santa Clara

**CITY OF SANTA CLARA  
PLEGDED REVENUE COVERAGE  
ELECTRIC REVENUE BOND  
Last Eight Fiscal Years  
(In Thousands)**

**Table 13**

| Fiscal Year Ending<br>June 30 |     | Gross<br>Revenue<br>(1) | Less<br>Operating<br>Expense<br>(2) | Net Revenue<br>Available For<br>Debt Service | Principal | Interest | Letter Of<br>Credit<br>Fees | Total     | Coverage<br>(3) |
|-------------------------------|-----|-------------------------|-------------------------------------|--|-----------|----------|-----------------------------|-----------|-----------------|
| 2002 / 03                     | (4) | \$ 247,856              | \$ 198,572                          | \$ 49,284                                    | \$ 6,675  | \$ 4,972 | \$ 208                      | \$ 11,855 | 4.16            |
| 2003 / 04                     |     | 208,042                 | 178,600                             | 29,442                                       | 5,160     | 8,432    | 262                         | 13,854    | 2.13            |
| 2004 / 05                     |     | 253,561                 | 217,981                             | 35,580                                       | 5,840     | 10,389   | 262                         | 16,491    | 2.16            |
| 2005 / 06                     | (5) | 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                     | (6) | 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            |

Notes: (1) Gross revenue includes operating and nonoperating revenues including amounts on deposit in other unrestricted funds of the Electric Utility approved by resolution plus capitalized interest earnings less interest earnings on collateralized escrow securities.

(2) Direct expense includes operating expenses less depreciation and amortization and contribution-in-lieu to the General Fund, uncapitalized interest expense (other than revenue bonds) and letter of credit fees.

(3) The required coverage is 1.25.

(4) In fiscal year 2002 / 03 Principal includes the cost of advanced refunding of the 1991 B Revenue Bonds for \$10.32 million.

(5) 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.

(6) In fiscal year 2007 / 08 Letter of Credit include \$1.611 million refunding premium for 1998A, \$302 thousand issuance cost for 2008B and \$315 thousand issuance cost for 2008A.

Source: City of Santa Clara

Until 10 years of data are available, only the available years will be presented.

**CITY OF SANTA CLARA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Calendar Years**

**Table 14**

| As of<br>June 30 | Population | Personal<br>Income<br>(\$000) | Per<br>Capita<br>Buying<br>Income | Median<br>Age | Public<br>School<br>Enrollment | County<br>Unemployment<br>Rate | City<br>Unemployment<br>Rate |
|------------------|------------|-------------------------------|-----------------------------------|---------------|--------------------------------|--------------------------------|------------------------------|
| 2000 / 01        | 102,895    | \$ 2,482,753                  | 24,129                            | 34.3          | 14,308                         | 2.0%                           | 1.9%                         |
| 2001 / 02        | 104,616    | \$ 2,920,983                  | 27,921                            | 34.5          | 13,565                         | 4.5%                           | 4.2%                         |
| 2002 / 03        | 104,306    | \$ 2,818,661                  | 27,023                            | 34.2          | 13,321                         | 8.4%                           | 7.9%                         |
| 2003 / 04        | 105,831    | \$ 2,677,383                  | 25,282                            | 35.2          | 13,188                         | 8.2%                           | 7.7%                         |
| 2004 / 05        | 107,200    | \$ 2,720,598                  | 26,465                            | 35.7          | 13,839                         | 6.2%                           | 5.9%                         |
| 2005 / 06        | 109,106    | \$ 2,765,258                  | 26,513                            | 35.3          | 13,317                         | 5.5%                           | 4.8%                         |
| 2006 / 07        | 110,771    | \$ 3,831,569                  | 34,590                            | -             | 13,366                         | 5.0%                           | 4.3%                         |
| 2007 / 08        | 115,503    | \$ 4,121,147                  | 35,680                            | 34.4          | 13,802                         | 4.7%                           | 4.3%                         |
| 2008 / 09        | 117,242    | \$ 4,225,531                  | 36,738                            | 34.4          | 14,729                         | 11.8%                          | 10.9%                        |
| 2009 / 10        | 118,830    | \$ 4,291,695                  | 36,607                            | 34.9          | 14,446                         | 11.3%                          | 10.4%                        |

Note: (-) Data unavailable

Sources:

- Population and the Unemployment Rate are provided by California Department of Finance Projections.
- 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.

**CITY OF SANTA CLARA  
PRINCIPAL PRIVATE EMPLOYERS  
Current Year and Seven Years Ago**

Table 15

| Company                            | 2010                |                                     | 2003                |                                     |
|------------------------------------|---------------------|-------------------------------------|---------------------|-------------------------------------|
|                                    | Number of Employees | Percentage of Total City Employment | Number of Employees | Percentage of Total City Employment |
| Intel Corporation                  | 5,734               | 10.3%                               | 8,000               | 15.6%                               |
| Kaiser Permanente Medical Center   | 5,630               | 10.1%                               |                     |                                     |
| Applied Materials, Inc.            | 3,746               | 6.7%                                |                     |                                     |
| Oracle (formerly Sun Microsystems) | 2,700               | 4.9%                                | 3,500               | 6.8%                                |
| NVIDIA Corporation                 | 2,657               | 4.8%                                |                     |                                     |
| BAE Systems Land & Armaments       | 1,914               | 3.4%                                |                     |                                     |
| National Semiconductor Corporation | 1,500               | 2.7%                                | 2,000               | 3.9%                                |
| Agilent Technologies, Inc.         | 1,384               | 2.5%                                | 3,000               | 5.8%                                |
| Santa Clara University             | 1,350               | 2.4%                                |                     |                                     |
| Pacific Maintenance Company        | 1,000               | 1.8%                                |                     |                                     |
| NEC Electronics                    |                     |                                     | 1,200               | 2.3%                                |
| Coast Personnel                    |                     |                                     | 1,895               | 3.7%                                |
| Sanmina-SCI Corporation            |                     |                                     | 1,500               | 2.9%                                |
| Analog Devices                     |                     |                                     | 900                 | 1.8%                                |
| 3Com Corporation                   |                     |                                     | 1,000               | 1.9%                                |
| Integrated Device Technology       |                     |                                     | 1,000               | 1.9%                                |
| <b>Total Top Ten</b>               | <b>27,615</b>       | <b>49.6%</b>                        | <b>23,995</b>       | <b>46.6%</b>                        |
| All Others                         | 27,985              | 50.4%                               | 27,305              | 53.4%                               |
| <b>Total Employment</b>            | <b>55,600</b>       | <b>100%</b>                         | <b>51,300</b>       | <b>100%</b>                         |

**Source:** 2009 California Planners' Book of Lists  
2003 Northern California Business Directory  
California Employment Development Department  
Until 10 years of data are available, only the available years will be presented.

**CITY OF SANTA CLARA**  
**FULL-TIME EQUIVALENT BUDGETED CITY EMPLOYEES BY PROGRAM/FUNCTION**  
**Last Eight Fiscal Years**

Table 16

|                        | Fiscal Year Ending June 30 |                 |                 |                 |                 |                 |                 |                 |
|------------------------|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                        | 2010                       | 2009            | 2008            | 2007            | 2006            | 2005            | 2004            | 2003            |
| City Council           | 8.50                       | 8.50            | 8.50            | 8.50            | 8.50            | 8.50            | 8.50            | 8.50            |
| City Clerk             | 4.00                       | 4.00            | 4.00            | 4.00            | 4.00            | 4.00            | 4.00            | 4.00            |
| City Attorney          | 7.00                       | 7.00            | 7.00            | 7.00            | 7.00            | 7.00            | 7.00            | 7.00            |
| City Manager           | 9.00                       | 9.00            | 9.00            | 8.00            | 8.00            | 8.00            | 8.00            | 8.00            |
| Information Technology | 4.00                       | 4.00            | 4.00            | 4.00            | 4.00            | 4.00            | 4.00            | 4.00            |
| Human Resources        | 15.00                      | 15.00           | 15.00           | 15.00           | 15.00           | 15.00           | 16.00           | 16.00           |
| Finance                | 62.00                      | 62.00           | 63.00           | 54.00           | 54.00           | 55.00           | 55.00           | 55.00           |
| Parks & Recreation     | 83.00                      | 83.00           | 83.00           | 84.00           | 84.00           | 84.00           | 85.00           | 86.00           |
| Library                | 42.75                      | 42.75           | 42.75           | 42.75           | 42.75           | 42.75           | 43.75           | 38.75           |
| Planning & Inspection  | 40.00                      | 40.00           | 39.00           | 39.00           | 39.00           | 39.00           | 39.00           | 41.00           |
| Engineering            | 38.00                      | 38.00           | 38.00           | 44.00           | 44.67           | 44.67           | 46.00           | 46.00           |
| Purchasing             | **                         | **              | **              | 9.00            | 9.00            | 9.00            | 9.00            | 9.00            |
| Building Maintenance   | 13.50                      | 13.50           | 13.50           | 13.50           | 13.50           | 13.50           | 13.50           | 13.50           |
| Street                 | 64.00                      | 64.00           | 64.00           | 58.00           | 58.00           | 58.00           | 59.00           | 59.00           |
| Automotive Services    | 19.00                      | 19.00           | 19.00           | 19.00           | 19.00           | 19.00           | 20.00           | 20.00           |
| Police                 | 227.00                     | 227.00          | 227.00          | 227.00          | 227.00          | 199.00          | 199.00          | 202.00          |
| Fire                   | 179.50                     | 179.50          | 179.50          | 179.50          | 179.50          | 179.50          | 180.00          | 180.00          |
| Communications         | *                          | *               | *               | *               | *               | 29.00           | 29.00           | 29.00           |
| Electric Utility       | 144.00                     | 144.00          | 144.00          | 144.00          | 144.00          | 144.00          | 138.00          | 133.00          |
| Water Utility          | 45.45                      | 45.45           | 45.50           | 45.50           | 45.50           | 44.50           | 44.50           | 44.50           |
| Sewer Utility          | 14.55                      | 14.55           | 14.50           | 13.50           | 13.50           | 13.50           | 13.50           | 13.50           |
| <b>TOTAL</b>           | <u>1,020.25</u>            | <u>1,020.25</u> | <u>1,020.25</u> | <u>1,019.25</u> | <u>1,019.92</u> | <u>1,020.92</u> | <u>1,021.75</u> | <u>1,017.75</u> |

Note: \* Included in Police starting in 2005-06

\*\* Included in Finance starting 2007-08

Source: City of Santa Clara Annual Budget 2009-2010

Until 10 years of data are available, only the available years will be presented.

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

**Table 17**

**Fiscal Year Ending June 30**

|  | <b>2010</b>   | <b>2009</b>   | <b>2008</b>   | <b>2007</b>   | <b>2006</b>   | <b>2005</b>   | <b>2004</b>   | <b>2003</b>   |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Culture and Recreation:</b>                   |               |               |               |               |               |               |               |               |
| Number of library items circulated               | 2,782,561     | 2,647,837     | 2,564,484     | 2,545,942     | 2,657,430     | 2,625,227     | 2,188,632     | 2,347,996     |
| <b>Fire Protection:</b>                          |               |               |               |               |               |               |               |               |
| Number of calls answered                         | 8,671         | 7,488         | 7,614         | 7,686         | 6,549         | 6,065         | 5,933         | 6,391         |
| Number of inspections conducted                  | 8,565         | 9,707         | 8,436         | 9,041         | 10,460        | 10,026        | 10,290        | 8,339         |
| <b>Police Protection:</b>                        |               |               |               |               |               |               |               |               |
| * Number of calls for service                    | 64,797        | 57,245        | 57,769        | 55,909        | 58,021        | 55,814        | 36,832        | 38,891        |
| <b>Electric System:</b>                          |               |               |               |               |               |               |               |               |
| Maximum annual demand                            | 459.8 MW      | 489.9 MW      | 479.6 MW      | 486.5 MW      | 461.2 MW      | 399.7 MW      | 405 MW        | 419 MW        |
| Total annual energy                              | 2,909,151 Mwh | 2,971,436 Mwh | 2,984,161 Mwh | 2,931,407 Mwh | 2,764,831 Mwh | 2,573,056 Mwh | 2,507,000 Mwh | 2,415,189 Mwh |
| <b>Sewer System:</b>                             |               |               |               |               |               |               |               |               |
| Number of service connections                    | 25,540        | 26,125        | 26,084        | 26,014        | 25,920        | 25,897        | 25,531        | 23,227        |
| Peak flow (5-day average,WPCP)                   | 109 MGD       | 109 MGD       | 109 MGD       | 125 MGD       | 118 MGD       | 109 MGD       | 109 MGD       | 119 MGD       |
| Maximum daily capacity of treatment plant (WPCP) | 167 MGD       |
| Peak flow (5-day average,City)                   | 16 MGD        | 16 MGD        | 17 MGD        | 17 MGD        | 17 MGD        | n/a           | n/a           | n/a           |
| <b>Water System:</b>                             |               |               |               |               |               |               |               |               |
| Number of service accounts                       | 25,540        | 25,482        | 25,310        | 25,277        | 25,136        | 24,905        | 26,478        | 24,475        |
| Daily average consumption                        | 18.1 MG       | 19.4 MG       | 21 MG         | 22 MG         | 21 MG         | 21 MG         | 21 MG         | 21 MG         |
| <b>Maximum daily capacity of plant:</b>          |               |               |               |               |               |               |               |               |
| Potable Water                                    | 87 MGD        | 87 MGD        | 87 MGD        | 89 MGD        | 89 MGD        | 87 MGD        | 80 MGD        | 80 MGD        |
| Recycled Water                                   | 15 MGD        |

Note \* Data Based on Calendar Year

Source: City of Santa Clara

Until 10 years of data are available, only the available years will be presented.

**CITY OF SANTA CLARA**  
**CAPITAL ASSETS STATISTICS BY FUNCTION**  
**Last Eight Fiscal Years**

**Table 18**

|                                       | Fiscal Year Ending June 30 |            |            |            |            |            |            |            |
|---------------------------------------|----------------------------|------------|------------|------------|------------|------------|------------|------------|
|                                       | 2010                       | 2009       | 2008       | 2007       | 2006       | 2005       | 2004       | 2003       |
| <b>Culture and Recreation:</b>        |                            |            |            |            |            |            |            |            |
| Number of community centers           | 4                          | 4          | 4          | 4          | 4          | 4          | 4          | 4          |
| Number of parks                       | 32                         | 32         | 32         | 32         | 31         | 30         | 30         | 28         |
| Park acreage                          | 273                        | 282        | 282        | 282        | 282        | 277        | 277        | 265        |
| Number of golf courses                | 1                          | 1          | 1          | 1          | 1          | 1          | 1          | 1          |
| Number of swimming pools              | 4                          | 4          | 4          | 4          | 4          | 4          | 4          | 4          |
| Number of tennis courts               | 28                         | 28         | 28         | 28         | 28         | 27         | 27         | 27         |
| Number of lawn bowling greens         | 1                          | 1          | 1          | 1          | 1          | 1          | 1          | 1          |
| Number of lighted soccer fields       | 3                          | 3          | 3          | 3          | 3          | 3          | 3          | 0          |
| Number of lighted softball fields     | 7                          | 7          | 7          | 7          | 7          | 7          | 7          | 7          |
| Number of neighborhood park buildings | 8                          | 8          | 8          | 8          | 8          | 8          | 8          | 8          |
| Number of gymnastic centers           | 1                          | 1          | 1          | 1          | 1          | 1          | 1          | 1          |
| Number of skate parks                 | 1                          | 1          | 1          | 1          | 1          | 1          | 1          | 1          |
| Number of community theaters          | 1                          | 1          | 1          | 1          | 1          | 1          | 0          | 0          |
| Number of libraries                   | 2                          | 2          | 2          | 2          | 2          | 2          | 2          | 2          |
| Cemetery                              | 2                          | 2          | 2          | 2          | 2          | 2          | 2          | 2          |
| <b>Fire Protection:</b>               |                            |            |            |            |            |            |            |            |
| Number of stations                    | 10                         | 10         | 10         | 10         | 10         | 10         | 10         | 10         |
| <b>Police Protection:</b>             |                            |            |            |            |            |            |            |            |
| Number of stations                    | 2                          | 2          | 2          | 2          | 2          | 2          | 2          | 2          |
| <b>Electric System:</b>               |                            |            |            |            |            |            |            |            |
| Number of meters                      | 52,090                     | 51,832     | 51,514     | 50,858     | 50,069     | 49,775     | 48,753     | 48,489     |
| Miles of high voltage lines           | 573                        | 573        | 548        | 479        | 479        | 477        | 475        | 471        |
| Number of substations                 | 18                         | 17         | 17         | 16         | 16         | 14         | 14         | 14         |
| <b>Sewerage System:</b>               |                            |            |            |            |            |            |            |            |
| Miles of sanitary sewers              | 285                        | 279        | 279        | 282        | 282        | 282        | 277        | 275        |
| Miles of storm sewers                 | 140                        | 140        | 140        | 138        | 138        | 138        | 137        | 137        |
| Number of treatment plants            | 1 Tertiary                 | 1 Tertiary | 1 Tertiary | 1 Tertiary | 1 Tertiary | 1 Tertiary | 1 Tertiary | 1 Tertiary |
| <b>Water System:</b>                  |                            |            |            |            |            |            |            |            |
| Miles of water mains                  | 335                        | 335        | 335        | 335        | 334        | 301        | 301        | 298        |
| Number of fire hydrants               | 3,315                      | 3,313      | 3,285      | 3,261      | 3,249      | 3,249      | 3,143      | 3,143      |
| Miles of recycled water mains         | 21                         | 20         | 20         | 20         | 19         | 19         | 19         | 19         |
| <b>Streets:</b>                       |                            |            |            |            |            |            |            |            |
| Miles of Streets                      | 249                        | 249        | 249        | 249        | 249        | 249        | 248        | 248        |
| Number of Street Lights               | 7,990                      | 7,976      | 8,481      | 8,181      | 8,179      | 8,170      | 8,163      | 8,171      |
| Number of Traffic Signals             | 188                        | 188        | 187        | 187        | 184        | 182        | 178        | 175        |

Source: City of Santa Clara

Until 10 years of data are available, only the available years will be presented.

**CITY OF SANTA CLARA  
STATEMENT OF INSURANCE COVERAGE  
June 30, 2010**

Table 19

| TYPE OF POLICY                                   | INSURANCE COMPANY   | LIMITS**       | ANNUAL PREMIUM | TERM YEARS | EXPIRATION DATE |
|--|---|----------------|----------------|------------|-----------------|
| <b><u>Liability</u></b>                          |   |                |                |            |                 |
| Comprehensive General                            | Self-insured (Since 1987)   | \$5 million    | n/a            | -          | Ongoing         |
| Excess Liability                                 | Everest National and American Merchants   | \$20 million   | \$202,064      | 1          | 7/1/2010        |
| Workers' Compensation                            | Self-insured (since 1973)   | \$500 thousand | n/a            | -          | Ongoing         |
| Excess Workers' Compensation                     | CSAC Excess Ins. Authority  | \$5 million    | \$313,698      | 1          | 7/1/2010        |
| <b><u>Property Coverage</u></b>                  |   |                |                |            |                 |
| All Risks, including flood, excluding earthquake | Public Entity Property Insurance Program (PEPIP)<br><br>Lexington Insurance and various excess carriers | \$1 billion    | \$416,260      | 1          | 7/1/2010        |
| Boiler and Machinery                             | Lexington Insurance Co.,<br>CNA Insurance Co., and<br>Foreign Excess Insurance Companies                | \$100 million  | \$30,937       | 1          | 7/1/2010        |
| <b><u>Financial Loss Bonds</u></b>               |   |                |                |            |                 |
| Faithful Performance, Crime Coverage Bond        | CSAC Excess Ins. Authority and Lexington Insurance  | \$10 million   | \$122,000      | 1          | 7/1/2010        |

Notes: \*\* Limits are per occurrence  
Source: City of Santa Clara