



# City of Santa Clara

The Center of What's Possible

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## Comprehensive Annual Financial Report

**Fiscal Year Ended  
June 30, 2016**

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT**

**FISCAL YEAR ENDED JUNE 30, 2016**



**THE  
MISSION CITY**

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

**PREPARED BY DEPARTMENT OF FINANCE**

# **Introductory Section**

**CITY OF SANTA CLARA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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November 21, 2016

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

Dear Mayor and Members of the City Council:

It is our pleasure to submit for your information the Comprehensive Annual Financial Report (CAFR) of the City of Santa Clara (City) for the fiscal year ended June 30, 2016. The City compiles and prepares the annual financial report to provide interested parties with reliable information concerning the financial condition and results of operations for the City.

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

The City of Santa Clara's financial statements have been audited by Maze & Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2016 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Santa Clara's financial statements for the fiscal year ended June 30, 2016 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.



The independent audit of the financial statements of the City of Santa Clara was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require that agencies expending more than \$500,000 in federal monies, are required to have the independent auditor report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and legal requirements involving the administration of federal awards. These reports are available in the City’s separately issued Single Audit Report.

Management has provided a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE CITY OF SANTA CLARA**

The City is located in the County of Santa Clara, California, and is approximately 45 miles southeast of San Francisco and three miles west of downtown San Jose. It is situated in the northern part of the County and occupies approximately 18.41 square miles.

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

The City’s population is estimated at 123,752, indicating the City remains an attractive place both to live and work. The City is one of the most highly desirable areas to live because of the high quality services it provides to residents and its business friendly environment.

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

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

## **LOCAL ECONOMY AND FINANCIAL OVERVIEW**

The City of Santa Clara was severely impacted by the last recession. Several years past the technical end of the recession, economically sensitive revenues coupled with new ongoing monies flowing into the General Fund from Levi’s Stadium, are now allowing services to be restored to pre-recession levels. In addition to the recession, in December 2011, the California Supreme Court upheld AB1X 26 calling for the dissolution of all redevelopment agencies in the state (see Note 21). The elimination of the City’s Redevelopment Agency (former RDA) not only resulted in the loss of the funding to complete economic development projects and affordable housing projects, but also ended funding for General Fund administration of these programs. In addition, long-standing agreements between the City and the former

RDA to pass through lease revenues from former City-owned land to support general government services have been terminated, eliminating about \$14 million of annual lease revenues.

The City is projecting that regional economic growth will continue, leading to sustained revenue growth, although at a somewhat slower pace than experienced during the last several years. Over the last few years, Silicon Valley has seen job growth that has outpaced the rest of the state and nation. This growth has led to rising housing prices and a significant increase in commercial and residential development activity.

Looking forward, the City is continuing the multi-year effort aimed at increasing revenues, building reserves, and ensuring that ongoing expenditures are in alignment with ongoing revenues.

## **FINANCIAL INFORMATION**

### **Long-term Financial Planning**

The City Council's adopted budget principles for fiscal year 2015-16 reflected the economic challenges that the City faced including the need to rebuild reserves and utilize a multi-pronged strategy to ensure ongoing expenditures are in alignment with ongoing revenues. The adopted principles included but were not limited to the following:

- Pursue economic development objectives and strategies to foster new public and private investment within Santa Clara, and to create employment opportunities.
- Continue to pursue ways to ensure ongoing revenues and expenditures are balanced, recognizing that the City's General Fund has been significantly impacted by the dissolution of the City's Redevelopment Agency and rising pension rates.
- Review options for consolidation of functions that reduce operational costs and improve efficiency.
- In accordance with Council policy, continue to rebuild the General Fund Working Capital Reserve for the long-term fiscal health of the City.
- With limited exceptions, establish fees based on full cost recovery where individuals/business rather than the community at-large are benefiting from City services. This preserves limited unrestricted resources for providing services that benefit the community as a whole.

The City developed a five-year Capital Improvement Plan detailing specific budgeted capital projects. Each of the projects is consistent with the overall goals and principles of the City. The fiscal year 2015-16 adopted Capital Improvement Project (CIP) Budget totaled \$76.4 million. The CIP included improvements to the City's infrastructure, replacements and upgrades to information technology equipment, and improvements and upgrades to the City's utilities.

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

## **Internal Controls**

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

## **Budgetary Controls**

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

## **Independent Audit**

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

## **MAJOR INITIATIVES**

### **Levi's Stadium:**

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

Construction of the stadium began in April 2012 and Levi's Stadium opened in August 2014. During the fiscal year April 1, 2015 through March 31, 2016, there were 10 NFL games, 17 large-scale non-NFL events, and 207 small special events held at the Stadium.

During the City's fiscal year July 1, 2015 through June 30, 2016, the General Fund received \$3.4 million for stadium ground and performance rent, Senior and Youth fees, and parking fees at the Tasman lots, most of which came from the Stadium Authority. Additionally, the City is fully reimbursed for all of its public safety and administration costs by either the Stadium Authority or the Forty Niners Stadium Management Company, LLC (ManagementCo).

### **Other Initiatives:**

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

- *Target, Sprouts, Mission City Grill, Habit Burger, Panera Bread, Peet's Coffee, Chipotle*, and other new and retained businesses are all thriving in the newly remodeled Santa Clara Town Centre. Also, *Whole Foods* is the anchor for the 120,000 square foot retail center, *MarketPlace*, now partially open at the Irvine Company's *Santa Clara Square Project*. The City continues to grow its retail sector citywide as there is a trend of new retail and/or expansion/relocation of existing retail such as car dealerships and rentals.
- A number of housing projects are underway including: 552 apartments at the *Gallery at Central Park* by *Promethius*, 476 living units at the mixed-use *Gateway Village* by *Essex Properties*, 186 unit apartment project *The Villas on the Boulevard* by *SummerHill Apartment Communities*, and 825 apartments at the mixed-use *Monticello Village* by *The Irvine Company*.
- The Related Company continues through the entitlement process for City Place Santa Clara on 240 City-owned acres north of Tasman Drive. The more than \$6 billion development concept includes a mixed-use retail, entertainment, office and residential project totaling 9 million square feet.

## **FINANCIAL POLICIES**

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

## **AWARDS**


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Excellence in Financial Reporting to the City of Santa Clara for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports and is valid for a period of one year only. The City has received this prestigious award for the past twenty-four consecutive years.

To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

## ACKNOWLEDGEMENTS

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

Respectfully submitted,



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Rajeev Batra  
Acting City Manager



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Gary Ameling  
Director of Finance

**CITY OF SANTA CLARA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the year ended June 30, 2016**

**ROSTER OF COUNCIL AND COMMISSION MEMBERS**

CITY COUNCIL

Mayor	Lisa M. Gillmor
Councilmember	Dominic J. Caserta
Councilmember	Debi Davis
Councilmember	Patrick Kolstad
Councilmember	Jerry Marsalli
Councilmember	Teresa O'Neill
Councilmember	Kathleen Watanabe

BOARD OF LIBRARY TRUSTEES

Leonne Broughman, Jan Hintermeister, Ashish Mangla,  
Stephen Ricossa, Peter Yoon

CULTURAL COMMISSION

Loretta Beavers, Harbir K. Bhatia, Fatima Fagundes,  
Eversley Forte, Kathleen Ryan, Usha Srinivasan, Jordan  
Zweigoron

HOUSING REHABILITATION LOAN COMMITTEE

Councilmember Teresa O'Neill, Michael Louis Ferrito,  
Carmen Pascual, Bianca Placencia

PLANNING COMMISSION

Raj Chahal, Yuki Ikezi, Sudhanshu Jain, Steve Kelly,  
Michael O'Halloran, Brandon Reinhardt, Jan-Yu Weng

CIVIL SERVICE COMMISSION

Mario Bouza, Willie D. Brown Jr., Brian Doyle,  
Carloyn G. McAllister, Pat Staffelbach

HISTORICAL & LANDMARKS COMMISSION

Priya Cherukuru, Stephen Estes, Michael Hyams, Brian  
Johns, Patricia Leung, Regina "Jeannie" Mahan, J.L.  
"Spike" Standifer

PARKS & RECREATION COMMISSION

Charles "Chuck" Blair, George Guerra, Andrew  
Knaack, Roseann Alderete LaCoursiere, Joe Martinez,  
Tino Silva, Kevan Michael Walke

SENIOR ADVISORY COMMISSION

Wanda Buck, ArLyne Diamond, Ph.D., Barbara A.  
"Bobbi" Estrada, Alma M. Garcia, Grant L. McCauley,  
Samuel Orme, Nancy Toledo

YOUTH COMMISSION

Nithyashri Baskaran, Antonio Davila, Ria Grewal,  
Genevieve Iben, Icko Iben, Ahmed Iftekhar, Caroline  
Kloes, Alicia Luong, Damarah Madriaga, Pyper Olsen,  
Tamara Pantic, Catherine Petersen, Alyssa Riley, Meera  
Suresh, Ryan Winter

**CITY OF SANTA CLARA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the year ended June 30, 2016**

**EXECUTIVE MANAGEMENT TEAM**

ACTING CITY MANAGER

Rajeev Batra

CITY CLERK/CITY AUDITOR

Rod Diridon Jr.

ASSISTANT CITY MANAGER

Sheila Tucker

CITY ATTORNEY

Richard E. Nosky Jr.

ASSISTANT CITY MANAGER

Vacant

CHIEF OF POLICE

Michael J. Sellers

ECONOMIC DEVELOPMENT OFFICER/

ASSISTANT CITY MANAGER

Ruth Shikada

FIRE CHIEF

William Kelly

DIRECTOR OF FINANCE/

ASSISTANT CITY MANAGER

Gary Ameling

COMMUNITY RELATIONS MANAGER

Jennifer Yamaguma

CHIEF OPERATING OFFICER – UTILITIES/

ASSISTANT CITY MANAGER

Alan Kurotori

DIRECTOR OF ELECTRIC UTILITY

John Roukema

DEPUTY CITY MANAGER

Tamera Haas

DIRECTOR OF WATER & SEWER UTILITIES

Christopher de Groot

DIRECTOR OF PUBLIC WORKS

Vacant

DIRECTOR OF INFORMATION

TECHNOLOGY/CIO

Gaurav Garg

ACTING DIRECTOR OF PLANNING &

INSPECTION

Sharon Goei

CITY LIBRARIAN

Hilary Keith

DIRECTOR OF HUMAN RESOURCES

Elizabeth Brown

DIRECTOR OF PARKS & RECREATION

James Teixeira



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Santa Clara  
California**

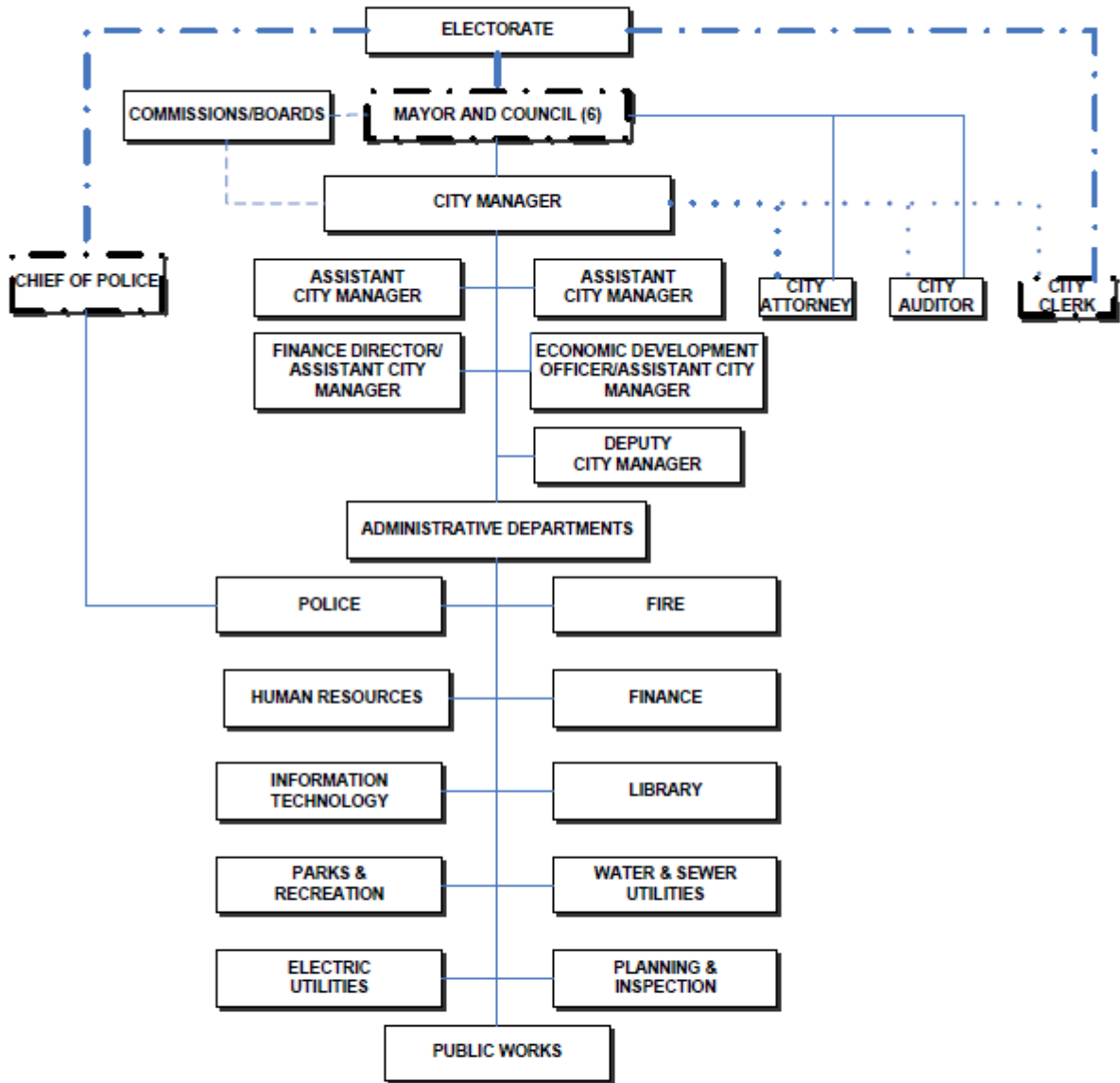
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO



# CITY OF SANTA CLARA ORGANIZATION CHART



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

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

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



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# **Financial Section**

*Independent Auditor's Report  
on Basic Financial Statements*

*Management's Discussion and Analysis*

## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Clara, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents. We did not audit the financial statements of the Santa Clara Stadium Authority (Stadium Authority), as of and for the year ended March 31, 2016, which is both a major fund and 41.2%, 2.0% and 21.9%, respectively, of the assets, net position and revenues of the business-type activities.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the Stadium Authority were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Stadium Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 72 – *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 that changed fair value disclosures as discussed in Note 7E to the financial statements.

Management early-implemented the provisions of Governmental Accounting Standards Board Statement No. 82 – *An Amendment of GASB Statements No. 67, No. 68, and No. 73* during the year ended June 30, 2016 as noted in the Pension-Related Required Supplementary Information.

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

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Maze & Associates*

Pleasant Hill, California  
November 21, 2016

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## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

The Management’s Discussion and Analysis (MD&A) of the City of Santa Clara’s (City) Comprehensive Annual Financial Report (CAFR) provides an overview of the City’s financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the City’s financial performance as a whole. Readers should review the discussion and analysis in conjunction with the basic financial statements, as well as the notes to the financial statements to enhance their understanding of the City’s financial performance.

### **FINANCIAL HIGHLIGHTS**

Financial highlights for fiscal year June 30, 2016 are as follows:

- The assets of the City, as a whole, exceeded its liabilities by \$1.5 billion in fiscal year 2015-16. Of this amount, \$(188) million represents unrestricted net position, an increase of \$239 thousand from fiscal year 2014-15. The negative position is primarily due to the net pension liability of \$403 million.
- The City’s total net position increased by \$117 million primarily due to a \$52 million increase in governmental activities and \$65 million increase in business activities.
- As of June 30, 2016, the City of Santa Clara’s governmental funds reported combined fund balances of \$304 million, an increase of \$63 million from the prior year. The increase is primarily due to a \$30 million gain from the sale of the Interland property, a \$19 million increase in tax revenues and a \$8 million increase in charges in services. At June 30, 2016, \$103 million is in the unassigned fund balance and available for spending at the City’s discretion.
- At the close of fiscal year 2015-16, the General Fund had assets of \$205 million and a fund balance of \$198 million. This represents an increase in fund balance of \$54 million, or 38% from prior fiscal year. Of the total fund balance, \$172 million was unrestricted (the total of committed, assigned, and unassigned components of fund balance).
- In November 2012, the Santa Clara Stadium Authority (Stadium Authority) elected to adjust its fiscal year to April 1 through March 31 to conform with the fiscal year of Stadium Funding Trust (FinanceCo). This report covers the twelve month period from April 1, 2015 through March 31, 2016. As of March 31, 2016, buildings, infrastructure and land improvements equaled \$796 million and the assets of the Stadium Authority exceeded its liabilities by \$19 million.
- The City’s total outstanding long-term debt decreased by \$96 million during the current fiscal year primarily due to the repayment of Stadium Authority debt.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

### **Government-wide Financial Statements**

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

*Governmental Funds:* Most of the City's basic services are included in Governmental Funds which focus on how money flows into and out of these funds and the balance left at fiscal year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because the focus of governmental funds is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

### **Notes to the Financial Statements**

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

### **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. This information includes budgetary comparison schedules and the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

Required supplementary information can be found immediately following the Notes to the Financial Statements.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS ANALYSIS

### Citywide Financial Statements

This section focuses on the City's net position and changes in net position of its governmental and business-type activities for the fiscal year ending June 30, 2016. As noted earlier, the City's total assets exceed total liabilities by \$1.5 billion at the end of the fiscal year, an increase in net position of \$117 million.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Cash and investments	\$ 280	\$ 268	\$ 430	\$ 464	\$ 710	\$ 732
Other assets	163	159	227	212	390	371
Capital assets	530	549	1,486	1,499	2,016	2,048
<b>Total Assets</b>	<b>973</b>	<b>976</b>	<b>2,143</b>	<b>2,175</b>	<b>3,116</b>	<b>3,151</b>
Deferred outflows on derivative instruments	-	-	17	16	17	16
Deferred outflows pension related	27	23	9	7	36	30
<b>Total Deferred Outflow of Resources</b>	<b>27</b>	<b>23</b>	<b>26</b>	<b>23</b>	<b>53</b>	<b>46</b>
Long-term liabilities outstanding	23	24	694	788	717	812
Net pension liability	301	279	102	95	403	374
Other liabilities	66	112	450	448	516	560
<b>Total Liabilities</b>	<b>390</b>	<b>415</b>	<b>1,246</b>	<b>1,331</b>	<b>1,636</b>	<b>1,746</b>
Deferred inflows on derivative instruments	-	-	-	1	-	1
Deferred inflows pension related	21	47	6	14	27	61
<b>Total Deferred Inflows of Resources</b>	<b>21</b>	<b>47</b>	<b>6</b>	<b>15</b>	<b>27</b>	<b>62</b>
Net investment in capital assets	507	525	845	760	1,352	1,285
Restricted	208	198	134	94	342	292
Unrestricted	(126)	(186)	(62)	(2)	(188)	(188)
<b>Total Net Position</b>	<b>\$ 589</b>	<b>\$ 537</b>	<b>\$ 917</b>	<b>\$ 852</b>	<b>\$ 1,506</b>	<b>\$ 1,389</b>

The largest portion of the City's net position, \$1,352 million (90%), is its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide services to its residents and other stakeholders. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the City's net position of \$342 million (23%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(188) million (-13%) is unrestricted and is negative due to the City's net pension liability.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position except for the Cemetery Enterprise Fund and Santa Clara Golf and Tennis Club.

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

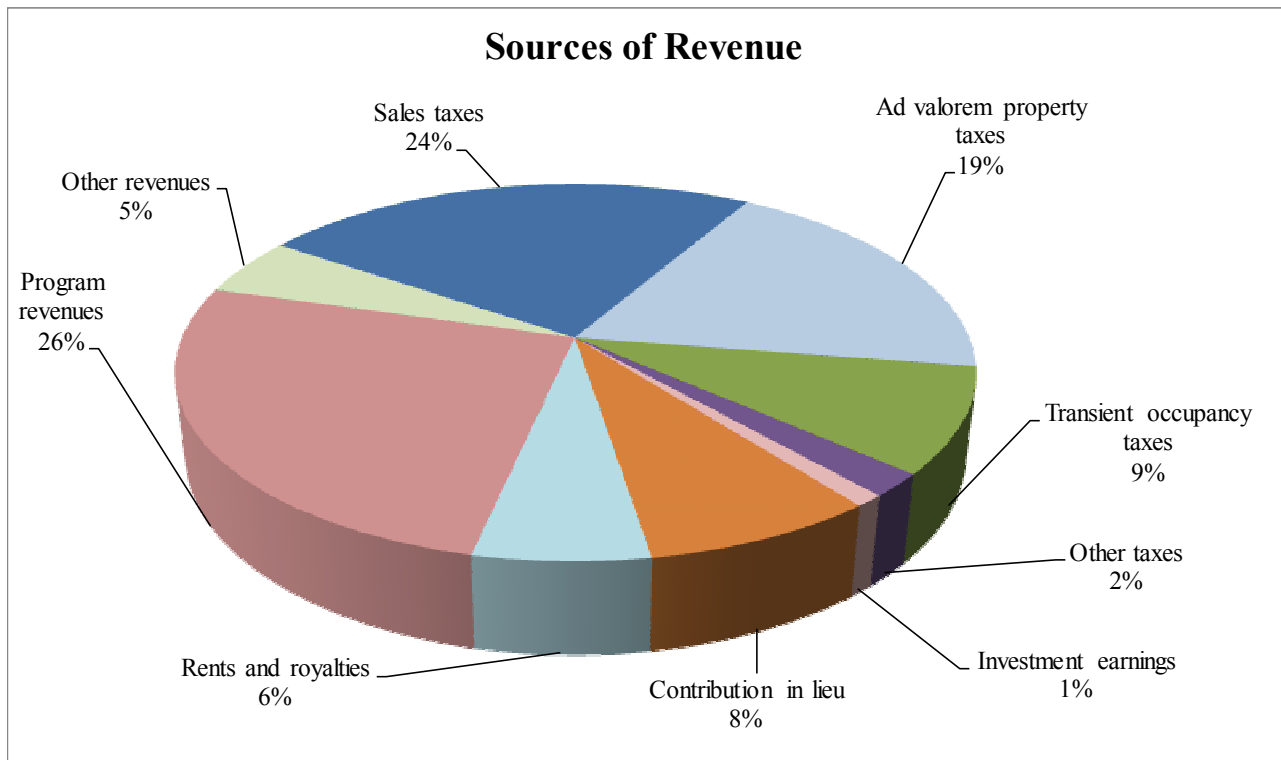
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 42	\$ 35	\$ 665	\$ 577	\$ 707	\$ 612
Operating grants and contributions	6	8	-	-	6	8
Capital grants and contributions	12	6	\$ 2	1	14	7
General revenues:						
Taxes:						
Sales	58	50	-	-	58	50
Ad valorem property	46	38	-	-	46	38
Transient occupancy	20	18	-	-	20	18
Other	5	5	-	-	5	5
Contribution in lieu of taxes	19	18	-	-	19	18
Investment earnings	2	2	17	16	19	18
Net increase (decrease) in fair value of investments	1	-	2	1	3	1
Rents and royalties	14	11	-	-	14	11
Gain on sale of assets	-	-	30	-	30	-
Other	9	13	-	-	9	13
Total revenues	<u>234</u>	<u>204</u>	<u>716</u>	<u>595</u>	<u>950</u>	<u>799</u>
Expenses:						
General Administration	23	19	-	-	23	19
Human Resources	1	1	-	-	1	1
Finance	2	1	-	-	2	1
Public Works	30	30	-	-	30	30
Parks and Recreation	17	16	-	-	17	16
Public Safety:						
Police	59	54	-	-	59	54
Fire	37	35	-	-	37	35
Planning and Inspection	8	8	-	-	8	8
Library	11	9	-	-	11	9
Interest on long-term debt	1	1	-	-	1	1
Utilities						
Electric-						
Retail	-	-	364	344	364	344
Wholesale	-	-	22	33	22	33
Water	-	-	32	30	32	30
Sewer	-	-	19	18	19	18
Water Recycling	-	-	3	3	3	3
Solid Waste	-	-	20	20	20	20
Cemetery	-	-	1	1	1	1
Santa Clara Golf and Tennis Club	-	-	3	3	3	3
Santa Clara Convention Center	-	-	9	9	9	9
Santa Clara Stadium Authority	-	-	147	98	147	98
Total expenses	<u>189</u>	<u>174</u>	<u>620</u>	<u>559</u>	<u>809</u>	<u>733</u>
Increase (decrease) in net position before transfers	45	30	96	36	141	66
Transfers in (out)	31	1	(31)	(1)	-	-
Increase (decrease) in net position before special item	76	31	65	35	141	66
Special item	(24)	(9)	-	-	(24)	(9)
Net position - July 1	537	515	852	817	1,389	1,332
Net position - June 30	<u>\$ 589</u>	<u>\$ 537</u>	<u>\$ 917</u>	<u>\$ 852</u>	<u>\$ 1,506</u>	<u>\$ 1,389</u>

*Governmental Activities* - governmental activities increased the City's net position by \$52 million. This is primarily due to a transfer in of \$30 million from the sale of City property and a \$24 million increase in taxes, charges for services, and license and permit revenues.

*Business-type Activities* - business-type activities increased the City's net position by \$65 million. This is primarily due to a \$28 million increase in Electric fund as a result of increased utility rates which are for future infrastructure improvements, a \$11 million joint venture equity increase in Sewer fund, and a \$13 million increase from the Stadium Authority operations.

**Governmental Activities**

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



The following analysis presents a comparison of fiscal year 2015-16 and fiscal year 2014-15 by the total cost and net cost of each of the City's largest programs. Net cost is defined as total program cost less the revenues generated by those specific activities. It is common to see Governmental Activities as net cost generators, wherein costs of governmental activities are greater than the revenues they generate.

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

	Cost Of Services (Net of Allocation)		Net Cost Of Services	
	2016	2015	2016	2015
General Administration	\$ 23	\$ 19	\$ 19	\$ 18
Human Resources	1	1	1	1
Finance	2	1	1	-
Public Works	30	30	11	15
Parks and Recreation	17	16	14	13
Public Safety:				
Police	59	54	48	46
Fire	37	35	30	30
Planning & Inspection	8	8	(7)	(7)
Library	11	9	10	8
Interest on long-term debt	1	1	1	1
Totals	<u>\$ 189</u>	<u>\$ 174</u>	<u>\$ 128</u>	<u>\$ 125</u>

In fiscal year 2015-16, total costs of services increased \$15 million and net costs increased \$3 million. The increased cost for Governmental Activities was primarily due to an increase in public safety cost related to hosting Super Bowl 50. Public safety costs for the Super Bowl 50 were reimbursed by the Super Bowl Host Committee.

**Business-type Activities**

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



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

	Total Cost Of Services		Net Cost Of Services	
	2016	2015	2016	2015
Utilities:				
Electric -				
Retail	\$ 364	\$ 344	\$ (30)	\$ (5)
Wholesale	22	33	4	5
Water	32	30	-	(2)
Sewer	19	18	(23)	(15)
Water Recycling	3	3	(1)	-
Solid Waste	20	20	(2)	(1)
Cemetery	1	1	-	-
Santa Clara Golf and Tennis Club	3	3	1	1
Santa Clara Convention Center	9	9	2	2
Santa Clara Stadium Authority	147	98	1	(5)
Totals	<u>\$ 620</u>	<u>\$ 559</u>	<u>\$ (48)</u>	<u>\$ (20)</u>

The City's business-type total costs of services increased \$61 million and net costs of services decreased by \$28 million as of June 30, 2016. The retail costs of services for the Electric Utility were \$364 million, an increase of \$20 million from the prior year. This cost increase can be attributed to an increase in power purchase costs. The net cost of services increase of \$28 million is mainly due to the increase in the utility charges for services from the higher consumption in the industrial and commercial customers.

## FUND FINANCIAL STATEMENTS

### Financial Analysis of Governmental Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose.

At June 30, 2016, the City's governmental funds reported a combined fund balance of almost \$304 million, an increase of \$64 million in comparison with the prior fiscal year. This is mainly due to increases in key revenue categories including taxes, licenses and permits, revenues from other agencies, and charges for services. Approximately 34% or \$103 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form, \$14 million, 2) restricted for

particular purposes, \$79 million, 3) committed for particular purposes, \$103 million, or 4) assigned for particular purposes, \$5 million.

Governmental fund revenues increased \$26 million, or 12%, from prior year to \$242 million. The majority of the increase, \$32 million, is due to an increase in tax revenues, charges for services, and licenses and permits in the General Fund. Non-major Governmental funds experienced a decrease of \$7 million.

Governmental fund expenditures were \$208 million, an increase of \$25 million from the prior year. The increase is primarily attributable to higher salary and benefit costs, and increased public safety costs in the General Fund due to the stadium-related events. The stadium-related public safety costs are reimbursed with the reimbursements being reflected as charges for services.

## **General Fund**

### *Revenues*

The City's General Fund revenues totaled \$224 million in fiscal year 2015-16. This represents an increase of \$32 million, or 17%, compared to the prior year.

Sales tax revenue is the largest revenue source for the City's General Fund and accounts for approximately 24% of direct General Fund revenues. Sales tax revenue increased by \$8 million, or 16%, over the prior year for a total of \$58 million. This increase was primarily due to the \$7 million final triple-flip true up payment from the State of California.

Property tax revenues for fiscal year 2015-16 were \$46 million, an increase of \$8 million or 21% from the prior year as a result of growth in the assessed valuation on secured properties.

Transient occupancy taxes were \$21 million in fiscal year 2015-16 compared with \$18 million in fiscal year 2014-15, an increase of 17%. This was due to a combination of higher occupancy levels during the year and an increase in the average daily rate for hotel rooms.

Licenses, permits, fines and penalties revenue were \$11 million in fiscal year 2015-16 compared with \$10 million in fiscal year 2014-15. The increase is due to greater construction activity and the related building permit fees.

Charges for services totaled \$45 million in fiscal year 2015-16 compared to \$38 million in the prior fiscal year. This increase can be largely attributed to the charges for public safety services provided for Levi's Stadium events.

Contributions in-lieu of taxes were approximately \$19 million in fiscal year 2015-16, an increase of more than \$1 million compared to the previous year.

Interest and rent revenues were \$15 million in fiscal year 2015-16 compared to \$10 million in fiscal year 2014-15. This increase is primarily due to ground lease and performance rent revenues from the Santa Clara Stadium Authority.

### *Expenditures*

General Fund expenditures totaled \$181 million for fiscal year 2015-16 compared to \$160 million in the prior year. This amount excludes encumbrances and re-appropriations.

Salary and benefits expenditures were \$138 million in fiscal year 2015-16 compared with \$124 million in fiscal year 2014-15 an increase of \$14 million. This increase is primarily due to increased salary and benefit costs, higher pension costs, and an increase in General Fund positions.

Other operating expenditures, including materials, services, and supplies, internal service fund charges and minor capital outlays, were \$43 million in fiscal year 2015-16, an increase of \$7 million from the previous fiscal year.

Transfers out for fiscal year 2015-16 were \$22 million compared to \$10 million in the prior year. This increase of \$12 million was primarily due to transfers to various capital projects.

*Fund Balance*

As of June 30, 2016, total fund balance in the General Fund was \$198 million, up \$54 million from fiscal year 2014-15 primarily due to \$30 million in land sale proceeds from the Interland property and a \$24 million increase in taxes, charges for services, and license and permit revenues. Table 5A shows the breakdown of various components compared with the prior fiscal year.

**Table 5A**  
**General Fund Balance for the Fiscal Year Ended June 30, 2016**  
**(in millions)**

	2016	2015	Net Change
Nonspendable	\$ 14	\$ 13	\$ 1
Restricted	12	10	2
Committed	64	55	9
Assigned	5	7	(2)
Unassigned	103	59	44
Total General Fund Balance	\$ 198	\$ 144	\$ 54

**General Fund Budgetary Highlights**

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

**Original Budget Compared to Final Budget**

**Table 5B**  
**General Fund Budget for the Fiscal Year Ended June 30, 2016**  
**(in millions)**

	Original Budgeted Amount	Final Budgeted Amount	Net Change
Revenues	\$ 190	\$ 190	\$ -
Expenditures	\$ 183	\$ 185	\$ 2
Other financing sources (uses)	\$ (13)	\$ 14	\$ 27

Adjustments to the original budget were based on the following:

- The increase in budgeted expenditures is mainly due to a \$1.8 million increase in the building inspection contractual services appropriation.
- The increase in budgeted Other Financing Uses is due to a transfer from the Sports and Open Space Authority to the General Fund Land Sale Reserve related to the sale of the Interland property in amount of \$30 million and the mid-year capital improvement projects transfer.

**Final Budget Versus Actual**

**Table 5C**  
**General Fund Final Budget Versus Actual for the Fiscal Year Ended June 30, 2016**  
**(in millions)**

	Final Budgeted Amount	Actual Amount	Variance
Revenues	\$ 190	\$ 214	\$ 24
Expenditures	\$ 185	\$ 177	\$ (8)
Other financing sources (uses)	\$ 14	\$ 13	\$ (1)

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

- The final budgeted revenues resulted in a \$24 million positive variance mainly due to increases in property and transient occupancy taxes, intergovernmental revenues, and development-related charges for services.
- Actual expenditures were \$8 million lower than the final budget as a result of lower departmental costs. See the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget Actual (Non-GAAP Basis) for additional details.

### **Santa Clara Housing Successor Agency**

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

The SCHSA's revenues were approximately \$3 million in fiscal year 2015-16, which is comparable to the prior year. Revenues received were mostly loan repayments on low income loans. The general expenditures were \$50 thousand, a decrease of \$90 thousand comparable to the prior year. The capital outlay of \$3 million in fiscal year 2015-16 was as a result of the completion of the land development for the El Camino Real affordable housing project site.

### **Non-Major Governmental Funds**

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

### **Financial Analysis of Enterprise Funds**

Enterprise Fund net position totaled \$917 million at the end of fiscal year 2015-16, an increase of \$65 million or 8% over the prior fiscal year. Enterprise operating revenues were \$620 million, up \$80 million from last year's revenues, primarily due to a \$42 million increase in the Santa Clara Stadium Authority and \$40 million increase in the Electric Utility Fund Charges for Services. Enterprise Fund operating expenses were \$556 million, up \$65 million from the prior year. The increase can be largely attributed to increases in materials, supplies and services and depreciation in the Stadium Authority.

Non-operating revenues were \$92 million, up \$24 million from the prior year due primarily to the gain from the sale of the Interland property in the Sports and Open Space Authority Fund. Non-operating expenses were \$64 million, down \$18 million from the prior year primarily due to decreases in wholesale purchase costs.

### **Electric Utility**

This fund accounts for the operation of the City's electric utility services. Retail operating revenues were \$372 million in fiscal year 2015-16 compared with \$333 million in fiscal year 2014-15. The main reason for this increase was due to 2% rate increase effective January 1, 2016, and consumption increase in commercial and industrial sectors.

Retail operating expenses were \$348 million in fiscal year 2015-16 compared with \$331 million in fiscal year 2014-15, an increase of \$17 million or 5%. Operating expenses were higher primarily due to increases in materials, supplies and services.

Revenues of wholesale power operations decreased to \$17 million in the current fiscal year, down from \$27 million in fiscal year 2014-15. The cost of wholesale power purchases decreased from \$33 million in fiscal year 2014-15 to \$22 million in the current fiscal year. The wholesale power market has stabilized in recent years compared to the peak year of the power crisis experienced by California in 2001, resulting in a lower level of wholesale power transactions.

Interest revenues were \$2 million in fiscal year 2015-16, the same as fiscal year 2014-15 due primarily to a stable and low interest rate environment. Interest expense was \$9 million in current year, which was also the same as in fiscal year 2014-15.

The Electric Utility Fund had a net position of \$619 million at June 30, 2016, an increase of \$28 million from the prior fiscal year. Of this amount, \$384 million was net investment in capital assets and \$235 million was unrestricted. The Electric Utility Fund is a participant in a number of joint ventures including Northern California Power Agency (NCPA), the Transmission Agency of Northern California (TANC), M-S-R Public Power Agency (MSR PPA), and M-S-R Energy Authority (MSR EA).

### **Water Utility**

This fund accounts for the operation of the City's water utility services. Operating revenues were \$31 million in fiscal year 2015-16, unchanged from the prior fiscal year. The flat revenue can be contributed to water conservation efforts.

Operating expenses were \$32 million in fiscal year 2015-16, compared to \$30 million in fiscal year 2014-15. The increase is primarily due to an increase in the cost of materials, services and supplies compared to the prior year. A major contributor to the material increase was the increased cost to purchase water. The Water Utility Fund's net position at June 30, 2016 is \$49 million unchanged from the prior fiscal year.

### **Sewer Utility**

This fund accounts for the maintenance of the City's sewer lines and related facilities. Operating revenues of the Sewer Utility decreased to \$39 million in fiscal year 2015-16, down from \$41 million in fiscal year 2014-15. The decrease was primarily due to a decrease in sewer conveyance revenue collected for upsizing existing structures.

Operating expenses were \$19 million in fiscal year 2015-16, compared with \$18 million in fiscal year 2014-15. The majority of this increase is due to higher materials, supplies, and services.

In March 2016 the City entered into an Installment Sale Agreement in the amount of \$12 million, which carries an interest rate of 2.14%. The final debt payment is due February 2031. Additional details concerning this debt are disclosed in Note 10. The Sewer Utility Fund had a net position of \$193 million at June 30, 2016, an increase of \$23 million from the prior fiscal year. Of this amount, \$16 million was net investment in capital assets, \$105 million was restricted for joint venture capital project and \$72 million was unrestricted. The Sewer Utility, together with the City of San Jose, owns the San Jose/Santa Clara Regional Wastewater Facility which is administered by the City of San Jose. The Utility's ownership share is approximately 18.35% of the assets, capital and operating costs. In fiscal year 2014-15, the City of San Jose reported that the gain of the Utility's equity in the Regional Wastewater Facility was \$1 million (fiscal year 2015-16 amounts were not available at the time of this report).

### **Water Recycling**

This fund accounts for the ongoing maintenance and operations of the City's wastewater reclamation system. Operating revenues have increased slightly from the prior year at approximately \$4 million. Operating expenses remained at \$3 million unchanged from the previous fiscal year. The net position as of June 30, 2016 increased to \$5 million.

### **Solid Waste**

This fund accounts for the administration of the City's garbage and rubbish collection service. Operating revenues were \$22 million in fiscal year 2015-16, an increase of \$2 million from fiscal year 2014-15, mainly due to a 4.5% rate increase. Operating expenses remained relatively unchanged from the prior year. Net position at June 30, 2016 was \$3 million, an increase of \$2 million from fiscal year 2014-15, due to an increase in revenue.

### **Cemetery**

This fund accounts for the Mission City Memorial Park's operations. Operating revenues were up 6% while operating expenses were up 13% due to an increase in materials, services, and supplies expenditures. Net position (deficit) at June 30, 2016 was \$(2) million, a decrease of \$88 thousand from fiscal year 2014-15, due to the implementation of GASB Statement No. 68 and GASB Statement No. 71. This fund has frequently run a deficit in its operation and capital activities, which has been covered by an advance from General Fund reserves.

### **Santa Clara Golf and Tennis Club**

This fund accounts for the operations of the City's public golf course. Operating revenues were \$2 million in fiscal year 2015-16 unchanged from the prior fiscal year. Operating expenses remained at \$3 million, the same as the previous fiscal year. Net position at June 30, 2016 was \$(1.2) million.

### **Santa Clara Convention Center**

This fund accounts for the operations of the Santa Clara Convention Center. Operating revenues were \$7 million in fiscal year 2015-16, unchanged from the prior fiscal year. Operating expenses stayed at \$9 million as in fiscal year 2015-16. Net position at June 30, 2016 was \$31 million.

### **Sports and Open Space Authority (SOSA)**

This fund accounts for the acquisition and preservation of open space within the City and the development of local sports activities. Operating revenues increased slightly from fiscal year 2015-16 to \$72 thousand in fiscal year 2015-16. Operating expenses were flat compared to the prior year. Net position at June 30, 2016 was \$2 million.

### **Santa Clara Stadium Authority (Stadium Authority)**

These funds account for the development and operation of Levi's Stadium. As of March 31, 2016, the Stadium Authority recorded approximately \$143 million in operating revenue and incurred \$121 million in operating expenses. The operating activity in the current fiscal year was substantially higher than the prior fiscal year. This is due to operating Levi's Stadium for an entire fiscal year, whereas the stadium was only in operations for eight months in the prior fiscal year. Net position at March 31, 2016 was \$19 million, an increase of \$13 million from the previous year.

## **CAPITAL ASSETS**

At June 30, 2016, the City's capital assets totaled \$530 million in Governmental Activities, and \$1,487 million in Business-Type Activities, net of depreciation. They were invested in a broad range of categories, as shown in Table 6.

**Table 6**  
**Capital Assets at June 30, 2016**  
**(in millions)**

	<u>2016</u>	<u>2015</u>	<u>Net Change</u>
<b>Governmental Activities:</b>			
Land	\$ 96	\$ 114	\$ (18)
Construction in progress	10	9	1
Land improvements	22	21	1
Buildings	210	210	-
Infrastructure	488	474	14
Machinery and equipment	71	70	1
Less accumulated depreciation	<u>(367)</u>	<u>(349)</u>	<u>(18)</u>
Totals	<u>\$ 530</u>	<u>\$ 549</u>	<u>\$ (19)</u>
<b>Business-Type Activities:</b>			
Land	\$ 27	\$ 28	\$ (1)
Construction in progress	82	46	36
Land improvements	24	24	-
Buildings	915	938	(23)
Infrastructure	977	960	17
Machinery and equipment	22	23	(1)
Less accumulated depreciation	<u>(560)</u>	<u>(520)</u>	<u>(40)</u>
Totals	<u>\$ 1,487</u>	<u>\$ 1,499</u>	<u>\$ (12)</u>

The decrease of \$19 million in the Governmental Funds asset base was primarily due to the transfer of land from the City to the Successor Agency of the Redevelopment Agency of the City of Santa Clara in compliance with the RDA dissolution agreement.

The \$12 million decrease in Enterprise Funds capital assets was due to a combination of several factors. The \$36 million increase in Construction in Progress is primarily due to various Electric Utility capital improvement projects. The \$23 million decrease in Buildings is primarily due to an adjustment to Stadium Authority buildings that transferred construction related tenant improvement costs from the Stadium Authority to StadCo. The \$17 million increase in Infrastructure is due to various electric, water, and sewer projects.

The Capital Improvement Project Budget for fiscal year 2015-16 and Five-Year Financial Plan for fiscal year 2015-16 through fiscal year 2019-20 contain more detailed discussions of Capital Projects planned for the City of Santa Clara. See Note 9 to the financial statements for additional details on fiscal year 2015-16 capital assets.

## DEBT ADMINISTRATION

Each of the City's debt issues is discussed in detail in Note 10 to the financial statements. At June 30, 2016 the City's debt was comprised of the following:



**Table 7**  
**Outstanding Debt at June 30, 2016**  
(in millions)

	Balance	Balance	
	June 30, 2016	June 30, 2015	Net Change
<b>Governmental Activity Debt:</b>			
Refunding Certificates of Participation, Series 2013	\$ 16	\$ 18	\$ (2)
Lease Agreement Between City of Santa Clara and City of Santa Clara Public Facilities Financing Corporation	6	7	(1)
<b>Business-Type Debt:</b>			
Electric Utility Revenue Bonds, net of unamortized discount	188	196	(8)
Electric Bank of America Loan Agreement	30	31	(1)
Sewer Utility Trimble Road Loan	12	-	12
StadCo Subordinated Loan	146	189	(43)
StadCo Agency Advance	-	18	(18)
StadCo CFD Advance	36	37	(1)
Stadium Funding Trust Loan	283	317	(34)
Total Debt	<u>\$ 717</u>	<u>\$ 813</u>	<u>\$ (96)</u>

## SUCCESSOR AGENCY

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

See Note 21 for further information on the Redevelopment Agency dissolution and Successor Agency activities.

## ECONOMIC OUTLOOK

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

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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# *Basic Financial Statements*

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

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

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

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

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

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

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

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

**CITY OF SANTA CLARA**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments (Note 7):			
Pooled cash and investments	\$ 275,649,669	\$ 350,600,195	\$ 626,249,864
Investments with fiscal agent	1,210	38,583,862	38,585,072
Receivables (net of allowance for uncollectible):			
Accounts	5,556,387	83,653,524	89,209,911
Interest	508,017	594,825	1,102,842
Intergovernmental	18,209,773	-	18,209,773
Materials, supplies and prepaid	795,471	10,325,748	11,121,219
Land held for development (Note 2H)	18,761,366	-	18,761,366
Total Current Assets	<u>319,481,893</u>	<u>483,758,154</u>	<u>803,240,047</u>
<b>Noncurrent Assets</b>			
Cash for construction (Note 7)	3,742,295	7,744,550	11,486,845
Investment with fiscal agent (Note 7)	704,170	26,203,261	26,907,431
Deposits (Note 7)	-	6,560,076	6,560,076
Interfund balances (Note 8)	7,357,538	(7,397,738)	(40,200)
Long term loans, net (Note 2CC)	103,193,296	-	103,193,296
Capital assets (Note 9)			
Land and construction in progress	105,895,617	109,791,980	215,687,597
Capital assets being depreciated, net	424,399,252	1,376,747,263	1,801,146,515
Investment in joint ventures (Note 12)	4,794,394	139,768,285	144,562,679
Other	3,293,857	-	3,293,857
Total Noncurrent Assets	<u>653,380,419</u>	<u>1,659,417,677</u>	<u>2,312,798,096</u>
Total Assets	<u>972,862,312</u>	<u>2,143,175,831</u>	<u>3,116,038,143</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows on derivative instruments (Note 10D)			
	-	10,366,115	10,366,115
Deferred charge on refunding			
	-	6,169,451	6,169,451
Deferred outflows pension related items (Note 13)			
	<u>27,062,733</u>	<u>8,915,903</u>	<u>35,978,636</u>
Total Deferred Outflows of Resources	<u>\$ 27,062,733</u>	<u>\$ 25,451,469</u>	<u>\$ 52,514,202</u>

**CITY OF SANTA CLARA**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accrued liabilities	\$ 13,514,716	\$ 35,059,984	\$ 48,574,700
Interest payable	401,227	9,905,975	10,307,202
Accrued compensated absences (Note 2K)	1,221,617	428,499	1,650,116
Unearned revenue, current portion	-	12,985,898	12,985,898
Landfill closure liability (Note 11)	-	840,133	840,133
Long-term debt-due within one year (Note 10)	1,674,000	11,912,872	13,586,872
Total Current Liabilities	<u>16,811,560</u>	<u>71,133,361</u>	<u>87,944,921</u>
<b>Noncurrent Liabilities</b>			
Long-term portion estimated claims (Note 19)	21,242,853	-	21,242,853
Accrued compensated absences (Note 2K)	11,615,200	4,074,195	15,689,395
Landfill closure liabilities (Note 11)	-	49,018	49,018
Accrued liabilities	-	3,026,415	3,026,415
Unearned revenue	17,352,621	373,119,157	390,471,778
Long-term derivative financial instruments (Note 10D)	-	10,366,115	10,366,115
Long-term debt-due after one year (Note 10)	21,231,175	682,525,546	703,756,721
Net pension liability-due after one year (Note 13)	301,030,792	102,068,487	403,099,279
Total Noncurrent Liabilities	<u>372,472,641</u>	<u>1,175,228,933</u>	<u>1,547,701,574</u>
Total Liabilities	<u>389,284,201</u>	<u>1,246,362,294</u>	<u>1,635,646,495</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from refunding	-	484,560	484,560
Deferred inflows pension related items (Note 13)	21,167,815	4,994,628	26,162,443
Total Deferred Inflows of Resources	<u>21,167,815</u>	<u>5,479,188</u>	<u>26,647,003</u>
<b>NET POSITION (Note 18)</b>			
Net investment in capital assets	<u>507,389,694</u>	<u>844,911,086</u>	<u>1,352,300,780</u>
Restricted for:			
Capital projects	51,136,056	133,717,995	184,854,051
Debt service	1,072,759	-	1,072,759
Housing activities	123,820,655	-	123,820,655
Special revenue funds and other	31,967,019	-	31,967,019
Total Restricted Net Position	<u>207,996,489</u>	<u>133,717,995</u>	<u>341,714,484</u>
Unrestricted Net Position	<u>(125,913,154)</u>	<u>(61,843,263)</u>	<u>(187,756,417)</u>
Total Net Position	<u>\$ 589,473,029</u>	<u>\$ 916,785,818</u>	<u>\$ 1,506,258,847</u>

**CITY OF SANTA CLARA**  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2016

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>					
General Administration	\$ 25,386,661	\$ (2,694,224)	\$ 1,247,467	\$ 1,575,669	\$ 301,915
City Clerk	1,030,608	(721,324)	12,029	42,511	-
City Attorney	1,503,400	(1,232,983)	18,678	-	-
Human Resources	2,538,244	(1,790,369)	-	-	-
Finance	9,360,267	(7,727,089)	956,394	-	-
Public Works	31,618,121	(1,253,623)	5,420,649	2,511,408	11,798,042
Parks and Recreation	17,105,744	-	3,113,501	148,890	-
<b>Public Safety:</b>					
Police	58,599,204	-	9,580,257	872,796	-
Fire	37,120,398	-	6,801,084	601,345	-
Planning and Inspection	7,854,447	(400)	15,064,988	1,666	-
Library	10,718,003	-	233,360	54,746	-
Interest on long term debt	803,264	-	-	-	-
<b>Total Governmental Activities</b>	<b>203,638,361</b>	<b>(15,420,012)</b>	<b>42,448,407</b>	<b>5,809,031</b>	<b>12,099,957</b>
<b>Business-type Activities:</b>					
<b>Utilities:</b>					
<b>Electric -</b>					
Retail	355,152,409	9,404,568	395,162,158	-	-
Wholesale	21,682,117	-	17,278,778	-	-
Water	29,907,554	2,346,117	31,955,063	-	-
Sewer	17,600,839	1,480,221	41,659,396	-	-
Water Recycling	2,559,056	112,895	3,841,177	-	-
Solid Waste	18,622,820	1,518,683	21,853,968	-	-
Cemetery	717,260	64,204	692,584	-	-
Sports and Open Space Authority	9,549	93,095	71,866	-	-
Santa Clara Golf and Tennis Club	2,777,510	-	1,665,530	-	-
Santa Clara Convention Center	9,074,505	-	7,399,493	-	-
Santa Clara Stadium Authority	147,034,568	400,229	143,191,241	-	3,427,677
<b>Total Business-type Activities</b>	<b>605,138,187</b>	<b>15,420,012</b>	<b>664,771,254</b>	<b>-</b>	<b>3,427,677</b>
<b>Total</b>	<b>\$ 808,776,548</b>	<b>\$ -</b>	<b>\$ 707,219,661</b>	<b>\$ 5,809,031</b>	<b>\$ 15,527,634</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
<b>Sales</b>					
Ad valorem property					
Transient occupancy					
Other					
<b>Intergovernmental, unrestricted:</b>					
Motor vehicle in-lieu					
Contribution in lieu of taxes					
Investment earnings					
Net (decrease) in the fair value of investments					
Equity in losses of joint ventures					
Rents and royalties					
Gain on retirement of assets					
Other					
Transfers (Note 8A)					
Special item (Note 23A)					
Total General Revenues, Special item and Transfers					
Change in Net Position					
Net Position - beginning					
Net Position - ending					

**CITY OF SANTA CLARA**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2016**  
**Net (Expense) Revenue and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (19,567,386)	\$ -	\$ (19,567,386)
(254,744)	-	(254,744)
(251,739)	-	(251,739)
(747,875)	-	(747,875)
(676,784)	-	(676,784)
(10,634,399)	-	(10,634,399)
(13,843,353)	-	(13,843,353)
(48,146,151)	-	(48,146,151)
(29,717,969)	-	(29,717,969)
7,212,607	-	7,212,607
(10,429,897)	-	(10,429,897)
(803,264)	-	(803,264)
<u>(127,860,954)</u>	<u>-</u>	<u>(127,860,954)</u>
-	30,605,181	30,605,181
-	(4,403,339)	(4,403,339)
-	(298,608)	(298,608)
-	22,578,336	22,578,336
-	1,169,226	1,169,226
-	1,712,465	1,712,465
-	(88,880)	(88,880)
-	(30,778)	(30,778)
-	(1,111,980)	(1,111,980)
-	(1,675,012)	(1,675,012)
-	(815,879)	(815,879)
<u>-</u>	<u>47,640,732</u>	<u>47,640,732</u>
<u>(127,860,954)</u>	<u>47,640,732</u>	<u>(80,220,222)</u>
57,795,787	-	57,795,787
45,627,204	-	45,627,204
20,557,284	-	20,557,284
5,510,182	-	5,510,182
48,811	-	48,811
19,057,004	-	19,057,004
2,178,695	16,893,752	19,072,447
1,048,903	1,218,431	2,267,334
44,050	-	44,050
13,641,852	-	13,641,852
-	29,750,723	29,750,723
8,551,030	-	8,551,030
31,186,521	(31,186,521)	-
(24,451,292)	-	(24,451,292)
<u>180,796,031</u>	<u>16,676,385</u>	<u>197,472,416</u>
52,935,077	64,317,117	117,252,194
536,537,952	852,468,701	1,389,006,653
<u>\$ 589,473,029</u>	<u>\$ 916,785,818</u>	<u>\$ 1,506,258,847</u>



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

The funds described below were determined to be Major Funds by the City in fiscal year 2015-16. Individual non-major funds may be found in the Supplementary section.

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

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

**SANTA CLARA HOUSING SUCCESSOR AGENCY FUND**

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

**CITY OF SANTA CLARA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2016**

	<u>General Fund</u>	<u>Santa Clara Housing Successor Agency</u>
<b>ASSETS</b>		
Cash and investments (Note 7):		
Pooled cash and investments	\$ 175,335,414	\$ 8,201,875
Investments with fiscal agent - current	-	-
Cash restricted for construction	-	-
Receivables (net of allowance for uncollectibles):		
Accounts	5,226,652	2,500
Interest	508,017	-
Loans	-	74,706,571
Intergovernmental	14,985,388	-
Due from other funds (Note 8B)	28,241	-
Materials, supplies and prepaids	7,085	-
Land held for development (Note 2H)	-	18,761,366
Investments with fiscal agent - noncurrent (Note 7)	-	-
Advances to other funds (Note 8C)	9,119,800	-
Other	22,681	-
<b>Total Assets</b>	<b>\$ 205,233,278</b>	<b>\$ 101,672,312</b>
<b>LIABILITIES</b>		
Accrued liabilities	\$ 7,097,056	\$ 79,642
Advances from other funds (Note 8C)	2,314	-
<b>Total Liabilities</b>	<b>7,099,370</b>	<b>79,642</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - Lease revenues	335,908	-
Unavailable revenue - Loans	-	66,681,208
Unavailable revenue - Grants	-	8,025,363
<b>Total Deferred Inflows of Resources</b>	<b>335,908</b>	<b>74,706,571</b>
<b>FUND BALANCES (Note 18)</b>		
Nonspendable	13,517,044	-
Restricted	11,865,340	26,886,099
Committed	64,110,592	-
Assigned	4,874,864	-
Unassigned	103,430,160	-
<b>Total Fund Balances</b>	<b>197,798,000</b>	<b>26,886,099</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 205,233,278</b>	<b>\$ 101,672,312</b>

**CITY OF SANTA CLARA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2016**

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 75,398,813	\$ 258,936,102
1,210	1,210
3,742,295	3,742,295
118,431	5,347,583
-	508,017
34,833,808	109,540,379
3,224,385	18,209,773
22,529	50,770
-	7,085
-	18,761,366
704,170	704,170
-	9,119,800
-	22,681
<u>\$ 118,045,641</u>	<u>\$ 424,951,231</u>
\$ 1,289,848	\$ 8,466,546
-	2,314
<u>1,289,848</u>	<u>8,468,860</u>
-	335,908
34,816,118	101,497,326
2,260,912	10,286,275
<u>37,077,030</u>	<u>112,119,509</u>
-	13,517,044
40,725,508	79,476,947
38,953,255	103,063,847
-	4,874,864
-	103,430,160
<u>79,678,763</u>	<u>304,362,862</u>
<u>\$ 118,045,641</u>	<u>\$ 424,951,231</u>

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**CITY OF SANTA CLARA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2016**

<b>TOTAL GOVERNMENTAL FUND BALANCE</b>	<b>\$ 304,362,862</b>
Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:	
<b>CURRENT LIABILITIES</b>	
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	(1,204,311)
Interest payable	(401,227)
<b>CAPITAL ASSETS</b>	
Capital assets used in Governmental Activities are not current assets or financial resources and, therefore, are not reported in the Governmental Funds.	
	530,294,869
<b>LONG TERM ASSETS</b>	
Long-term receivable associated with lease agreements are not current assets or financial resources and, therefore, are not reported in the Governmental Funds	
	3,271,176
<b>INVESTMENT IN NON-BUSINESS TYPE JOINT VENTURE</b>	
	4,794,394
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related	26,707,214
<b>ALLOCATION OF INTERNAL SERVICE FUND NET POSITION</b>	
Internal Service Funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance, to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position:	
Cash and investments	16,713,567
Accounts receivable	208,804
Materials, supplies and prepaid	788,386
Deferred outflows pension related items	355,519
Accrued liabilities	(5,048,170)
Long-term portion of estimated claims	(21,242,853)
Compensated absences - current	(17,306)
Compensated absences - long-term	(164,549)
Internal balances	(1,810,718)
Net pension liability	(4,069,954)
Deferred inflows pension related items	(199,159)
<b>LONG TERM LIABILITIES</b>	
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	(6,347,083)
Long-term debt	(22,905,175)
Non-current portion of accrued compensated absences excluding Internal Service Funds	(11,450,651)
Net pension liability	(296,960,838)
<b>DEFERRED INFLOW OF RESOURCES</b>	
Unavailable revenues recorded in governmental funds financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in Government-Wide Financial Statements.	
	94,766,888
Pension related	(20,968,656)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 589,473,029</b>

**CITY OF SANTA CLARA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the year ended June 30, 2016**

	<u>General Fund</u>	<u>Santa Clara Housing Successor Agency</u>
<b>REVENUES</b>		
Taxes:		
Sales	\$ 57,795,787	\$ -
Ad valorem	45,627,204	-
Transient occupancy	20,557,284	-
Other	5,510,182	-
Licenses, permits, fines, and penalties	11,406,682	123,909
Intergovernmental	1,266,341	-
Charges for services	45,006,200	-
Contributions in-lieu of taxes	19,057,004	-
Interest and rents	15,278,292	81,982
Net increase (decrease) in the fair value of investments	1,048,903	-
Other	1,512,398	2,986,764
<b>Total Revenues</b>	<b>224,066,277</b>	<b>3,192,655</b>
<b>EXPENDITURES</b>		
Current:		
General Administration	17,542,079	50,434
City Clerk	1,006,763	-
City Attorney	1,499,558	-
Human Resources	2,616,395	-
Finance	9,319,471	-
Public Works	17,397,173	-
Parks and Recreation	15,688,686	-
Public Safety:		
Police	60,285,545	-
Fire	38,827,903	-
Planning and Inspection	8,230,730	-
Library	8,940,070	-
Capital outlay	127,718	2,694,997
Debt service (Note 10):		
Principal payments	-	-
Interest and fiscal fees	-	-
Bond issuance cost	-	-
<b>Total Expenditures</b>	<b>181,482,091</b>	<b>2,745,431</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>42,584,186</b>	<b>447,224</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in (Note 8A)	34,869,653	-
Transfers (out) (Note 8A)	(22,435,227)	(140,000)
<b>Total Other Financing Sources (Uses)</b>	<b>12,434,426</b>	<b>(140,000)</b>
<b>CHANGE IN NET POSITION BEFORE SPECIAL ITEM</b>	<b>55,018,612</b>	<b>307,224</b>
Special item (Note 24A)	(842,004)	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>54,176,608</b>	<b>307,224</b>
Fund balances - beginning	143,621,392	26,578,875
Fund balances - ending	<b>\$ 197,798,000</b>	<b>\$ 26,886,099</b>

**CITY OF SANTA CLARA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the year ended June 30, 2016**

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 57,795,787
-	45,627,204
-	20,557,284
-	5,510,182
-	11,530,591
7,303,572	8,569,913
1,931,837	46,938,037
-	19,057,004
256,512	15,616,786
-	1,048,903
5,078,508	9,577,670
<u>14,570,429</u>	<u>241,829,361</u>
6,150,700	23,743,213
-	1,006,763
-	1,499,558
-	2,616,395
-	9,319,471
2,691,006	20,088,179
473,016	16,161,702
729,572	61,015,117
300,908	39,128,811
-	8,230,730
538,794	9,478,864
10,611,543	13,434,258
1,620,000	1,620,000
878,975	878,975
1,165	1,165
<u>23,995,679</u>	<u>208,223,201</u>
<u>(9,425,250)</u>	<u>33,606,160</u>
23,603,568	58,473,221
(5,005,658)	(27,580,885)
<u>18,597,910</u>	<u>30,892,336</u>
9,172,660	64,498,496
-	(842,004)
9,172,660	63,656,492
70,506,103	240,706,370
<u>\$ 79,678,763</u>	<u>\$ 304,362,862</u>



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**CITY OF SANTA CLARA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2016**

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 63,656,492</b>
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
<b>ACCRUAL OF CURRENT ITEMS</b>	
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	145,028
<b>CAPITAL ASSET TRANSACTIONS</b>	
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	13,434,258
Depreciation expense is deducted from the fund balance (Depreciation expense is net of Internal Service Fund depreciation of \$2,008,372 which has already been allocated to serviced funds.)	(19,370,985)
Retirements and transfers of capital assets	(23,609,521)
Contributions of infrastructure improvements by developers and equipment are capitalized in the Statement of Activities, but are not recorded in the Governmental Fund Statements because no cash changed hands.	9,286,952
<b>JOINT VENTURES - PROFIT FROM EQUITY</b>	<b>44,050</b>
<b>LONG TERM DEBT PROCEEDS AND PAYMENTS</b>	
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	
Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.	
Repayment of debt principal is added back to fund balance	1,620,000
<b>ACCRUAL OF NON-CURRENT ITEMS</b>	
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	(562,471)
Non-current portion of accrued compensated absences	(399,220)
Interest payable	76,876
Unavailable revenue	(1,197,470)
Pension related expense	7,515,161
<b>ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY</b>	
Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds.	
The portion of the net revenue (expense) of these Internal Service Funds, arising out of their transactions with Governmental Funds, is reported with governmental activities, because they service those activities.	
Change in Net Position - All Internal Service Funds, net	1,998,314
Change in Net Position of Internal Service Funds reported with Business-Type Activities	297,613
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 52,935,077</u></b>

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<p style="text-align: center;"><b>CITY OF SANTA CLARA MAJOR PROPRIETARY FUNDS</b></p>
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Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges. Individual non-major Proprietary funds may be found in the Supplementary section.

The City has identified the funds below as major proprietary funds in fiscal year 2015-16.

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

#### ELECTRIC UTILITY FUND

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

#### WATER UTILITY FUND

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

#### SEWER UTILITY FUND

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

#### WATER RECYCLING UTILITY FUND

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

#### SANTA CLARA STADIUM AUTHORITY FUND

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

**CITY OF SANTA CLARA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>
<b>ASSETS</b>			
Current assets:			
Cash and investments (Note 7):			
Pooled cash and investments	\$ 227,274,391	\$ 15,690,900	\$ 68,190,229
Investments with fiscal agent	8,698,139	-	-
Receivables (net of allowance for uncollectible):			
Accounts	52,698,378	4,079,371	4,156,941
Interest	442,802	24,254	119,815
Due from other funds (Note 8B)	1,728,545	104,966	116,786
Materials, supplies and prepaids	9,604,143	664,650	-
Total current assets	<u>300,446,398</u>	<u>20,564,141</u>	<u>72,583,771</u>
Noncurrent assets:			
Cash for construction (Note 7)	-	303,090	6,729,212
Investment with fiscal agent (Note 7)	14,667,026	-	-
Deposits (Note 7)	6,560,076	-	-
Capital assets (Note 9):			
Land	22,872,234	661,268	725,328
Buildings, infrastructure and land improvements	870,752,284	81,171,034	36,265,454
Equipment	9,694,142	3,875,532	3,876,509
Construction in progress	70,812,122	3,383,353	8,237,891
	<u>974,130,782</u>	<u>89,091,187</u>	<u>49,105,182</u>
Less accumulated depreciation	395,742,785	42,219,421	20,873,729
Net capital assets	<u>578,387,997</u>	<u>46,871,766</u>	<u>28,231,453</u>
Investment in joint ventures (Note 12)	35,318,623	-	104,449,662
Advances to other funds (Note 8C)	2,314	-	-
Total noncurrent assets	<u>634,936,036</u>	<u>47,174,856</u>	<u>139,410,327</u>
Total assets	<u>935,382,434</u>	<u>67,738,997</u>	<u>211,994,098</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows on derivative instruments (Note 10D)	10,366,115	-	-
Deferred charges on refunding	6,169,451	-	-
Deferred outflows pension related items (Note 13)	6,509,168	1,399,741	549,100
Total deferred outflows of resources	<u>23,044,734</u>	<u>1,399,741</u>	<u>549,100</u>

**CITY OF SANTA CLARA  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
June 30, 2016**

<b>Business-type Activities-Enterprise Funds</b>				
<b>Water Recycling Utility</b>	<b>Santa Clara Stadium Authority (as of March 31, 2016)</b>	<b>Non-Major Enterprise Funds</b>	<b>TOTAL</b>	<b>Internal Service Funds (Note 2B)</b>
\$ 4,424,092	\$ 25,510,991	\$ 9,240,725	\$ 350,331,328	\$ 16,982,434
-	29,885,723	-	38,583,862	-
84,820	19,797,530	2,836,484	83,653,524	208,804
7,954	-	-	594,825	-
-	-	206,908	2,157,205	394,069
-	-	56,955	10,325,748	788,386
<u>4,516,866</u>	<u>75,194,244</u>	<u>12,341,072</u>	<u>485,646,492</u>	<u>18,373,693</u>
-	-	712,248	7,744,550	-
-	11,536,235	-	26,203,261	-
-	-	-	6,560,076	-
-	-	3,092,872	27,351,702	-
1,053,899	822,403,644	103,594,105	1,915,240,420	-
-	1,152,353	3,309,206	21,907,742	31,930,771
6,912	-	-	82,440,278	-
<u>1,060,811</u>	<u>823,555,997</u>	<u>109,996,183</u>	<u>2,046,940,142</u>	<u>31,930,771</u>
<u>10,540</u>	<u>27,954,358</u>	<u>73,600,066</u>	<u>560,400,899</u>	<u>22,322,900</u>
<u>1,050,271</u>	<u>795,601,639</u>	<u>36,396,117</u>	<u>1,486,539,243</u>	<u>9,607,871</u>
-	-	-	139,768,285	-
-	-	-	2,314	-
<u>1,050,271</u>	<u>807,137,874</u>	<u>37,108,365</u>	<u>1,666,817,729</u>	<u>9,607,871</u>
<u>5,567,137</u>	<u>882,332,118</u>	<u>49,449,437</u>	<u>2,152,464,221</u>	<u>27,981,564</u>
-	-	-	10,366,115	-
-	-	-	6,169,451	-
68,870	-	389,024	8,915,903	355,519
<u>68,870</u>	<u>-</u>	<u>389,024</u>	<u>25,451,469</u>	<u>355,519</u>

**(continued)**

**CITY OF SANTA CLARA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 June 30, 2016**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accrued liabilities	25,566,102	2,467,527	772,174
Interest payable	2,755,916	-	80,206
Unearned revenue	504,706	-	-
Due to other funds (Note 8B)	-	369,016	-
Accrued compensated absences (Note 2K)	336,358	64,859	15,347
Current portion of landfill closure liability (Note 11)	-	-	-
Current portion of long-term debt (Note 10)	7,640,000	-	710,966
Total current liabilities	<u>36,803,082</u>	<u>2,901,402</u>	<u>1,578,693</u>
Noncurrent liabilities:			
Advance from other funds (Note 8C)	-	-	-
Unearned revenue	-	-	-
Long-term accrued liabilities	-	-	-
Long-term portion estimated claims	-	-	-
Long-term comp absences (Note 2K)	3,198,115	616,687	145,916
Landfill closure liability (Note 11)	-	-	-
Long-term debt (Note 10)	210,078,572	-	11,289,034
Long-term derivative financial instruments (Note 10D)	10,366,115	-	-
Net pension liability (Note 13)	74,516,387	16,024,114	6,286,056
Total noncurrent liabilities	<u>298,159,189</u>	<u>16,640,801</u>	<u>17,721,006</u>
Total liabilities	<u>334,962,271</u>	<u>19,542,203</u>	<u>19,299,699</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from refunding	484,560	-	-
Deferred inflows pension related items (Note 13)	3,646,392	784,126	307,602
Total deferred inflows of resources	<u>4,130,952</u>	<u>784,126</u>	<u>307,602</u>
<b>NET POSITION (Note 18)</b>			
Net investment in capital assets	384,034,590	46,871,766	16,231,453
Restricted for capital projects and other agreements	-	-	104,449,662
Unrestricted	235,299,355	1,940,643	72,254,782
Total net position	<u>\$ 619,333,945</u>	<u>\$ 48,812,409</u>	<u>\$ 192,935,897</u>

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

Net position of business-type activities

**CITY OF SANTA CLARA  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
June 30, 2016**

<b>Business-type Activities-Enterprise Funds</b>				
<b>Water Recycling Utility</b>	<b>Santa Clara Stadium Authority (as of March 31, 2016)</b>	<b>Non-Major Enterprise Funds</b>	<b>TOTAL</b>	<b>Internal Service Funds (Note 2B)</b>
7,668	4,472,885	1,773,628	35,059,984	5,048,170
-	7,069,853	-	9,905,975	-
-	11,250,852	1,230,340	12,985,898	-
-	68,441	-	437,457	2,204,787
1,274	-	10,661	428,499	17,306
-	-	840,133	840,133	-
-	3,561,906	-	11,912,872	-
<u>8,942</u>	<u>26,423,937</u>	<u>3,854,762</u>	<u>71,570,818</u>	<u>7,270,263</u>
-	-	9,119,800	9,119,800	-
-	373,119,157	-	373,119,157	-
-	3,026,415	-	3,026,415	-
-	-	-	-	21,242,853
12,109	-	101,368	4,074,195	164,549
-	-	49,018	49,018	-
-	461,157,940	-	682,525,546	-
-	-	-	10,366,115	-
<u>788,421</u>	<u>-</u>	<u>4,453,509</u>	<u>102,068,487</u>	<u>4,069,954</u>
<u>800,530</u>	<u>837,303,512</u>	<u>13,723,695</u>	<u>1,184,348,733</u>	<u>25,477,356</u>
<u>809,472</u>	<u>863,727,449</u>	<u>17,578,457</u>	<u>1,255,919,551</u>	<u>32,747,619</u>
-	-	-	484,560	-
<u>38,580</u>	<u>-</u>	<u>217,928</u>	<u>4,994,628</u>	<u>199,159</u>
<u>38,580</u>	<u>-</u>	<u>217,928</u>	<u>5,479,188</u>	<u>199,159</u>
1,050,271	360,326,889	36,396,117	844,911,086	9,607,871
-	26,616,791	2,651,542	133,717,995	-
<u>3,737,684</u>	<u>(368,339,011)</u>	<u>(7,005,583)</u>	<u>(62,112,130)</u>	<u>(14,217,566)</u>
<u>\$ 4,787,955</u>	<u>\$ 18,604,669</u>	<u>\$ 32,042,076</u>	<u>916,516,951</u>	<u>\$ (4,609,695)</u>
			<u>268,867</u>	
			<u>\$ 916,785,818</u>	



**CITY OF SANTA CLARA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**For the year ended June 30, 2016**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>
Operating revenues:			
Charges for services	\$ 371,800,921	\$ 31,039,713	\$ 39,129,480
Rents, royalties and licensing	-	-	-
Insurance refunds and other	-	-	-
Other	-	61,500	-
Total operating revenues	<u>371,800,921</u>	<u>31,101,213</u>	<u>39,129,480</u>
Operating expenses:			
Salaries and benefits	26,460,503	5,153,394	2,602,906
Materials, services and supplies	301,991,505	25,819,145	15,601,908
General and administrative	-	-	-
Depreciation	19,956,266	1,350,948	756,473
Total operating expenses	<u>348,408,274</u>	<u>32,323,487</u>	<u>18,961,287</u>
Operating income (loss)	<u>23,392,647</u>	<u>(1,222,274)</u>	<u>20,168,193</u>
Nonoperating revenues (expenses):			
Interest revenue	2,230,745	144,973	558,231
Net change in the fair value of investments	907,131	51,945	243,076
Rents and royalties	3,966,868	-	-
Other revenue	14,778,112	853,850	1,570,451
Interest expense	(8,819,064)	-	-
Other expense	(7,182,521)	-	(149,242)
Equity in income (losses) of joint ventures	736,860	-	959,465
Gain (loss) on retirement of assets	(9,887)	(907)	-
Renewable energy credits	3,879,397	-	-
Wholesale power sales	17,278,778	-	-
Wholesale power purchases	(21,682,117)	-	-
Total nonoperating revenues	<u>6,084,302</u>	<u>1,049,861</u>	<u>3,181,981</u>
Income (loss) before contributions and transfers	29,476,949	(172,413)	23,350,174
Contributions	-	-	-
Transfers in (Note 8A)	-	450,000	-
Transfers (out) (Note 8A)	(726,671)	(154,410)	(89,129)
Change in net position	<u>28,750,278</u>	<u>123,177</u>	<u>23,261,045</u>
Total net position - beginning	590,583,667	48,689,232	169,674,852
Total net position - ending	<u>\$ 619,333,945</u>	<u>\$ 48,812,409</u>	<u>\$ 192,935,897</u>

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

Change in net position of business-type activities

**CITY OF SANTA CLARA  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
For the year ended June 30, 2016**

**Business-type Activities-Enterprise Funds**

<b>Water Recycling Utility</b>	<b>Santa Clara Stadium Authority (as of March 31, 2016)</b>	<b>Non-Major Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 3,591,177	\$ 101,394,435	\$ 31,084,426	\$ 578,040,152	\$ 13,841,389
-	41,796,806	71,866	41,868,672	-
-	-	-	-	719,281
-	-	511,683	573,183	-
<u>3,591,177</u>	<u>143,191,241</u>	<u>31,667,975</u>	<u>620,482,007</u>	<u>14,560,670</u>
426,998	-	1,388,198	36,031,999	1,877,199
2,234,511	99,605,903	27,967,064	473,220,036	1,734,125
-	4,838,383	-	4,838,383	7,299,431
10,540	16,548,887	3,541,353	42,164,467	2,008,372
<u>2,672,049</u>	<u>120,993,173</u>	<u>32,896,615</u>	<u>556,254,885</u>	<u>12,919,127</u>
919,128	22,198,068	(1,228,640)	64,227,122	1,641,543
35,881	13,906,565	17,357	16,893,752	-
16,279	-	-	1,218,431	-
-	-	15,466	3,982,334	-
250,000	-	-	17,452,413	331,453
-	(26,441,624)	-	(35,260,688)	-
-	-	-	(7,331,763)	-
-	-	-	1,696,325	-
-	-	29,761,517	29,750,723	-
-	-	-	3,879,397	-
-	-	-	17,278,778	-
-	-	-	(21,682,117)	-
<u>302,160</u>	<u>(12,535,059)</u>	<u>29,794,340</u>	<u>27,877,585</u>	<u>331,453</u>
1,221,288	9,663,009	28,565,700	92,104,707	1,972,996
-	3,427,677	-	3,427,677	-
-	-	-	450,000	406,767
(450,168)	-	(30,216,143)	(31,636,521)	(112,582)
<u>771,120</u>	<u>13,090,686</u>	<u>(1,650,443)</u>	<u>64,345,863</u>	<u>2,267,181</u>
4,016,835	5,513,983	33,692,519		(6,876,876)
<u>\$ 4,787,955</u>	<u>\$ 18,604,669</u>	<u>\$ 32,042,076</u>		<u>\$ (4,609,695)</u>

(28,746)

\$ 64,317,117

**CITY OF SANTA CLARA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2016**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 362,271,774	\$ 30,202,315	\$ 38,337,737
Payments to suppliers	(301,106,218)	(25,403,459)	(15,597,018)
Payments to employees for salaries and benefits	(28,171,117)	(5,502,370)	(2,749,860)
Internal activity - payments to other funds	-	-	-
Claims paid	-	-	-
Rents, royalties and licenses received	3,673,301	-	-
Other receipts (payments)	6,969,125	853,850	1,570,451
Net cash provided (used) by operating activities	<u>43,636,865</u>	<u>150,336</u>	<u>21,561,310</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Renewable energy credits	3,879,397	-	-
Wholesale resource sales	17,278,778	-	-
Wholesale resource purchases	(21,682,117)	-	-
Wholesale trading escrow deposit	1,308,933	-	-
Charges for joint project contributions	-	-	(12,186,629)
(Increase) in due from other funds	-	-	(100,249)
Decrease in due from other funds	174,745	86,541	-
Increase in due to other funds	-	369,016	-
(Decrease) in due to other funds	-	-	(17,717)
Advances from other funds	-	-	-
Transfers in	-	450,000	-
Transfers (out)	(726,671)	(154,410)	(89,129)
Cash Flows from Noncapital Financing Activities	<u>233,065</u>	<u>751,147</u>	<u>(12,393,724)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Contribution from Successor Agency	-	-	-
Contribution from Community Facilities District	-	-	-
Acquisition and construction of capital assets, net	(40,898,984)	(7,127,895)	(6,927,609)
Proceeds from sale of assets	-	-	-
Landfill closure payment	-	-	-
Cost of issuance	-	-	(69,036)
Principal payments on capital debt	(8,958,030)	-	12,000,000
Interest paid on capital debt	(6,564,938)	-	-
Cash Flows from Capital and Related Financing Activities	<u>(56,421,952)</u>	<u>(7,127,895)</u>	<u>5,003,355</u>

**CITY OF SANTA CLARA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2016**

<b>Business-type Activities-Enterprise Funds</b>				
<b>Water Recycling Utility</b>	<b>Santa Clara Stadium Authority (as of March 31, 2016)</b>	<b>Non-Major Enterprise Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>
\$ 3,557,794	\$ 106,102,435	\$ 31,531,859	\$ 572,003,914	\$ 13,758,752
(2,760,659)	(104,907,739)	(27,925,015)	(477,700,108)	(2,199,279)
(438,637)	-	(1,517,800)	(38,379,784)	(1,961,094)
-	-	-	-	(156,676)
-	-	-	-	(5,692,526)
-	41,027,637	15,466	44,716,404	-
250,000	-	519,490	10,162,916	331,453
<b>608,498</b>	<b>42,222,333</b>	<b>2,624,000</b>	<b>110,803,342</b>	<b>4,080,630</b>
-	-	-	3,879,397	-
-	-	-	17,278,778	-
-	-	-	(21,682,117)	-
-	-	-	1,308,933	-
-	-	-	(12,186,629)	-
-	-	-	(100,249)	(352,553)
-	-	17,499	278,785	-
-	1,062	-	370,078	48,267
-	-	-	(17,717)	(211,426)
-	-	293,529	293,529	-
-	-	-	450,000	406,767
(450,168)	-	(30,216,143)	(31,636,521)	(112,582)
<b>(450,168)</b>	<b>1,062</b>	<b>(29,905,115)</b>	<b>(41,763,733)</b>	<b>(221,527)</b>
-	18,034,044	-	18,034,044	-
-	3,329,821	-	3,329,821	-
(252,065)	(11,770,498)	-	(66,977,051)	(3,338,434)
-	-	30,190,000	30,190,000	-
-	-	(515,158)	(515,158)	-
-	-	-	(69,036)	-
-	(69,078,000)	-	(66,036,030)	-
-	(26,441,624)	-	(33,006,562)	-
<b>(252,065)</b>	<b>(85,926,257)</b>	<b>29,674,842</b>	<b>(115,049,972)</b>	<b>(3,338,434)</b>

**(continued)**

**CITY OF SANTA CLARA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2016**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net increase in the fair value of investments	907,131	51,945	243,076
Interest and dividends	351,090	148,287	499,511
Payments made by fiscal agent	12,921,685	-	-
Deposits made with fiscal agent	(12,997,101)	-	-
Cash Flows from Investing Activities	<u>1,182,805</u>	<u>200,232</u>	<u>742,587</u>
Net increase (decrease) in cash and cash equivalents	(11,369,217)	(6,026,180)	14,913,528
Cash and cash equivalents at beginning of period	<u>238,643,608</u>	<u>22,020,170</u>	<u>60,005,913</u>
Cash and cash equivalents at end of period	<u>\$ 227,274,391</u>	<u>\$ 15,993,990</u>	<u>\$ 74,919,441</u>
Cash and cash equivalents:			
Pooled cash and investments	\$ 227,274,391	\$ 15,690,900	\$ 68,190,229
Cash designated for construction	-	303,090	6,729,212
Total cash and cash equivalents	<u>\$ 227,274,391</u>	<u>\$ 15,993,990</u>	<u>\$ 74,919,441</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 23,392,647	\$ (1,222,274)	\$ 20,168,193
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
(Decrease) Increase in due to retirement system	(1,916,422)	(412,110)	(161,665)
Depreciation	19,956,266	1,350,948	756,473
Change in assets and liabilities:			
Receivables, net	(9,760,876)	(934,500)	(791,743)
Inventory	2,837,829	69,485	-
Accrued liabilities	(2,291,365)	381,803	4,890
Long-term portion estimated claims	-	-	-
Compensated absences	205,808	63,134	14,711
Unearned revenue	(349,481)	-	-
Other receipts	18,744,980	853,850	1,570,451
Other expenses	(7,182,521)	-	-
Net cash provided (used) by operating activities	<u>\$ 43,636,865</u>	<u>\$ 150,336</u>	<u>\$ 21,561,310</u>
NONCASH TRANSACTIONS:			
Joint Ventures			
Nonoperating income (loss)	\$ 736,860	\$ -	\$ 959,465
Capital Contribution	\$ -	\$ -	\$ -

**CITY OF SANTA CLARA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 For the year ended June 30, 2016**

<b>Business-type Activities-Enterprise Funds</b>				
<b>Water Recycling Utility</b>	<b>Santa Clara Stadium Authority (as of March 31, 2016)</b>	<b>Non-Major Enterprise Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>
16,279	-	-	1,218,431	-
32,767	8,810,717	17,357	9,859,729	-
-	115,223,706	-	128,145,391	-
-	(107,509,914)	-	(120,507,015)	-
<u>49,046</u>	<u>16,524,509</u>	<u>17,357</u>	<u>18,716,536</u>	<u>-</u>
(44,689)	(27,178,353)	2,411,084	(27,293,827)	520,669
<u>4,468,781</u>	<u>52,689,344</u>	<u>7,541,889</u>	<u>385,369,705</u>	<u>16,461,765</u>
<u>\$ 4,424,092</u>	<u>\$ 25,510,991</u>	<u>\$ 9,952,973</u>	<u>\$ 358,075,878</u>	<u>\$ 16,982,434</u>
\$ 4,424,092	\$ 25,510,991	\$ 9,240,725	\$ 350,331,328	\$ 16,982,434
-	-	712,248	7,744,550	-
<u>\$ 4,424,092</u>	<u>\$ 25,510,991</u>	<u>\$ 9,952,973</u>	<u>\$ 358,075,878</u>	<u>\$ 16,982,434</u>
\$ 919,128	\$ 22,198,068	\$ (1,228,640)	\$ 64,227,122	\$ 1,641,543
(20,277)	-	(114,537)	(2,625,011)	(104,672)
10,540	16,548,887	3,541,354	42,164,468	2,008,372
-	-	-	-	-
(33,383)	(7,498,305)	136,767	(18,882,040)	(82,637)
-	-	4,647	2,911,961	(386,122)
(526,148)	(1,227,497)	42,049	(3,616,268)	(127,783)
-	-	-	-	779,699
8,638	-	(15,065)	277,226	20,777
-	11,437,136	-	11,087,655	-
250,000	764,044	257,425	22,440,750	331,453
-	-	-	(7,182,521)	-
<u>\$ 608,498</u>	<u>\$ 42,222,333</u>	<u>\$ 2,624,000</u>	<u>\$ 110,803,342</u>	<u>\$ 4,080,630</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,696,325</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 3,427,677</u>	<u>\$ -</u>	<u>\$ 3,427,677</u>	<u>\$ -</u>

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<p style="text-align: center;"><b>CITY OF SANTA CLARA FIDUCIARY FUNDS</b></p>
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TRUST FUNDS

PRIVATE PURPOSE TRUST FUNDS

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

AGENCY FUNDS

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



**CITY OF SANTA CLARA**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2016**

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Pooled cash and investments (Note 7)	\$ 4,661,161	\$ 16,668,980
Investments with fiscal agent - current (Note 7)	-	2
Receivables (net of allowance for uncollectibles):		
Interest	24,980	-
Cash designated for construction (Note 7)	25,007,352	-
Investments with fiscal agent - noncurrent (Note 7)	12,644,395	-
Land held for resale	23,609,288	-
	65,947,176	16,668,982
<b>LIABILITIES</b>		
Accrued liabilities	417,763	7,291,538
Interest payable	204,385	-
Due to bondholders	-	2,708,837
Due to City (Note 21C)	4,355,641	-
Long-term debt - due within one year (Note 21B)	6,271,845	-
Long-term debt - due after one year (Note 21B)	57,611,899	-
Refundable deposits	-	6,668,607
	68,861,533	\$ 16,668,982
<b>NET POSITION</b>		
Held in trust for private purpose	(2,914,357)	
Total Net Position	\$ (2,914,357)	

**CITY OF SANTA CLARA**  
**PRIVATE PURPOSE TRUST FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Year Ended June 30, 2016**

	<b>Private Purpose Trust Funds</b>
Additions	
Investment income:	
Interest	\$ 150,153
Net change in fair value of investments	24,247
Total additions	174,400
Deductions	
General and administrative	342,465
Interest and Fees	4,162,078
Total deductions	4,504,543
Change in net position before special item	(4,330,143)
Special item (Note 23A)	41,773,645
Change in net position	37,443,502
Net position held in trust for private purpose:	
Beginning of year	(40,357,859)
End of year	\$ (2,914,357)

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**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 1 – DEFINITION OF THE REPORTING ENTITY**

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

The City is located in the County of Santa Clara, California, approximately 45 miles southeast of San Francisco and 3 miles north of downtown San Jose. It is situated in the northern part of the County and occupies approximately 19.3 square miles. The City's population of 123,752 accounts for 6.5% of the total Santa Clara County estimated population of 1.9 million.

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

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units. Although they are separate legal entities, blended component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. The City's component units which are described below are all blended.

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

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

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

The City of Santa Clara Public Facilities Financing Corporation (PFFC) was formed in 1997 for the purpose of issuing Certificates of Participation (COPs) to provide financing for the construction of the major City facilities. Members of the City Council are also members of the PFFC Board. Debt service on the COPs is secured by lease payments made by the City's General Fund to the PFFC for the use of the constructed facilities for public purposes. In accordance with lease agreements, the PFFC assigns lease payments received from the City to the trustee for payment to the certificate holders. The operations of PFFC have been included in the Supplementary Information section in the Non-Major Governmental Fund. The individual COPs and the related facilities are described in Note 10B.

**C. Santa Clara Housing Authority**

The Santa Clara Housing Authority (SCHA) was established by the City Council in 2011 to assume the responsibility of housing projects for the former Redevelopment Agency (former RDA). SCHA also assumes the responsibility for housing loans, which are long-term and were made under various programs,

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

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

for qualifying individuals and groups. The members of the City Council are also members of SCHA's Board of Directors and, as such, are authorized to transact business and exercise power to plan, engineer, and implement development projects. The City performs all accounting and administrative functions of SCHA. The financial activities of SCHA have been reported in the accompanying basic financial statements in the Santa Clara Housing Authority Fund.

**D. Santa Clara Stadium Authority**

The Santa Clara Stadium Authority (SCSA) was established by the City Council in 2011 to provide for development and operation of Levi's Stadium. The members of the City Council are also members of SCSA's Board of Directors and, as such, are authorized to manage the stadium, transact business and exercise power to plan, engineer, and construct the stadium. The City performs all accounting and administrative functions of SCSA. The financial activities of SCSA have been reported in the accompanying basic financial statements in the Santa Clara Stadium Authority Fund.

On November 13, 2012, an amendment was made to the JPA Agreement to change SCSA's fiscal year end date from June 30<sup>th</sup> to March 31<sup>st</sup>. As such, the financial activities reported for SCSA are as of fiscal year ended March 31, 2016. In addition, the annual financial report was audited by KPMG, an independent auditing firm, and a copy of the report can be found on the City's website.

**NOTE 2 - FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

**A. Basic Financial Statements**

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

The significant accounting policies are described below:

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

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

the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

**B. Major Funds**

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

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

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

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

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

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

**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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

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

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

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

The City also reports the following fund types:

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

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

The Successor Agency to the Redevelopment Agency of the City of Santa Clara (Successor Agency) was created to serve as a custodian for the assets and to wind down the affairs of the former RDA. The Successor Agency is a separate public entity from the City, subject to the direction of an Oversight Board. The Oversight Board is comprised of seven-member representatives from local government bodies: two County of Santa Clara (County) representatives; the Mayor of the City of Santa Clara; the County Superintendent of Education; the Chancellor of California Community Colleges; one Santa Clara Valley Water District representative; and one former RDA employee appointed by the Mayor. The City performs all accounting and administrative functions of the Successor Agency. The financial activities of the Successor Agency have been reported in the accompanying basic financial statements in the Private Purpose Trust Fund. See Note 21 for information regarding the Successor Agency.

**C. Basis of Accounting**

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

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

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

During the year ended June 30, 2016, the City implemented the following GASB Statements:

The GASB issued Statement No. 72 *"Fair Value Measurement and Application."* The objective of this statement is to address accounting and financial reporting issues related to fair value measurements. This statement becomes effective for periods beginning after June 15, 2015. The adoption of this standard does not have an impact to the City's financial statements.

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

The GASB issued Statement No. 76 *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments."* The objective of this statement is to modify the hierarchy of authoritative standards for accounting and reporting on governmental entities. This statement becomes effective for periods beginning after June 15, 2015. The adoption of this standard does not have an impact to the City's financial statements.

The GASB issued Statement No. 79 *"Certain External Investment Pools and Pool Participants."* The objective of this statement is to address accounting and financial reporting for certain external investment pools and pool participants. This statement becomes effective for periods beginning after June 15, 2015. The City has evaluated this pronouncement and noted it was not applicable to the City since the City is not electing to measure all its investments at amortized cost. The adoption of this standard does not have an impact to the City's financial statements.

The GASB issued Statement No. 82 *"Pension Issues-An Amendment of GASB Statements No. 67, No. 68 and No. 73."* The objective of this statement is to address certain issues that have been raised with respect to Statement No. 67, *"Financial Reporting for Pension Plans"*, No. 68 *"Accounting and Financial Reporting For Pension Plans-An Amendment of GASB Statement No. 27."* and No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68."* This statement becomes effective for periods beginning after June 15, 2017. This standard was adopted for fiscal year ended June 30, 2016. The adoption of this standard does not have an impact to the City's financial statements.

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

The GASB issued Statement No. 74 *"Financial Reporting for Postemployments Benefits Plans Other Than Pension Plans."* The objective of this statement is to address the financial reports of defined benefits OPEB plans that are administered through trusts that meet specified criteria. This statement becomes effective for periods beginning after June 15, 2016. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 75 *"Accounting and Financial Reporting for Postemployments Benefits Plans Other Than Pension Plans."* The objective of this statement is to addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other



**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

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

governments. This statement becomes effective for periods beginning after June 15, 2017. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 77 *"Tax Abatement Disclosures."* The objective of this statement is to require governments that enter into tax abatement agreements to disclose specific information concerning the agreements. This statement becomes effective for periods beginning after December 15, 2015. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 78 *"Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans."* The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68 *"Accounting and Financial Reporting for Pensions."* This statement becomes effective for periods beginning after December 15, 2015. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 80 *"Blending Requirements for Certain Component Units-An Amendment of GASB Statement No. 14."* The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement becomes effective for periods beginning after June 15, 2016. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 81 *"Irrevocable Split-Interest Agreements."* The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which government is a beneficiary of the agreement. This statement becomes effective for periods beginning after December 15, 2016. The City is currently evaluating the impact on the financial statements.

**D. Cash and Investments**

While maintaining safety and liquidity, the City maximizes investment return by pooling its available cash for investment purposes. Unless there are specific legal or contractual requirements to do otherwise, interest earnings are apportioned among funds according to average monthly cash and investment balances. It is generally the City's intention to hold investments until maturity. City investments are stated at fair value (see Note 7).

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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

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

**E. Interfund Transactions and Balances**

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

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

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

**F. Inventory of Materials and Supplies**

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

**G. Restricted Assets**

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

**H. Land Held for Redevelopment**

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

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

**I. Capital Assets**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City's policy is to capitalize equipment with costs exceeding \$5,000 and buildings, improvements and infrastructure with costs exceeding \$20,000.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

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

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

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

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

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

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

**J. Joint Ventures**

The City participates in several joint ventures. In accordance with GASB Statement No. 61 investments in these joint ventures are accounted for on the equity method (see Note 12). If the City's equity in net losses of joint ventures exceeds its investment, use of the equity method is suspended except to the extent that the City is obligated to provide further financial support or has guaranteed obligations of the joint ventures.

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

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

**K. Compensated Absences**

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

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

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, a liability for sick leave and benefits is accrued using the vesting method. The vesting method provides that a governmental entity estimates its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments. Amounts of sick leave payments that are not expected to be liquidated with expendable available financial resources are reported in the Governmental Activities portion of the government-wide financial statements only. No expenditure is reported for these amounts in the governmental fund financial statements.

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

The accrual for compensated absences comprised the following at June 30, 2016. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$ 12,561,848	\$ 4,225,468	\$ 16,787,316
Additions	2,068,631	776,497	2,845,128
Payments	1,793,662	499,271	2,292,933
Ending Balance	<u>\$ 12,836,817</u>	<u>\$ 4,502,694</u>	<u>\$ 17,339,511</u>
Current Portions	<u>\$ 1,221,617</u>	<u>\$ 428,499</u>	<u>\$ 1,650,116</u>

**L. Risk Management**

The City is self-insured up to \$3 million to provide general liability protection. In addition to the City's self-insurance, the City also maintains excess general liability with coverage up to \$65 million.

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

The City maintains property damage coverage through the Public Entity Property Insurance Program (PEPIP), which has a plan limit of \$1 billion. The City maintains boiler and machinery property coverage 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 four fiscal years.

The City also maintains a Faithful Performance, Crime Coverage Bond with a plan limit of \$15 million through CSAC Excess Insurance Authority.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

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

**M. Long-Term Obligations**

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

**N. Pensions**

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

**O. Accounting for Encumbrances**

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

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

**P. Contributed Assets**

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

**Q. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

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

**R. Net Position and Fund Balance Equity**

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

**S. Bond Discounts/Premiums**

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

**T. Property Taxes**

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

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

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

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

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

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

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, 2016, was \$32.8 billion, an increase of 14.5% compared to the previous year. The average tax rate was 1.16% per \$100 of assessed valuation.

**U. Contribution In-Lieu of Taxes**

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

**V. Special Assessment Districts with City Commitment**

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

**W. Income Taxes**

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

**X. Lease Agreements**

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

**Y. Arbitrage Rebate Liability**

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

**Z. Revenue Recognition**

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

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

**AA. Non-exchange Transactions**

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

**BB. Financial Instruments**

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

**CC. Conditional Grants**

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

**DD. Use of Estimates**

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

**EE. Vehicle Registration Fee**

On November 2, 2010, Santa Clara County voters approved Measure B, which levies a \$10 annual vehicle registration fee (VRF). The statute requires that fees collected be used only to pay for programs and projects that have a relationship or benefit to the owners of motor vehicles paying the fee and are consistent with the regional transportation plan. All revenue collected through the VRF is allocated on a population basis to cities in Santa Clara County. The City has committed and used the revenue from Measure B towards various street maintenance and traffic signal timing upgrade projects. The Vehicle Registration Fees are reported in the Governmental fund, Streets and Highways Improvement.



**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

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

As of June 30, 2016 the balance of the Vehicle Registration Fees are as follows:

	Vehicle Registration Fee
Beginning Balance July 1, 2015	\$ 1,174,803
Intergovernmental revenue	733,844
Interest	10,586
Expenditures	(175,438)
Ending Balance June 30, 2016	\$ 1,743,795

**NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING**

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

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

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

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

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 – LEASE AGREEMENTS**

**A. Original City Leases**

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

In April 2000, the former RDA entered into a Disposition and Development Agreement (DDA) with Ground Lease with The Irvine Company (Developer) for development of the site as an office/R&D complex. The DDA contemplated the former RDA obtaining title to the entire property from the City prior to entering into ground leases with the Developer. The site is subdivided into three parcels to accommodate the phased development of the project. Only Parcel 2 was conveyed to the former RDA (see Note 22). Parcels 1 & 3 were always held by the City and not subject to terms of the subsequent RDA dissolution.

In March 2006, the DDA and the Ground Lease were amended to update the status of conditions precedent; amend the schedule of performance; and clarify terms and conditions relating to Parcel 1 and Parcel 3. In October 2012, the City entered into two ground leases with the Irvine Company for Parcels 1 and 3. The term of both leases is 80 years after the effective date of October 31, 2012, and therefore both leases shall expire on October 31, 2092. The rent commencement date is November 1, 2012. Under the terms of the leases the City will receive specified amounts for minimum rent subject to certain events or time periods and then inflationary adjustments at times specified in the leases. For the fiscal year ended June 30, 2016, Lessee paid rent of \$2.3 million for Parcel 1 and \$1.1 million for Parcel 3.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 4 – LEASE AGREEMENTS (continued)**

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

Fiscal Year	Parcel 1	Parcel 3	Total
2017	\$ 2,259,022	\$ 1,089,174	\$ 3,348,196
2018	2,259,022	1,089,174	3,348,196
2019	2,259,022	1,089,174	3,348,196
2020	2,259,022	1,089,174	3,348,196
2021	2,259,022	1,089,174	3,348,196
Thereafter	161,143,538	77,694,430	238,837,968
Total	<u>\$ 172,438,648</u>	<u>\$ 83,140,300</u>	<u>\$ 255,578,948</u>

**B. City Leases Pursuant to the Terms of the January 8, 2016 Settlement Agreement**

On March 8, 2011, the City and the former RDA adopted resolutions authorizing the execution of property conveyance agreements for the conveyance of certain real property owned by the former RDA. The agreements conveyed the properties subject to existing leases to the City. Properties included California’s Great America Theme Park, Techmart, Hyatt Regency, and Hilton Hotel.

The actions taken by the former RDA related to the asset transfers were validly authorized and conformed with the requirements of the Community Redevelopment Law as it existed at the time of the actions. Pursuant to ABx1 26, the Redevelopment Dissolution Law, the State Controller’s Office is to review any asset transfers that occurred between a redevelopment agency and any other public agency after January 1, 2011 and if the assets have not been contractually committed to a third party and to the extent allowed by state and federal law, the Controller, after completing its review is to order the return of the assets to the Successor Agency. The Successor Agency received a Controller’s order on September 10, 2013 ordering the City to transfer the assets back to the Successor Agency. The validity of that order was the subject of litigation in Sacramento Superior Court (Sharma vs. City of Santa Clara). Additionally, on July 26, 2013, the Court granted the County of Santa Clara, the Santa Clara Unified School District, and the Santa Clara County Office of Education (Petitioners) motion for a preliminary injunction (temporary restraining order), restricting the City from selling, transferring, encumbering, spending, or otherwise depleting or wasting any real property interests received from the former RDA.

On January 8, 2016 the City executed a Settlement Agreement in Sharma vs the City of Santa Clara. This Settlement Agreement calls for the City to return to the Successor Agency certain properties that the former Redevelopment Agency transferred to the City prior to dissolution. The properties returned are as follows: The Great America Theme Park Property, the Hilton Hotel Property, the North/South Parking Lots, the Gateway Parcel 2 Property, the Hyatt Hotel Property, The Techmart Property, and the Martinson Childcare Center Property. The Settlement Agreement requires the City to forego the long term lease revenues generated by the properties. Lease revenues collected from July 1, 2012 to June 30, 2016 have been passed on to the Successor Agency. Additional information concerning the Settlement Agreement can be found in Note 22.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 4 – LEASE AGREEMENTS (continued)**

The Settlement Agreement provides clarity that the City retains title to the main parking lot property for the Great America Theme Park and the Hyatt Hotel Ballroom Space. The agreement provides that rental income from these properties beginning July 1, 2015 is the property of the City.

California’s Great America Theme Park Parking Lot Lease

The City and Cedar Fair entered into various agreements to operate and manage the theme park. As agreed in the Settlement Agreement, the Great America Theme Park Main Parking Lot is and always has been owned by the City and the City is entitled to any lease revenues generated from the Main Parking Lot after June 30, 2015. Pursuant to the Fourth Amendment of the ground lease, the City allows Cedar Fair to use certain City property adjacent to the Theme Park property for parking. Under the terms of the amended Ground Lease, Cedar Fair pays the City annually for use of such property for parking. Lease payments remitted for the year ended June 30, 2016, totaled \$108,094.

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

<u>Fiscal Year</u>	<u>Parking Lot</u>
2017	\$ 108,094
2018	108,094
2019	121,606
2020	121,606
2021	121,606
Thereafter	851,240
Total	<u>\$ 1,432,246</u>

Hyatt Ballroom Lease Agreement

In April 1985, the former RDA entered into various agreements for the development of a certain piece of land for the eventual operation of a high quality hotel and related facilities, including a ballroom. The resulting lease agreement pertaining to the City owned ballrooms for an initial term of 50 years. The Lessee has options to renew the lease for four additional periods of ten years each and one additional period of nine years. In 2013, Hyatt Equities, LLC. sold its interest to Inland American Lodging Acquisitions, Inc., the terms and conditions of the lease agreements remain in effect.

The minimum rent of the Ballroom lease is adjusted every three years according to the April 1985 agreement. For fiscal year ended June 30, 2016, Lessee paid \$321 thousand in rents for the Ballroom lease.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 4 – LEASE AGREEMENTS (continued)**

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

Fiscal Year	Ballroom Lease Amount
2017	\$ 321,432
2018	321,432
2019	321,432
2020	321,432
2021	321,432
Thereafter	4,446,476
Total	\$ 6,053,636

**NOTE 5 - 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, 2016, the City paid the Chamber \$1.52 million under this contract. The second management agreement between the City and the Chamber is for the management of the operations of the Santa Clara Conference and Convention Center (Convention Center). Under the terms of this agreement, the Chamber will receive for its services an annual management fee identified in the Convention Center budget and approved by the City Council. In fiscal year ended June 30, 2016, the Convention Center paid the Chamber \$50 thousand. Each agreement is extendible for an additional year at the end of each year. Either party may terminate the agreements by providing 180 days written notice.

**B. American Golf Corporation**

In May 1987, SOSA entered into a management agreement with American Golf Corporation (AGC) to manage the operations of the Santa Clara Golf and Tennis Club (SCG&TC). Subsequent five- year extensions of the agreement with minor changes in language were made on June 4, 2002 through June 30, 2007; on March 20, 2007 through June 30, 2012; and on May 8, 2012 effective through June 30, 2017. Under the current agreement, AGC develops an annual business plan reviewed and approved by SOSA, and is entitled to receive an annual management fee equal to a fixed amount (\$170 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 \$54 thousand. In fiscal year 2015-16, the City paid a total of \$277 thousand under this contract.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 5 – ENTERPRISE FUND MANAGEMENT AGREEMENTS (continued)**

**C. Santa Clara Stadium Authority**

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

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

The Design-Build Agreement (DBA) dated as of February 8, 2012 was entered into by and among SCSA, StadCo as Construction Agent and Turner/Devcon, a Joint Venture as the Design-Builder. The DBA establishes Guaranteed Maximum Price (GMP) for construction of the Stadium (\$886 million as of March 31, 2015) and allows for the design and construction work required to construct the Stadium Project. The Stadium Authority is generally responsible for amounts due to the design-builder, except that StadCo is responsible for the payment of costs of tenant improvements.

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

The Stadium Management Agreement dated as of March 28, 2012 was entered into by and among the SCSA, Forty Niners Stadium Management Company LLC (ManagementCo), and StadCo. The SCSA and StadCo selected ManagementCo to provide management services for the Stadium on each entity's behalf on a continual, year-round basis, including overseeing the day-to-day operations and maintenance of the Stadium. The Stadium Management Agreement has an initial term of 25 years, plus a 15 year renewal option. On November 13, 2012 the First Amendment to the Stadium Management Agreement was approved. This First Amendment establishes incentive management fees, clarifies certain responsibilities of ManagementCo, preserves the amount of concessions income earned by SCSA and StadCo, and addresses liability issues regarding a possible Solar Site License Agreement with NRG.

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 5 – ENTERPRISE FUND MANAGEMENT AGREEMENTS (continued)**

Ground Lease

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

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

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

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

Stadium Lease

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

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

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

Pursuant to the Stadium Lease, the Stadium Authority and StadCo will be entitled to receive and collect separate revenues. Rent payable by StadCo to the SCSA will be \$24.5 million per year. This amount was established pursuant to the Stadium Lease in connection with the take out financing which occurred on June 19, 2013. The Stadium Lease allows for one opportunity to adjust the rent as of April 1, 2015 if operating expenses or debt service are either more or less than projected in determining the initial rent. The lease also provides for a fair market rent adjustment in year 33. No rent adjustment has been made as of June 30, 2016.

The SCSA may elect to expand the Tenant Season to consist of the entire lease year, from April 1 through the next succeeding March 31 (Stadium Authority Put Right), by delivering written notice to StadCo. The

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 5 – ENTERPRISE FUND MANAGEMENT AGREEMENTS (continued)**

Stadium Authority Put Right may be exercised at any time during lease year 13, or at any time that the Management Company Revolving Loan balance exceeds \$20 million. The expansion of the Tenant Season will be effective as of the applicable Tenant Season Expansion Date as set forth in the Stadium Lease. Effective from and after the Tenant Season Expansion Date, and continuing through the remainder of the Stadium Lease term, the Tenant Season will consist of the entire lease year.

**NOTE 6 – FAIRWAY GLEN DEVELOPMENT PROJECT AGREEMENTS**

In 1996, the Sports and Open Space Authority of the City of Santa Clara ("SOSA"), the Redevelopment Agency of the City of Santa Clara ("RDA") and Jim Joseph, the predecessor in interest to Interland Capital, Inc. and its affiliates ("Interland") entered into Agreements (collectively referred to as the "DDA") which granted to Interland an option to purchase from SOSA any or all of the three parcels of property then owned by SOSA along Lick Mill Blvd., south of Tasman Boulevard, known as Parcels R-1 (Bella Vista Apartments), R-3 (Nantucket Apartments) and R-4 (Carlyle Apartments).

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

In 2012, Interland exercised its purchase option as to the Bella Vista Apartments and the Carlyle Apartments. Escrow closed on April 26, 2012, and \$73,130,000 was paid to SOSA for the two parcels.

On July 26, 2013, the Court granted the County of Santa Clara, the Santa Clara Unified School District, and the Santa Clara County Office of Education (Petitioners) motion for a preliminary injunction (temporary restraining order (TRO)). The City of Santa Clara, Housing Authority of the City of Santa Clara, Santa Clara Stadium Authority, and Sports & Open Space Authority (Respondents) are enjoined from selling, transferring, encumbering, spending or otherwise depleting or wasting any real property interests received from the former RDA. Therefore, the Nantucket (Parcel R-3) lease revenues received beginning on July 27, 2013, are recorded in the Successor Agency fund.

In 2014, Interland exercised its purchase option as to the Nantucket Apartments. As required by the terms of the Agreement, the fair market value of the parcel was determined by appraisal. The valuation process as provided in the Agreements concluded in December 2015 with the parties agreeing to a purchase price of \$30,190,000. The escrow was closed on March 11, 2016 and the land sale proceeds of \$30,190,000 were transferred to the General Fund's Land Sale Reserve.

In fiscal year 2015-16, rent received by the Successor Agency from the Parcel R-3 Sublease consisted of \$145 thousand, \$237 thousand and \$43 thousand in minimum, percentage and participation rents, respectively.

**NOTE 7 – 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



**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 7 – CASH AND INVESTMENTS (continued)**

and investments” and “Cash restricted for construction.” Interest income earned on pooled cash and investments is allocated to various funds based on average cash balances of each fund unless there are specific legal or contractual requirements to do otherwise.

Total cash and investments of the City was \$768.8 million as of June 30, 2016. This amount includes the City’s cash and cash equivalents of \$690.7 million, and cash and investments with fiscal agents of \$78.1 million.

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

Statement of Net Position	
Pooled cash and investments	\$ 626,249,864
Investments with fiscal agent - current	38,585,072
Cash restricted for construction	11,486,845
Deposits	6,560,076
Investments with fiscal agent - noncurrent	26,907,431
Fiduciary Funds	
Pooled cash and investments	21,330,141
Cash restricted for construction	25,007,352
Investments with fiscal agent - current	2
Investments with fiscal agent - noncurrent	12,644,395
Total Cash and Investment	\$ 768,771,178

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

	Governmental Funds	Enterprise Funds	Internal Service Funds	Private Purpose Trust	Agency Funds	Total
Pooled cash and investments	\$ 258,936,102	\$ 350,331,328	\$ 16,982,434	\$ 4,661,161	\$ 16,668,980	\$ 647,580,005
Investments with fiscal agent - current	1,210	38,583,862	-	-	2	38,585,074
Cash designated for construction	3,742,295	7,744,550	-	25,007,352	-	36,494,197
Investments with fiscal agent - noncurrent	704,170	26,203,261	-	12,644,395	-	39,551,826
Deposits	-	6,560,076	-	-	-	6,560,076
Total cash and investments	\$ 263,383,777	\$ 429,423,077	\$ 16,982,434	\$ 42,312,908	\$ 16,668,982	\$ 768,771,178

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 7 – CASH AND INVESTMENTS (continued)**

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

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 7 – CASH AND INVESTMENTS (continued)**

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

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

**C. Investments with Fiscal Agents**

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 7 – CASH AND INVESTMENTS (continued)**

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.

Former RDA and Electric Reserve Fund bond proceeds restricted for construction projects are invested and held by the trustee as fiscal agent investments. All funds have been invested as permitted under the Code. These investments are usually scheduled to mature when cash is needed to fulfill the requirements of the underlying bond and trust agreements.

**D. Interest Rate and Credit Risks**

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

The average maturity of the City's pooled investment portfolio at June 30, 2016 was approximately 2.06 years and the City has the ability to and generally intends to hold all investments to maturity. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided in the investment table that shows the distribution of the City's investments by maturity.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented on the next page is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of June 30, 2016 for each investment type:

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 7 – CASH AND INVESTMENTS (continued)**

Type of Investment	Credit Rating	Maturity					Fair Value
		Under 180 Days	181 - 365 Days	1 - 3 Years	3 - 5 Years	Over 5 Years	
<b>Cash and Investments -</b>							
<b>City Treasury:</b>							
Cash	N/A	\$ 151,065,266	\$ -	\$ -	\$ -	\$ -	\$ 151,065,266
Federal Farm Credit Bank	Aaa	-	40,002,840	74,563,147	47,237,064	-	161,803,051
Federal Home Loan Bank	Aaa	-	-	24,630,400	17,609,678	-	42,240,078
Federal National Mortgage Association	Aaa	20,005,000	-	59,621,900	72,745,004	-	152,371,904
Federal Home Loan Mortgage Corporation	Aaa	10,006,000	-	47,820,380	26,226,708	-	84,053,088
Mutual Fund - Fidelity	Aaam	40,285,556	-	-	-	-	40,285,556
State Investment Pool (LAIF)	Not Rated	49,678,330	-	-	-	-	49,678,330
Total Cash and Investments - City Treasury		<u>271,040,152</u>	<u>40,002,840</u>	<u>206,635,827</u>	<u>163,818,454</u>	<u>-</u>	<u>681,497,273</u>
<b>Cash and Investments -</b>							
<b>Other:</b>							
Federal Farm Credit Bank (Bentzien Trust)	Aaa	-	-	129,750	-	-	129,750
Federal Home Loan Bank (Bentzien Trust)	Aaa	-	-	154,185	144,984	155,235	454,404
Municipal Notes (Bentzien Trust)	Aaa	-	-	-	-	216,786	216,786
Municipal Notes (Bentzien Trust)	Aa	-	-	-	-	194,241	194,241
Municipal Notes (Bentzien Trust)	A	25,156	10,238	-	79,777	166,226	281,397
Municipal Notes (Bentzien Trust)	BBB	-	-	-	36,120	-	36,120
Municipal Notes (Bentzien Trust)	Not Rated	-	-	35,949	-	-	35,949
Corporate Notes (Bentzien Trust)	Aa	-	123,566	-	-	-	123,566
Corporate Notes (Bentzien Trust)	A	-	-	36,229	-	-	36,229
Corporate Notes (Bentzien Trust)	Baa	76,109	-	-	104,614	53,090	233,813
Corporate Notes (Bentzien Trust)	B	-	-	-	32,025	-	32,025
Corporate Stock (Bentzien Trust)	A & B	878,152	-	-	-	-	878,152
Corporate Stock (Bentzien Trust)	Not Rated	15,080	-	-	-	-	15,080
Mutual Fund - Dreyfus (Bond Proceeds)	Aaam	13,406,540	-	-	-	-	13,406,540
Mutual Fund - Fidelity (Bond Proceeds)	Aaam	5,221,659	-	-	-	-	5,221,659
Mutual Fund - Union Bank (Debt Fund)	Aaam	705,381	-	-	-	-	705,381
Mutual Fund - Bank of New York (Debt Fund)	Aaam	58,227,402	-	-	-	-	58,227,402
Mutual Fund - Federated Prime (Bentzien Trust)	Aaam	102,144	-	-	-	-	102,144
Mutual Fund - Federated Intercontinental (Bentzien Trust)	Not Rated	65,935	-	-	-	-	65,935
Mutual Fund - Federated Total Return Bond Fund (Bentzien Trust)	Not Rated	103,850	-	-	-	-	103,850
Collateral Obligations (JP Morgan & Other)	Not Rated	6,560,076	-	-	-	-	6,560,076
US Treasury Notes (Bentzien Trust)	Aaa	-	-	-	-	213,406	213,406
Total Cash and Investments - Other		<u>85,387,484</u>	<u>133,804</u>	<u>356,113</u>	<u>397,520</u>	<u>998,984</u>	<u>87,273,905</u>
Total Cash and Investments		<u>\$356,427,636</u>	<u>\$40,136,644</u>	<u>\$206,991,940</u>	<u>\$164,215,974</u>	<u>\$998,984</u>	<u>\$ 768,771,178</u>

The City accounts for investments in accordance with the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, which requires governmental entities to report certain investments at fair value based on quoted market information obtained

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 7 – CASH AND INVESTMENTS (continued)**

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.

**E. Fair Value Hierarchy**

The City adopted GASB Statement No. 72, Fair Value Measurement and Applications, which required governmental entities to measure investments at fair value in fiscal year 2015-16. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation input used to measure the fair value of asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 7 – CASH AND INVESTMENTS (continued)**

	Fair Value Measurements Using				
	Investments and Derivative Instruments Measured at Fair Value 6/30/2016	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Exempt <sup>(1)</sup>
<b>Investments by Fair Value Level</b>					
<b>Short Term Investments</b>					
Federal Farm Credit Banks	\$ 161,803,051	\$ -	\$ 161,803,051	\$ -	\$ -
Federal Home Loan Banks	42,240,078	-	42,240,078	-	-
Federal National Mortgage Association	152,371,904	-	152,371,904	-	-
Federal Home Loan Mortgage Corp	84,053,088	-	84,053,088	-	-
Mutual Fund - Fidelity Money Market	40,285,556	-	-	-	40,285,556
<b>Total Short Term Investments</b>	<b>480,753,677</b>	<b>-</b>	<b>440,468,121</b>	<b>-</b>	<b>40,285,556</b>
<b>Debt Securities and Other</b>					
Federal Farm Credit Bank (Bentzien Trust)	129,750	-	129,750	-	-
Federal Home Loan Banks (Bentzien Trust)	454,404	-	454,404	-	-
Municipal Notes (Bentzien Trust)	216,786	-	216,786	-	-
Municipal Notes (Bentzien Trust)	194,241	-	194,241	-	-
Municipal Notes (Bentzien Trust)	281,397	-	281,397	-	-
Municipal Notes (Bentzien Trust)	36,120	-	36,120	-	-
Municipal Notes (Bentzien Trust)	35,949	-	35,949	-	-
Corporate Notes (Bentzien Trust)	123,566	-	123,566	-	-
Corporate Notes (Bentzien Trust)	36,229	-	36,229	-	-
Corporate Notes (Bentzien Trust)	233,813	-	233,813	-	-
Corporate Notes (Bentzien Trust)	32,025	-	32,025	-	-
Mutual Fund - Dreyfus Money Market (Bond Proceeds)	13,406,540	-	-	-	13,406,540
Mutual Fund - Fidelity Money Market (Bond Proceeds)	5,221,659	-	-	-	5,221,659
Mutual Fund - Blackrock Money Market (Debt Fund)	705,381	-	-	-	705,381
Mutual Fund - Money Market Funds (Debt Fund)	58,227,402	-	-	-	58,227,402
Mutual Fund - Federated Prime (Bentzien Trust)	102,144	-	102,144	-	-
Mutual Fund - Federated Intercontinental (Bentzien Trust)	65,935	-	65,935	-	-
Mutual Fund - Federated Total Return Bond (Bentzien Trust)	103,850	-	103,850	-	-
Collateral Obligations (JP Morgan & Other)	6,560,076	-	-	-	6,560,076
US Treasury Notes (Bentzien Trust)	213,406	213,406	-	-	-
<b>Total Debt Securities and Other</b>	<b>86,380,673</b>	<b>213,406</b>	<b>2,046,209</b>	<b>-</b>	<b>84,121,058</b>
<b>Equity Securities</b>					
Corporate Stock (Bentzien Trust)	878,152	878,152	-	-	-
Corporate Stock (Bentzien Trust)	15,080	15,080	-	-	-
<b>Total Equity Securities</b>	<b>893,232</b>	<b>893,232</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Investment by Fair Value Level</b>	<b>568,027,582</b>	<b>\$ 1,106,638</b>	<b>\$ 442,514,330</b>	<b>\$ -</b>	<b>\$ 124,406,614</b>
<b>Investments Measured at the Net Asset Value (NAV)</b>					
State Investment Pool (LAIF)	49,678,330				
<b>Total Investments Measured at the NAV</b>	<b>49,678,330</b>				
<b>Cash in Banks</b>	<b>151,065,266</b>				
<b>Total Cash and Investment</b>	<b>\$ 768,771,178</b>				
<b>Investments Derivative Instruments</b>					
Interest rate swap	\$ 10,366,115	\$ 10,366,115			
<b>Total Investment Derivative Instruments</b>	<b>\$ 10,366,115</b>	<b>\$ 10,366,115</b>			

(1) Accounts in exempt column are Money Market accounts which are exempt from GASB Statement No. 72 fair value categorization

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 7 – CASH AND INVESTMENTS (continued)**

The City utilizes a third party pricing service to determine fair market prices for its individually held investments. Evaluations are based on market information available at the time and generated using proprietary evaluated pricing models and methodologies.

Bentzien Trust investment in stocks and U.S. Treasuries are valued using prices quoted in active markets for those securities. All other Bentzien Trust debt securities are valued using a Market Approach methodology by Standard & Poor’s Securities Evaluation Inc. The Market Approach uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or a group of assets and liabilities.

Derivative instruments classified as Level 2 on the fair value hierarchy are valued using the zero-coupon method. This method calculates the future net settlement payments required by the derivative, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the derivative. To measure non-performance risk for a derivative liability, the third party, HedgeStar, uses credit spreads implied by the credit rating for debt issues by entities with similar credit characteristics. This is the best method available under current market conditions since the City has no credit default swaps that actively trade in the marketplace. For a derivative asset, HedgeStar determines the adjustment for non-performance risk of counterparties by analyzing counterparty-specific credit default swaps, if available. If not available, HedgeStar uses credit default swaps in the market for entities of similar type and rating with information found in various public and private information services.

**F. Concentration of Credit Risk**

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

<u>Issuer</u>	<u>Bond-rating</u>	<u>Fair Value</u>	<u>Expiration</u>	<u>% of Holding</u>
Federal Farm Credit Banks	Aaa	\$ 161,932,801	N/A	21.1%
Federal Home Loan Banks	Aaa	\$ 42,694,482	N/A	5.6%
Federal Home Loan Mortgage Corporation	Aaa	\$ 84,053,088	N/A	10.9%
Federal National Mortgage Association	Aaa	\$ 152,371,904	N/A	19.8%

**G. 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



**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 7 – CASH AND INVESTMENTS (continued)**

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.

**H. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

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

**I. Local Agency Investment Fund**

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 8 – INTERFUND TRANSACTIONS AND BALANCES**

**A. Interfund Transfers**

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

Transfers between funds during the fiscal year ended June 30, 2016 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount	
<b>General Fund</b>	Non-Major Governmental	\$ 4,679,653	A
	Sports and Open Space Authority	30,190,000	B
<b>Non-Major Governmental</b>	General Fund	22,188,576	C
	Cemetery	401	D
	Sewer Utility	87,927	D
	Solid Waste	25,230	D
	Water Utility	144,705	D
	Automotive Services	109,319	D
	Electric Utility	581,405	D
	Non-Major Governmental	326,005	E
	Santa Clara Housing Successor Agency	140,000	F
<b>Water Utility</b>	Water Recycling Utility	450,000	G
<b>Internal Service Fund</b>	General Fund	246,651	H
	Electric Utility	145,266	H
	Water Utility	9,705	H
	Water Recycling Utility	168	H
	Sewer Utility	1,202	H
	Solid Waste	512	H
	Automotive Services	3,263	H
<b>Total Interfund Transfers</b>		<u>\$ 59,329,988</u>	

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 8 – INTERFUND TRANSACTIONS AND BALANCES (continued)**

The reasons for material transfers are set forth below:

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

- (A) Transfer to General Fund from capital project funds to return the unspent projects funds.
- (B) Transfer per the cooperation agreement between General Fund and SOSA to preserve the capital balance of the land proceeds.
- (C) Transfer to fund various projects in the capital funds and pay governmental debt service.
- (D) Transfer to fund General Fund, Enterprise Funds, and Automotive Services Fund's respective share of financial, human resources software, utility billing and other projects.
- (E) Transfer to fund the various projects in Street and Highways and Housing and Community Services.
- (F) Transfer to fund the Tenant -Based Rental Assistance program
- (G) Transfer to fund Water Recycling activities.
- (H) Transfer to replenish the minimum requirement in Special Liability Fund.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 8 – 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, 2016.

Receivable Fund	Payable Fund	Amount
<b>General Fund</b>	Santa Clara Stadium Authority	\$ 28,241
<b>Non-Major Governmental</b>	Internal Service Funds	22,529
	Receivable by Governmental Funds	<u>50,770</u>
<b>Electric Utility</b>	Internal Service Funds	1,728,545
<b>Water Utility</b>	Internal Service Funds	104,966
<b>Cemetery</b>	Internal Service Funds	206,908
<b>Sewer</b>	Internal Service Funds	<u>116,786</u>
	Receivable by Enterprise Funds	<u>2,157,205</u>
<b>Internal Service Funds</b>	Water	369,016
	Internal Service Funds	<u>25,053</u>
	Receivable by Internal Service Funds	<u>394,069</u>
	Total	<u>\$ 2,602,044</u>

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 8 – INTERFUND TRANSACTIONS AND BALANCES (continued)**

**C. Long-Term Interfund Advances**

At June 30, 2016, the funds below had made advances which were not expected to be repaid within the next year.

<u>Fund Receiving Advance/Commitment</u>	<u>Fund Making Advance/Commitment</u>	<u>Amount of Advance/Commitment</u>
Cemetery	General Fund	\$ 4,895,667
Santa Clara Golf & Tennis Club	General Fund	4,224,133
General Fund	Electric	2,314
Total		<u>\$ 9,122,114</u>

**Cemetery Fund** has a \$4,895,667 advance that bears no interest and will be repaid when funds become available. The advance is a long term subsidy of operations pending mausoleum project funding in future years, which is expected to generate additional revenues.

**Santa Clara Golf and Tennis Club Fund** has a \$4,224,133 advance which does not bear interest, and will be repaid in annual installments after completion of capital improvements from income generated by these capital improvements.

**General Fund** has a \$2,314 advance that bears no interest, and will be repaid in annual installments through the energy efficiency program.

**D. Internal Balances**

Internal balances represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental, successor agency and business-type activities. The \$40,200 net internal balance in the Statement of Net Position is due to the different fiscal year end dates between the City and the SCSA (refer to Note 1D for more information).

**E. Due to City**

**Redevelopment Successor Agency Fund** has a \$4,355,641 balance due to the City 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 (refer to Note 21C for more information).

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 9 - CAPITAL ASSETS**

**A. Capital Assets Summary**

Capital Assets at June 30, 2016 are comprised of:

	Balance June 30, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
<b><i>Governmental Activities</i></b>					
Non Depreciable Assets:					
Land	\$ 113,635,809	\$ 6,024,842	\$ (23,609,288)	\$ -	\$ 96,051,363
Construction in progress	8,807,414	7,016,000	-	(5,979,160)	9,844,254
Total Non Depreciable Assets	<u>122,443,223</u>	<u>13,040,842</u>	<u>(23,609,288)</u>	<u>(5,979,160)</u>	<u>105,895,617</u>
Capital assets being depreciated:					
Land improvements	21,200,722	-	-	1,196,391	22,397,113
Buildings	210,245,123	-	-	98,887	210,344,010
Infrastructure	473,896,455	9,286,952	-	4,375,666	487,559,073
Machinery & equipment	70,476,552	3,731,850	(3,894,509)	308,216	70,622,109
Total Capital assets being depreciated	<u>775,818,852</u>	<u>13,018,802</u>	<u>(3,894,509)</u>	<u>5,979,160</u>	<u>790,922,305</u>
Less accumulated depreciation for:					
Land improvements	(11,299,726)	(981,569)	-	-	(12,281,295)
Buildings	(48,583,128)	(4,186,449)	-	-	(52,769,577)
Infrastructure	(234,967,198)	(12,274,883)	-	-	(247,242,081)
Machinery & equipment	(54,187,920)	(3,936,456)	3,894,276	-	(54,230,100)
Total accumulated depreciation	<u>(349,037,972)</u>	<u>(21,379,357)</u>	<u>3,894,276</u>	<u>-</u>	<u>(366,523,053)</u>
Net Depreciable Assets	<u>426,780,880</u>	<u>(8,360,555)</u>	<u>(233)</u>	<u>5,979,160</u>	<u>424,399,252</u>
Governmental Activity Net Capital Assets	<u>\$ 549,224,103</u>	<u>\$ 4,680,287</u>	<u>\$ (23,609,521)</u>	<u>\$ -</u>	<u>\$ 530,294,869</u>

The retirement of Land is the result of assets transfer due to the RDA dissolution, see Note 23A.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 9 - CAPITAL ASSETS (continued)**

	Balance June 30, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
<b><i>Business-Type Activities</i></b>					
Non Depreciable Assets:					
Land	\$ 27,847,957	\$ -	\$ (496,255)	\$ -	\$ 27,351,702
Construction in progress	46,085,792	53,602,279	(7,426)	(17,240,367)	82,440,278
Total Non Depreciable Assets	<u>73,933,749</u>	<u>53,602,279</u>	<u>(503,681)</u>	<u>(17,240,367)</u>	<u>109,791,980</u>
Capital Assets being depreciated:					
Land Improvements	23,935,017	-	-	-	23,935,017
Buildings	938,399,665	3,744,985	(27,757,723)	292,411	914,679,338
Infrastructure	959,678,109	-	-	16,947,956	976,626,065
Machinery & equipment	23,110,541	433,442	(1,636,241)	-	21,907,742
Total Capital Assets being depreciated	<u>1,945,123,332</u>	<u>4,178,427</u>	<u>(29,393,964)</u>	<u>17,240,367</u>	<u>1,937,148,162</u>
Less accumulated depreciation for:					
Land Improvements	(20,034,216)	(796,991)	-	-	(20,831,207)
Buildings & improvements	(65,459,223)	(19,339,979)	-	-	(84,799,202)
Infrastructure	(418,885,823)	(20,824,343)	-	-	(439,710,166)
Machinery & equipment	(15,482,617)	(1,203,154)	1,625,447	-	(15,060,324)
Total accumulated depreciation	<u>(519,861,879)</u>	<u>(42,164,467)</u>	<u>1,625,447</u>	<u>-</u>	<u>(560,400,899)</u>
Net Depreciable Assets	<u>1,425,261,453</u>	<u>(37,986,040)</u>	<u>(27,768,517)</u>	<u>17,240,367</u>	<u>1,376,747,263</u>
Enterprise Activity Net Capital Assets	<u>\$ 1,499,195,202</u>	<u>\$ 15,616,239</u>	<u>\$ (28,272,198)</u>	<u>\$ -</u>	<u>\$ 1,486,539,243</u>

The retirement of Buildings is the result of an adjustment to Stadium Authority Buildings transferring construction related tenant improvement costs from the Stadium Authority to StadCo.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 9 - CAPITAL ASSETS (continued)**

**B. Construction in Progress Summary**

Construction in Progress for governmental activities as of June 30, 2016 consisted of the following projects:

<u>Governmental Projects</u>	<u>Authorized</u>	<u>Expended</u>	<u>Future Commitments</u>
Transportation Improvements	\$ 20,541,966	\$ 6,826,350	\$ 13,715,616
Parks and Recreation Improvements	11,014,001	2,287,561	8,726,440
City Building Improvements	3,579,709	730,343	2,849,366
Total	<u>\$ 35,135,676</u>	<u>\$ 9,844,254</u>	<u>\$ 25,291,422</u>

Construction in Progress for business-type activities as of June 30, 2016 consisted of the following:

<u>Enterprise Fund Projects</u>	<u>Authorized</u>	<u>Expended</u>	<u>Future Commitments</u>
Electric Projects	\$ 115,895,254	\$ 70,812,122	\$ 45,083,132
Water and Sewer Projects	25,528,829	11,628,156	13,900,673
Total	<u>\$141,424,083</u>	<u>\$82,440,278</u>	<u>\$58,983,805</u>

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



**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 9 - 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	\$ 1,623,600
City Clerk	1,787
City Attorney	699
Human Resources	2,342
Finance	120,533
Public Works	12,827,743
Parks and Recreation	1,568,979
Public Safety	
Police	1,228,030
Fire	605,524
Planning & Inspection	16,287
Library	1,375,461
	<u>19,370,985</u>
Capital assets held by the City's Internal Service	
Funds are charged to the various functions based on their usage of the assets	<u>2,008,372</u>
Total Governmental Activities	<u><u>\$ 21,379,357</u></u>
Business-Type Activities:	
Utility Funds:	
Electric Utility	\$ 19,956,266
Water Utility	1,350,948
Sewer Utility	756,473
Water Recycling Utility	10,540
Solid Waste	6,450
Cemetery	18,911
Santa Clara Golf and Tennis Club	799,785
Santa Clara Convention Center	2,716,207
Santa Clara Stadium Authority	16,548,887
Total Business-Type Activities	<u><u>\$ 42,164,467</u></u>

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**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 10 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS**

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

<u>Type of Indebtedness</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest rate</u>
<b>Governmental Activity Debt:</b>			
General Long-Term Debt:			
2010 City of Santa Clara Lease Agreement	7/13/2010	7/1/2022	3.65%
2013 Refunding Certificates of Participation	3/28/2012	2/1/2032	2%-3.75%
Unamortized Premium/Discount			
<b>Subtotal Government Activity Debt</b>			
<b>Business Type Activity Debt:</b>			
Electric Utility:			
2008 Series B Revenue Bonds	5/29/2008	7/1/2027	Adjustable
2011 Series A Revenue Bonds	3/22/2011	7/1/2032	5%-6%
2013 Series A Revenue Bonds	4/24/2013	7/1/2028	3%-5%
2014 Bank of America Loan Agreement	6/16/2014	7/1/2024	2.67%
Unamortized Premium/Discount			
Sewer Utility:			
2016 Trimble Road Loan	3/8/2016	2/1/2031	2.14%
Santa Clara Stadium Authority <sup>(2)</sup> :			
StadCo Agency Advance	3/28/2012	7/1/2017	4.5%-5.5%
Stadium Funding Trust Loan:			
Term A loan	6/19/2013	4/1/2039	5%
Term B loan	6/19/2013	6/19/2018	LIBOR+2%
StadCo CFD Advance <sup>(1)</sup>	4/1/2013	12/31/2054	5.73%
StadCo Subordinated Loan	3/28/2014	3/31/2043	5.50%
<b>Subtotal Enterprise Activity Debt</b>			
Total Long-Term Debt Obligations			

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the year ended June 30, 2016

**NOTE 10 - LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)**

<b>Authorized and Issued</b>	<b>Outstanding as of June 30, 2015</b>	<b>Additions, Transfers, and Amort.of Discounts</b>	<b>Debt Retired / Defeased</b>	<b>Outstanding as of June 30, 2016</b>	<b>Current Portion</b>
\$ 10,207,000	\$ 6,715,000	\$ -	\$ 860,000	\$ 5,855,000	\$ 889,000
18,540,000	16,955,000	-	760,000	16,195,000	785,000
	909,472	-	54,297	855,175	-
<u>28,747,000</u>	<u>24,579,472</u>	<u>-</u>	<u>1,674,297</u>	<u>22,905,175</u>	<u>1,674,000</u>
86,600,000	71,880,000	-	3,975,000	67,905,000	4,200,000
54,830,000	54,830,000	-	-	54,830,000	-
64,380,000	61,655,000	-	3,305,000	58,350,000	3,440,000
31,569,031	31,153,136	415,895	1,678,031	29,891,000	-
	7,310,149	567,577	-	6,742,572	-
12,000,000	-	12,000,000	-	12,000,000	710,966
30,249,620	18,034,044	-	18,034,044	-	-
282,794,108	282,794,108	-	-	282,794,108	-
167,205,892	34,768,402	-	34,768,402	-	-
38,000,000	37,228,389	174,284	1,415,981	35,986,692	-
233,138,533	188,730,626	22,293	42,813,873	145,939,046	3,561,906
<u>1,000,767,184</u>	<u>788,383,854</u>	<u>13,180,049</u>	<u>105,990,331</u>	<u>694,438,418</u>	<u>11,912,872</u>
<u>\$ 1,029,514,184</u>	<u>\$ 812,963,326</u>	<u>\$ 13,180,049</u>	<u>\$ 107,664,628</u>	<u>\$ 717,343,593</u>	<u>\$ 13,586,872</u>

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 10 - LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)**

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

2010 City of Santa Clara Lease Agreement

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

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

On March 28, 2013, the PFFC issued \$18.54 million to provide funds to refund outstanding 2002A COPs. The 2013 COPs mature annually beginning February 1, 2014 through February 1, 2032 and bear coupon rates ranging from 2% to 3.75%. Debt Service is secured by lease payments to be made by the City to the PFFC for use of the library. The PFFC assigns the lease payments to the certificate owners.

Compliance

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

**C. Enterprise Funds**

**Electric Utility**

Electric Revenue Refunding Bonds, Series 2008 B

On May 29, 2008, Silicon Valley Power issued \$86.6 million of Variable Rate Demand Subordinated Electric Revenue Bonds, Series 2008B (Electric 2008B Bonds) to refinance \$80.53 million of Electric 1998A Bonds on July 1, 2008. The Electric 2008B Bonds mature annually beginning July 1, 2009 through July 1, 2027. The Electric 2008B Bonds are variable-rate, multi-modal bonds that were initially issued in the weekly mode. Payment of principal and interest on the Electric 2008B Bonds was originally made from proceeds of draws on a Letter of Credit originally provided by Dexia Credit Local. On May 11, 2011, the Letter of Credit provided by Dexia was replaced by a Letter of Credit provided by Bank of America, N.A. In connection therewith, the name of the bonds was changed from "Subordinated Electric Revenue Refunding Bonds" to "Electric Revenue Refunding Bonds". On November 1, 2012, the Letter of Credit provided by Bank of America, N.A. was replaced by a Letter of Credit provided by The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Electric 2008B Bonds are in a weekly mode and debt service is secured by a pledge of net revenues of the Electric Utility Enterprise Fund.

Electric Revenue Refunding Bonds, Series 2011A

On March 22, 2011, Silicon Valley Power issued \$54.83 million of Electric Revenue Refunding Bonds, Series 2011A (Electric 2011A Bonds) to refinance \$49.66 million outstanding principal amount of Electric

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 10 - LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)**

2008A Bonds. The Electric 2011A Bonds mature annually beginning on July 1, 2028 through July 1, 2032 and bear coupon rates ranging from 5.00% to 6.00%. Debt service on the Electric 2011A Bonds is secured by a pledge of net revenues of the Electric Utility Enterprise Fund.

Electric Revenue Refunding Bonds, Series 2013A

On April 24, 2013, Silicon Valley Power issued \$64.38 million of Electric Revenue Refunding Bonds, Series 2013A (Electric 2013A Bonds), to provide funds, together with other available moneys, to refinance outstanding Electric 2003A Bonds. The Electric 2013A Bonds mature annually beginning on July 1, 2014 through July 1, 2028 and bear coupon rates ranging from 3.00% to 5.00%. Debt service on the Electric 2013A Bonds is secured by a pledge of net revenues of the Electric Utility Enterprise Fund.

Bank of America Loan Agreement, Series 2014

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

Pledges of Future Electric Revenues

The pledge of future Electric Fund revenues ends upon repayment of the \$211.0 million in remaining debt service on the bonds which is scheduled to occur in fiscal year 2032-33. For fiscal year 2015-16, Electric Fund revenues, including operating revenues and non-operating interest earnings, amounted to \$359.1 million and operating costs, including operating expenses, but not interest, depreciation or amortizations, amounted to \$316.6 million. Net revenues available for debt service amounted to \$42.5 million which represents a coverage ratio of 2.38 times debt service of \$17.8 million.

**Sewer Utility**

Installment Sale Agreement, Series 2016

On March 8, 2016, the City entered into an agreement with the PFFC in order to provide funds for the Trimble Road Trunk Sanitary Sewer Improvement Project (the “Project”). The PFFC entered into a separate Installment Sale Agreement with the DNT Asset Trust, a wholly owned subsidiary of JP Morgan Chase National Association (the “Agreement”). The Agreement, in the amount of \$12,000,000, carries an interest rate of 2.14% and the final payment is due February 1, 2031. Installment payments on the Agreement are secured by a pledge of net revenues of the Wastewater System.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 10 - LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)**

**Santa Clara Stadium Authority**

StadCo Agency Advance

Pursuant to a series of agreements (the “RDA Funding Agreements”) entered into in 2011 among StadCo, the Stadium Authority, and the Redevelopment Agency of the City of Santa Clara (the “Agency”), the Agency agreed to contribute up to \$41.6 million toward Levi’s Stadium project costs. As of March 31, 2013, the Agency had funded \$11.4 million of this amount to the Stadium Authority, with the remaining Agency commitment, totaling \$30.3 million, to be paid to the Stadium Authority by the Agency (or its successor) in future years.

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

On September 23, 2013, StadCo, the Stadium Authority, the Successor Agency, and the State of California reached a settlement to StadCo’s challenge of certain actions relating to the State’s elimination of redevelopment agencies throughout California which included the dissolution of the Agency in 2012. In accordance with the settlement, \$30.3 million would be paid to the Stadium Authority, plus interest at an amended rate of 4.50%. This amount was being paid in installments beginning January 2, 2014 and continuing until July 1, 2017. On January 27, 2016, the Agency funded the remaining amount due in advance of the prescribed installment plan. As of March 31, 2016, the Agency has funded \$34.7 million of the settlement amount, including interest, and the loan has been fully repaid.

Stadium Funding Trust Loan

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

**Term A Loan**

The Term A Loan was made in the amount of \$282.8 million. This loan bears interest at a fixed rate of 5.00%, payable semi-annually, with annual principal payments due beginning in April 2018. The Term A Loan has a final maturity date of April 1, 2039 and is subject to certain prepayment premiums. The loan was fully drawn at closing. As of March 31, 2016, \$282.8 million was outstanding.

**Term B Loan**

The Term B Loan is for a maximum amount of \$167.2 million. The Term B Loan may be prepaid without penalty. This loan bears a variable interest rate of LIBOR plus 2% and has a final maturity date of June 19, 2018. The applicable interest rates on the Term B Loan varied between 2.18% and 2.44% during the fiscal year.

On August 28, 2015 and March 31, 2016 the Stadium Authority made principal payments of \$9.0 million and \$25.8 million respectively, which resulted in the loan being fully repaid as of March 31, 2016, eliminating future interest rate risk.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 10 - LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)**

StadCo CFD Advance

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

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

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

During the year ended March 31, 2016, as the special CFD tax was submitted to the Stadium Authority, a number of payments were made on the CFD Advance. These payments totaled \$3.3 million, which included \$1.9 million in interest and \$1.4 million in principal. As of March 31, 2016, \$36.0 million was outstanding which includes \$0.2 million of interest added to principal.

StadCo Subordinated Loan

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

A Restated StadCo Obligations Agreement dated as of June 19, 2013 was entered into by and among StadCo and the Stadium Authority to refinance the original StadCo Obligations Agreement. Under the Restated StadCo Obligations Agreement, StadCo will loan the Stadium Authority an amount not to exceed \$500 million at a fixed interest rate of 5.50%. Required principal repayments started in March 2016 and the Stadium Authority may prepay the loan at any time.

On March 30, 2016 the Stadium Authority made a payment in the amount of \$24.1 million. This included the required principal payment of \$3.4 million, a \$10.2 million principal prepayment, and \$10.5 million in interest. Additionally, an adjustment was made to reduce the loan by \$27.8 million due to an allocation true-up to transfer construction related tenant improvement costs from the Stadium Authority to StadCo. As of March 31, 2016 \$145.9 million was outstanding including \$22 thousand of interest added to principal during the year.

**D. Derivative Instruments**

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



**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 10 - LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)**

Interest Rate Swap Agreements – Electric 2008 Series B Bonds

Pursuant to the Interest Rate Hedging Policy adopted by the City Council in 2006, as a means to lower borrowing costs, the City has a variable-to-fixed interest rate Swap Agreement with JPMorgan Chase related to the Electric 2008 Series B Bonds. Under the Swap Agreement, Santa Clara is obligated to make payments to the Swap Provider calculated on the basis of a fixed rate of 3.47% 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.

	Notional Amount (000's)	City Pays Fixed Rate to Counterparty	City Receives Floating Rate From Counterparty 06/30/16	City Pays Variable Rate on Bond 06/30/16
2008 Series B	\$ 65,030	3.47%	Weekly Mode - 65% of LIBOR=0.29446%	Weekly Mode - SIFMA=0.41%

The swap is classified as a debt instrument and had a negative fair market value of \$10,366,115 (including accrued interest \$166,355) as of June 30, 2016, and a deferred inflow change of \$1,199,598 from June 30, 2015. The swap is classified as a deferred outflow of resources and derivative financial instrument on the statement of net position. The fair values of the derivative were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the derivative, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. The standard applied to the valuation of the derivative is fair value as defined in GASB Statement No. 72. Fair value is the price that would be received to sell the asset (exit price) or transfer a liability in a hypothetical transaction under orderly market conditions between informed market participants on the valuation date. As of June 30, 2016, the fair value of the interest rate SWAP \$10,199,760 along with the accrued interest of \$166,355 are classified in level 2 of the fair value hierarchy. .

Rollover Risk

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

Interest Rate Risk/Basis Risk

SVP is exposed to interest rate risk on its swap agreement. SVP's net payment on the SWAP increases as the LIBOR swap index decreases. With respect to basis risk, under the swap, the City receives 65% of the weighted average on weekly mode LIBOR and pays the Securities Industry and Financial Markets Association (SIFMA) rate to bondholders of the City's Electric 2008B bonds. The basis risk is the difference between the two rates. As of June 30, 2016, 65% of the weighted average on weekly mode LIBOR was 0.29446% and the SIFMA rate was 0.41%.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 10 - LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)**

Using rates as of June 30, 2016, 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.

<b>Year ending June 30</b>	<b>Variable-Rate Bond</b>		<b>Interest Rate</b>	<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Swaps, Net</b>	
2017	\$ 4,200,000	\$ 278,411	\$ 2,156,350	\$ 6,634,761
2018	4,440,000	261,191	2,022,978	6,724,169
2019	4,685,000	242,987	1,881,984	6,809,971
2020	4,945,000	223,778	1,733,210	6,901,988
2021	5,215,000	203,504	1,576,179	6,994,683
2022-2026	30,405,000	672,872	5,211,537	36,289,409
2027-2028	14,015,000	86,777	672,103	14,773,880
	<u>\$ 67,905,000</u>	<u>\$ 1,969,520</u>	<u>\$ 15,254,341</u>	<u>\$ 85,128,861</u>

Compliance

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

Notional Amounts and Fair Values

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

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

SVP had no future derivative instruments outstanding at June 30, 2016.

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, 2016, SVP was not exposed to credit risk

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 10 - LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)**

because there were no open derivative contracts and the fair market value of the swap is negative. The swap and open contract counterparties were rated A and BBB-, respectively, by S&P at June 30, 2016.

SVP's policy for requiring collateral on hedging instruments varies based on individual contracts and counterparty credit ratings. Under the interest rate swap agreement, collateral is required based on the counterparty rating and dollar threshold on the mark-to-market value of the swap. Under the trading agreements with Merrill Lynch, Bache Commodities, SG America Securities, and Archer Daniels Midland Company, the trading accounts are prefunded by SVP. If the account value falls below zero, margin calls are invoked. At June 30, 2016, SVP had posted collateral of \$5,743,916 on the interest rate swap and \$816,160 was deposited with Merrill Lynch, CAISO, Bache Commodities, and Archer Daniels Midland Company for wholesale trading. At June 30, 2016, no margin calls were paid to Bache Commodities on the outstanding future derivative instruments.

It is also SVP's policy to negotiate netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, the non-defaulting party may accelerate and terminate all outstanding transactions and net their fair values so that a single amount will be owed by (or to) the non-defaulting party. At June 30, 2016, SVP had derivative instrument purchase contracts with Bache Commodities.

Termination Risk

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

Price Risk

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

**E. Repayment Requirements**

As of June 30, 2016, the debt service requirements to maturity for the City's long-term obligations, with determinable payment dates and the funds from which payment will be made are as follows:

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 10 - LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)**

For the Year Ending June 30	Government Activities		Business-Type Activities	
	Principal	Interest	Principal <sup>(1)</sup>	Interest
2017	1,674,000	824,530	8,350,967	6,364,169
2018	1,731,000	768,221	12,115,587	6,588,871
2019	1,786,000	709,994	12,611,638	6,299,094
2020	1,859,000	641,553	13,170,013	5,979,282
2021	1,930,000	570,344	13,756,719	5,645,676
2022-2026	6,220,000	1,893,632	73,853,267	22,868,101
2027-2031	6,185,000	823,331	62,887,809	14,173,404
2032-2033	665,000	24,937	26,230,000	1,444,294
	<u>\$ 22,050,000</u>	<u>\$ 6,256,542</u>	<u>\$ 222,976,000</u>	<u>\$ 69,362,891</u>

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

Reconciliation of Long-term Obligations

Principal Outstanding as Reported in Government Activities	\$ 22,050,000
Principal Outstanding as Reported in Business Type Activities	222,976,000
Total Principal Outstanding as Reported	<u>245,026,000</u>
Principal Outstanding - Stadium Authority <sup>(1)</sup>	464,719,846
Unamortized Discount/Premium	7,597,747
Total Long-term Obligations	<u>\$ 717,343,593</u>

(1) The principal outstanding for Stadium Authority is as of March 31, 2016. Please refer to Santa Clara Stadium Authority Financial Statements Note 5 for details.

**F. Defeasances**

There is no defeased debt for the City as of June 30, 2016.

**G. Debt Limitations and Restrictions**

The amounts of the City's legal debt limit and debt margin (as defined by Section 1309 of the City Charter) as of June 30, 2016, is \$4.04 billion. There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations, covenants and restrictions.

**H. Arbitrage**

According to the regulations set forth by the U. S. Treasury Department, for bond issues subject to arbitrage rebate, earnings in excess of the stated bond rate must be rebated to the federal government every five years. As of June 30, 2016, the City has ten outstanding bond issues that are subject to the arbitrage rebate

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 10 - LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)**

regulations. The City monitors the earnings on each of these issues and records any accrued rebate liability at the end of each individual bond year.

**NOTE 11 - SOLID WASTE LANDFILL CLOSURE**

At June 30, 2016, the balance of the Solid Waste Landfill Postclosure Obligation was as follows:

<u>Type of Indebtedness</u>	<u>Outstanding as of June 30, 2015</u>	<u>Reduction</u>	<u>Outstanding as of June 30, 2016</u>	<u>Current Portion</u>
Solid Waste				
Landfill Postclosure Obligation	<u>\$ 1,404,309</u>	<u>\$ 515,158</u>	<u>\$ 889,151</u>	<u>\$ 840,133</u>

The City of Santa Clara All Purpose Landfill (Landfill) was closed in September 1993. Federal and state laws and regulations require closure activities such as removal of landfill structures, decommissioning of environmental control systems, site security, and final cover construction and postclosure care such as ongoing monitoring of environmental impact. The City's postclosure plan (Plan) accepted by the California Integrated Waste Management Board, which is now the California Department of Resources Recycling and Recovery (CalRecycle), addresses all the attendant issues. Based on the Plan and pertaining laws and regulations, an estimated Landfill Postclosure Care Cost Obligation is recorded and updated annually. The postclosure care liability is accrued in the Solid Waste Enterprise Fund in accordance with GASB Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs. This obligation is payable from solid waste user fees.

The City also has a Pledge of Revenue Agreement establishing financial assurance for postclosure maintenance of the Landfill with CalRecycle, which was adopted on October 12, 1999. Financial assurance in the amount of \$600,000 will be maintained in a separate account. In addition, the agreement requires funds to be pledged annually for post-closure maintenance and corrective action costs.

The City has pledged \$840,000 for postclosure maintenance expenses and \$712,000 for corrective action in 2016-17. These amounts are subject to annual inflation factors, as stipulated by CalRecycle.

**NOTE 12 – PARTICIPATION IN JOINT VENTURES**

**A. Investments in Joint Venture**

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)**

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

	<u>Date of latest audited financial statement</u>	<u>Joint Venture's address</u>
NCPA	6/30/2015	651 Commerce Dr. Roseville, CA 95678
TANC	6/30/2015	P.O. Box 15129 Sacramento, CA 95851
SJSC	6/30/2015	200 E. Santa Clara St. San Jose, CA 95113
MSR EA	12/31/2015	P.O. Box 4060 Modesto, CA 95352
MSR PPA	12/31/2015	P.O. Box 4060 Modesto, CA 95352
SVACA	6/30/2015	3370 Thomas Road Santa Clara, CA 95051

The City's basic financial statements reflect the following investments in joint ventures as of June 30, 2015 (latest information available):

	<u>Participating percentage</u>	<u>Investment</u>	<u>Method of accounting</u>
NCPA			
Geothermal	44.39%		
Hydroelectric	37.02%		
Combustion Turbine	41.67%	\$33,856,612	Equity
Lodi Energy Center	25.75%		
TANC	9.72%	1,462,011	Equity
SJSC <sup>(1)</sup>	18.35%	104,449,662	Equity
MSR EA	33.40%	-	Suspended
MSR PPA	35.00%	-	Suspended
SVACA	53.94%	4,794,394	Equity
Total		<u>\$144,562,679</u>	

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)**

**B. Contingent Liability**

Under the terms of the various joint venture agreements, the City is contingently liable for a portion of the long-term debt of the entities under take-or-pay agreements, letters of credit, guarantees or other similar agreements. Based on the most recent audited financial statements of the individual joint ventures as of June 30, 2015, the City was contingently liable for long-term debt as follows (in thousands):

	Total Debt	Participating Share	Contingent Liability
NCPA	\$ 852,551	32.32%	\$ 275,559
TANC	283,950	9.81%	27,863
SJSC	43,567	18.35%	7,992
MSR PPA	234,335	35.00%	82,017
MSR EA	901,620	55.48%	500,200
Total	<u>\$ 2,316,023</u>		<u>\$ 893,631</u>

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

Take-or-Pay commitments expire upon final maturity of outstanding debt for each project. Final fiscal year debt expirations as of June 30, 2015 are as follows:

Project	Debt Expiration	Entitlement Share %	Debt Service Share %
NCPA - Geothermal Project (NGP)	July-2024	44.3905%	44.3905%
NCPA - Hydroelectric Project (NHP)	July-2032	37.0200%	37.0200%
NCPA - Lodi Energy Center (NLEC) <sup>(1)</sup>	June-2040	25.7500%	30.0560%
TANC - CA-OR Transmission Project (COTP)	May-2024	9.7226%	9.8126%
MSR PPA - San Juan Plant	July-2022	35.0000%	35.0000%

(1) The SVP's debt service share in NLEC on issue one is 30.0560%, on issue two is 0%.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)**

A summary of the City’s “Take-or-Pay” contracts and related projects and its contingent liability for the debt service including principal and interest payments at June 30, 2015 is as follows (latest information available):

Fiscal Year	NGP	NHP	NLEC	COTP	MSR PPA	Total
2016	\$ 2,267,016	\$ 14,582,142	\$ 7,715,155	\$ 5,103,705	\$ 13,389,600	\$ 43,057,618
2017	2,267,879	14,600,914	7,715,876	3,656,160	13,038,900	41,279,729
2018	2,268,241	14,300,656	7,715,539	3,655,953	12,902,400	40,842,789
2019	2,270,099	14,302,720	7,714,299	3,655,857	12,687,500	40,630,475
2020	2,271,098	14,066,048	7,715,751	3,655,298	12,688,550	40,396,745
2021-2025	10,080,447	72,648,439	38,573,119	13,836,914	34,361,950	169,500,869
2026-2030	-	39,531,862	38,608,043	-	-	78,139,905
2031-2035	-	25,115,773	38,621,389	-	-	63,737,162
2036-2040	-	-	38,616,265	-	-	38,616,265
2041	-	-	7,080,592	-	-	7,080,592
Total	<u>\$ 21,424,780</u>	<u>\$ 209,148,554</u>	<u>\$ 200,076,028</u>	<u>\$ 33,563,887</u>	<u>\$ 99,068,900</u>	<u>\$ 563,282,149</u>

**C. Northern California Power Agency (NCPA)**

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

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

Project Financing and Construction

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

Hydroelectric Project

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



**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)**

Geothermal Project

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

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

Combustion Turbine Project No. 1

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

Lodi Energy Center

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

**D. Transmission Agency of Northern California (TANC)**

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

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

California-Oregon Transmission Project

TANC is a participant and also the Project Manager of the California-Oregon Transmission Project (Project), a 340-mile long, 500-kilovolt alternating current transmission project between Southern Oregon and Central California. As Project Manager, TANC is responsible for the overall direction and coordination of all Project operations and maintenance, additions and betterments, and for general and administrative support.

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**NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)**

The Project was declared commercially operable on March 24, 1993, with a rated transfer capability of 1,600 megawatts and provides a third transmission path between the electric systems of the Pacific Northwest and those in California. The Project has successfully met and completed the major environmental requirements. As of June 30, 2015, the most recent data available, TANC's investment in the Project was \$510.4 million, less accumulated depreciation and amortization of \$239.4 million.

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

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

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

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

In 1959, the City and the City of San Jose entered into an agreement to construct and operate the Plant. Under the terms of the agreement, the cities own an undivided interest in the Plant and share in the capital and operating costs on a pro rata basis, determined by the ratio of each city's assessed valuation to the sum of both cities assessed valuations. Such percentages are determined annually and applied to the capital and operating costs of the Plant, determined on an accrual basis. For the fiscal year ended June 30, 2016, the City's portion of the plant capacity was approximately 18.35%, which is also its interest in the net position of the Plant.

Zero Waste Energy Development Company Ground Lease

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

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**NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)**

based on the amount of organic waste processed at the facility. Over the 30-year life of the lease, the estimate payment is a minimum of \$16.5 million. The incoming revenue will be distributed between the City of Santa Clara, City of San Jose, and the tributary agencies to the Plant based on the master agreements with each agency.

South Bay Water Recycling Program

The South Bay Water Reclamation Program (SBWRP), a regional water reclamation program, is part of an action plan adopted by the Regional Water Quality Control Board (RWQCB) which limits the Plant on the amount of effluent discharged into San Francisco Bay in order to prevent conversion of salt marsh and destruction of endangered species habitat. Flow limits are not included in the current five year permit from the RWQCB. SBWRP has a master plan to guide the continued operation and potential expansion of the SBWRP in the absence of the previous regulatory drivers. The master plan was completed in December of 2014 and accepted by the City of San Jose and the Santa Clara Valley Water District during fiscal year 2014-15.

Under the previously approved action plan, SBWRP was required to reclaim 21.1 million gallons per day (MGD) of plant effluent for nonpotable use by November 1, 1997, (Phase 1) and an additional 24.30 MGD by December 31, 2000 (Phase 2). The action plan also requires assessment of alternatives for potable reuse, including a potable pilot plant to be coordinated with the Santa Clara Valley Water District. In addition to a habitat preservation, the project reduces the mass trace contaminants discharged to the San Francisco Bay and provides a reliable source of water to offset potable water demands. The current master plan recognizes that primary drivers for the continued operation and expansion of the recycled water system are based in the need for water supply, rather than wastewater discharge reduction.

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

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

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

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**NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)**

**F. MSR Public Power Agency**

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

The City's equity in MSR PPA's net losses exceeds its investment and, therefore, the equity method of accounting for the investment has been suspended. As of December 31, 2015, the date of the latest available audited financial statements, the City's unrecognized share of member's deficit of MSR PPA was \$16.9 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 extent such funding is necessary. During the year ended June 30, 2015, the City made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in the Electric Utility Enterprise Fund expenses.

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

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

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

M-S-R PPA San Juan

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

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**NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)**

M-S-R PPA Southwest Transmission Project

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

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

**G. MSR Energy Authority**

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

The City's equity in MSR EA's net losses exceeds its investment and, therefore, the equity method of accounting for the investment has been suspended. As of December 31, 2015, the date of the latest available audited financial statements, the City's unrecognized share of member's deficit of MSR EA was \$27.2 million. Under the joint exercise of power agreement, which formed MSR EA, the City is responsible for funding up to 33.4% of MSR EA's operating cost, to the extent such funding is necessary. During the year ended June 30, 2015, the City made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in the Electric Utility Enterprise Fund expenses.

In 2009, the City of Santa Clara, along with the Cities of Modesto and Redding participated in the M-S-R Energy Authority Gas Prepay Project. The Gas Prepay Project provides the City of Santa Clara, through a Gas Supply Agreement with M-S-R EA dated September 10, 2009, a secure and long-term supply of natural gas of 7,500 MM Btu (Million British thermal unit) daily or 2,730,500 MM Btu annually through December 31, 2012, and 12,500 MM Btu daily, or 4,562,500 MM Btu annually thereafter until September 30, 2039. The agreement provides this supply at a discounted price below the spot market price (the Pacific Gas & Electric City gate index) over the next 30 years. As of December 31, 2015, 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

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**NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)**

non-recourse to the City of Santa Clara. Moreover, any default by the other Gas Prepay Project participants is also non-recourse to the City.

**H. Silicon Valley Animal Control Authority**

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

During the fiscal year ended June 30, 2016, the City of Santa Clara contributed \$919,555 to SVACA. The City's equity interest in SVACA was \$4,794,393 at June 30, 2015 (the most recent audited information available). Audited financial statements are available from SVACA, located at 3370 Thomas Road, Santa Clara, CA 95051.

**NOTE 13 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN**

**A. Plan Description**

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

The City's defined benefit pension plans for Miscellaneous and Safety employees with CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. All permanent (full-time and part-time) and eligible "as-needed" hourly City employees are required to participate in CalPERS. Employees fall under two categories, Classic and PEPRA. Employees hired on or before December 31, 2012 are considered Classic PERS members. Employees hired on or after January 1, 2013 fall into the PEPRA PERS members.

**B. Pension Plan Benefits**

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

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**NOTE 13 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)**

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

**Miscellaneous Plan**

Participants in this plan are eligible for service retirement and receive graduated benefits upon attaining the age of 50 and with at least five years of credited service with a CalPERS employer. The service retirement benefit is a monthly allowance equal to the product of the benefit factor (2.7% at 55 for Classic members or 2.0% at 62 for PEPRA members), years of service, and final compensation (monthly average of member's highest 12 or 36 (for new members) consecutive months' full-time equivalent monthly pay). The service retirement benefit final compensation for this group is not capped for Classic members. PEPRA members have an annual compensation limit on reportable earnings. The compensation limit for calendar year 2016 is \$117,020 for employees covered by Social Security and is adjusted annually with the CPI for all Urban Consumers.

**Safety Plan**

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

The service retirement benefit for the Safety Plan group is capped at 90% of final compensation for the Classic members. PEPRA members have an annual compensation limit on reportable earnings. The compensation limit for calendar year 2016 is \$140,424 for employees not covered by Social Security and is adjusted annually with the CPI for all Urban Consumers.

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**NOTE 13 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)**

The Plans provisions and benefits in effect at June 30, 2016 are summarized as follows:

	Miscellaneous		Safety	
	Prior to January 1, 2013	On or After January 1, 2013	Prior to January 1, 2013	On or After January 1, 2013
Hire date				
Benefit formula	2.7% @ 55	2.0% @ 62	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50	50	50	50 - 57
Monthly benefits, as a % of eligible compensation	2.70%	2.00%	3.00%	2.70%
Required employee contribution rates	8.00%	6.25%		
Public Safety - Fire			9.00%	12.00%
Public Safety - Police			11.25%	12.00%
Required employer contribution rates	29.56%	29.56%	41.95%	41.95%

**Employees Covered**

At the valuation date, June 30, 2014, the following employees were covered by the benefits terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	864	439
Inactive employees entitled to but not yet receiving benefits	387	52
Active employees	587	273
Total	1,838	764

**C. Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the



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**NOTE 13 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)**

estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**D. Net Pension Liability**

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plans’ fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

	All Plans
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry-Age and Service
Investment Rate of Return <sup>(1)</sup>	7.50%
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power applies, 2.75% thereafter
Mortality	Derived using CalPERS' membership data for all funds <sup>(2)</sup>

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

(2) The morality table used was developed based on CalPERS' specific data. The table includes 5 years of morality improvement using Society of Actuaries Scale AA. For more details on this table, please refer to the CalPERS' 2014 experience study report available on CalPERS' website

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund

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**NOTE 13 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)**

(PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.5% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement No. 67 and GASB Statement No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed our methodology.

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

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

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**NOTE 13 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)**

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 <sup>(1)</sup>	Real Return Years 11+ <sup>(2)</sup>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidly	2.00%	-0.55%	-1.05%
	100.00%		

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

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

**E. Changes in the Net Pension Liability**

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

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$ 606,138,535	\$ 408,631,135	\$ 197,507,400
Changes in the year:			
Service cost	9,909,421	-	9,909,421
Interest on the total pension liability	44,755,550	-	44,755,550
Changes in benefit terms	-	-	-
Changes in assumptions	(10,233,178)	-	(10,233,178)
Differences between actual and expected experience	108,957	-	108,957
Plan to plan resource movement	-	(368)	368
Contribution - employer	-	15,625,285	(15,625,285)
Contribution - employees	-	4,755,791	(4,755,791)
Net investment income	-	9,037,882	(9,037,882)
Benefit payments, including refunds of employee contributions	(31,858,297)	(31,858,297)	-
Administrative expense	-	(457,051)	457,051
Net changes	12,682,453	(2,896,758)	15,579,211
Balance at June 30, 2015	\$ 618,820,988	\$ 405,734,377	\$ 213,086,611

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**NOTE 13 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)**

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$ 640,357,452	\$ 464,622,337	\$ 175,735,115
Changes in the year:			
Service cost	10,678,931	-	10,678,931
Interest on the total pension liability	46,944,730	-	46,944,730
Changes in benefit terms	-	-	-
Changes in assumptions	(11,249,844)	-	(11,249,844)
Differences between actual and expected experience	(3,604,245)	-	(3,604,245)
Contribution - employer	-	14,692,277	(14,692,277)
Contribution - employees	-	4,079,023	(4,079,023)
Net investment income	-	10,236,992	(10,236,992)
Benefit payments, including refunds of employee contributions	(34,372,454)	(34,372,454)	-
Administrative expense	-	(516,273)	516,273
Net changes	8,397,118	(5,880,435)	14,277,553
Balance at June 30, 2015	\$ 648,754,570	\$ 458,741,902	\$ 190,012,668
Combined Total	\$ 1,267,575,558	\$ 864,476,279	\$ 403,099,279

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

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

	Miscellaneous	Safety
1% Decrease	6.65%	6.65%
Net Pension Liability	\$ 289,799,858	\$ 274,777,390
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$ 213,086,611	\$ 190,012,668
1% Increase	8.65%	8.65%
Net Pension Liability	\$ 149,059,780	\$ 120,217,437

**Pension Plan Fiduciary Net Position**

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 13 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)**

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

For the year ended June 30, 2016, the City recognized pension expense of \$13,430,859 for the Miscellaneous Plan and \$12,515,830 for the Safety Plan.

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	\$ 18,543,534	\$ -
Differences between expected and actual experience	70,044	-
Changes of assumptions	-	(6,578,472)
Net differences between projected and actual earnings on pension plan investments	17,249,367	(21,098,094)
Total	<u>\$ 35,862,945</u>	<u>\$ (27,676,566)</u>

Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	\$ 17,365,058	\$ -
Differences between expected and actual experience	-	(2,746,091)
Changes of assumptions	-	(8,571,310)
Net differences between projected and actual earnings on pension plan investments	19,724,090	(24,141,933)
Total	<u>\$ 37,089,148</u>	<u>\$ (35,459,334)</u>
Combined Total	<u>\$ 72,952,093</u>	<u>\$ (63,135,900)</u>

**CITY OF SANTA CLARA**  
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**NOTE 13 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)**

The reported \$18,543,534 for the Miscellaneous Plan and \$17,365,058 for the Safety Plan deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Measurement Period Ended June 30	Miscellaneous Plan Annual Amortization	Safety Plan Annual Amortization
2016	\$ (6,336,149)	\$ (6,652,977)
2017	(5,612,991)	(6,652,977)
2018	(2,720,356)	(6,652,977)
2019	4,312,341	4,223,687

**NOTE 14 – RETIREMENT PLAN - DEFINED CONTRIBUTION PLAN**

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

**NOTE 15 – 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 16 – OTHER POST EMPLOYMENT BENEFITS**

**A. Plan Description**

The City’s single-employer defined benefit Other Post Employment Benefit (OPEB) Plan, which was established by City Council in fiscal year 2007-08 in accordance with GASB Statement No. 45, provides reimbursements to retirees for qualified expenses. Retirees who have at least ten years of service and meet certain criterion based upon retirement date, household income in the most recent calendar year and age are entitled to reimbursements for qualified expenses. Annual maximum reimbursement amounts differ depending on when an employee retired from City service. The majority of retirees may be eligible for a maximum of \$3,912 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

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**NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)**

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 Von Karman Avenue, Suite 100, Newport Beach, CA 92660, or by calling 1-800-540-6369.

**B. Funding Policy**

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

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

Based upon the valuation dated June 30, 2014, the most recent valuation available, the actuarially required ARC for fiscal year 2015-16 was \$2.89 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 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 2,682,000	100%	\$ -
June 30, 2015	\$ 2,769,000	100%	\$ -
June 30, 2016	\$ 2,887,000	100%	\$ -

**C. Plan Funded Status Information**

As of June 30, 2014, the latest valuation date, the projected June 30, 2015, funded status of the plan, was as follows:

Actuarial accrued liability (AAL)	\$ 41,487,000
Actuarial value of plan assets	\$ 13,039,000
Unfunded actuarial accrued liability(UAAL)	<u>\$ 28,448,000</u>
Funded ratio (actuarial value of plan assets/AAL)	31.4%
Covered payroll (active plan members)	\$ 92,907,000
UAAL as a percentage of covered payroll	30.6%

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

**CITY OF SANTA CLARA**  
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**NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)**

the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**D. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to the point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 actuarial valuation, the entry age normal actuarial cost method was used with a thirty (30) year closed amortization period and level percentage of pay. The actuarial assumptions are as follows:

- A discount rate of 5.5% was used.
- The demographics for terminations, mortality, disability and retirements were based upon the CalPERS 1997-2011 Experience Study Rates and Mortality improvement projection Scale AA.
- Healthcare costs trends utilized actual rates for 2015 and a 7.5% increase for HMO and PPO non-Medicare plans. Future years were reduced by decrements of approximately 0.50% per year to an ultimate rate of 5.0% for HMO and PPO plans by year 2021. For Medicare plans, 7.8% increase for HMO and PPO plans trends were utilized. Future years were reduced by decrements of approximately .56% per year to an ultimate rate of 5.0% for both HMO and PPO plans by year 2021.
- The increase on caps was linked to healthcare premium trends and 3% for reimbursement plans.
- The inflation rate was assumed to be constant at 3% per year.
- Aggregate benefit increases assumed to be 3.25% per year.
- Spouse 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 75%.
- Valuation assets projected to June 30, 2016, using assumed 5.5%.
- Asset gains/losses recognized over 5 years. (Shorter period but same method as CalPERS Pension).
- Corridor between 80% to 120% of market value.

These assumptions are reviewed on a biennial basis.



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**NOTE 17 – 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 12), 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. In 2009, SB695 added Section 365.1 to the Public Utilities Code, which allowed limited reinstatement of direct access for certain customers of investor-owned utilities. Except for this change, Section 365.1 continues the suspension of direct access until the Legislature, by statute, repeals the suspension or otherwise authorizes direct transactions. No such statute has occurred. Based on this development, the City has deferred implementation of its direct access program.

Other Effects of Restructuring

The restructuring of the electric industry has created a substantially changed market for electricity. Compared to the prior market structure, this market has exhibited increased uncertainty and volatility. In anticipation of

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 17 – ELECTRIC UTILITY – SILICON VALLEY POWER (SVP) (continued)**

this restructured market, the City developed a strategic plan to guide its electric utility's transition efforts into the new environment. As part of the Strategic Plan, the Rate Stabilization Fund (previously called Cost Reduction Fund) was established to protect ratepayers from rate volatility in future years due to revenue shortfalls or unexpected costs.

The strategic plan is a multi-pronged strategic initiative to address electric generation, transmission and distribution business issues given both the initially anticipated operating environment, and the operating environment that has actually evolved. The City's management believes that the strategic plan has been an effective tool for the electric utility as it has transitioned into the new environment.

Energy Wholesale Trading and Risk Management

SVP participates in the wholesale gas and power market and the California Independent System Operator's centralized market. By so doing, SVP engages in the trading of commodity forward contracts (gas and electric energy contracts). Activities during the fiscal year were substantially considered hedging transactions and, as such, have been accounted for using the settlement method of accounting. Accordingly, related gross purchases and sales totaling \$21.7 million and \$17.3 million, respectively, for the fiscal year ended June 30, 2016 have been separately reported on the statement of revenues, expenses and changes in net position.

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

Credit Arrangements

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

**NOTE 18 – NET POSITION/FUND EQUITY**

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 18 – NET POSITION/FUND EQUITY (continued)**

**A. Government-wide Financial Statements - Net Position**

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

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

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

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

**B. Governmental Fund Financial Statements - Fund Balances**

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

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

**Nonspendable Fund Balance**

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

**Restricted Fund Balance**

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

**Committed Fund Balance**

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 18 – NET POSITION/FUND EQUITY (continued)**

**Assigned Fund Balance**

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

**Unassigned Fund Balance**

These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories in the General Fund, or negative balances in all other funds. The Unassigned Fund Balance includes the Working Capital (Emergency) and Capital Projects Reserves, and other undesignated fund balances. The balances in these accounts are \$48 million, \$33 million, and \$22 million respectively. Additional information is described in the Stabilization Arrangement section of this note.

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 18 – NET POSITION/FUND EQUITY (continued)**

**Fund Balance Classification**

	Major Funds			Fund Balance June 30, 2016
	General Fund	Santa Clara Housing Successor Agency	Non-Major Governmental Funds	
<b>Nonspendable:</b>				
Receivables, inventory & prepaid	\$ 29,765	\$ -	\$ -	\$ 29,765
Employee Computer Program	11,837	-	-	11,837
Receivables from Successor	4,355,641	-	-	4,355,641
Advances to other Funds	9,119,801	-	-	9,119,801
<b>Total Nonspendable</b>	<b>13,517,044</b>	<b>-</b>	<b>-</b>	<b>13,517,044</b>
<b>Restricted For:</b>				
Gas tax programs	-	-	17,507,096	17,507,096
Housing & Community	-	26,886,099	1,692,371	28,578,470
Maintenance districts	-	-	563,536	563,536
Operating grants	-	-	611,355	611,355
Debt service	-	-	1,473,986	1,473,986
Environmental enforcements	240,251	-	-	240,251
Streets and highway	-	-	15,349,615	15,349,615
Public safety	1,082,111	-	10,254	1,092,365
Library	218,190	-	-	218,190
Public facilities	-	-	2,139,410	2,139,410
Special assessments	-	-	1,057,817	1,057,817
Donations	341,609	-	-	341,609
Building inspection	9,983,179	-	-	9,983,179
Storm drain	-	-	320,068	320,068
<b>Total Restricted</b>	<b>11,865,340</b>	<b>26,886,099</b>	<b>40,725,508</b>	<b>79,476,947</b>
<b>Committed to:</b>				
Housing programs	-	-	6,694,363	6,694,363
Parks & recreation	-	-	10,875,470	10,875,470
Streets and highway	-	-	5,113,673	5,113,673
Storm drain	-	-	2,022,892	2,022,892
Public safety	-	-	531,168	531,168
Library	-	-	3,018,732	3,018,732
Public facilities	-	-	10,561,535	10,561,535
Streets beautification	-	-	135,422	135,422
Land Investment	63,941,008	-	-	63,941,008
Employee computer loan	88,163	-	-	88,163
Historical preservation	81,421	-	-	81,421
<b>Total Committed</b>	<b>64,110,592</b>	<b>-</b>	<b>38,953,255</b>	<b>103,063,847</b>
<b>Assigned to:</b>				
General Government	3,475,773	-	-	3,475,773
Community activities	1,366,288	-	-	1,366,288
Other purposes	32,803	-	-	32,803
<b>Total Assigned</b>	<b>4,874,864</b>	<b>-</b>	<b>-</b>	<b>4,874,864</b>
<b>Unassigned:</b>	<b>103,430,160</b>	<b>-</b>	<b>-</b>	<b>103,430,160</b>
<b>Total Unassigned</b>	<b>103,430,160</b>	<b>-</b>	<b>-</b>	<b>103,430,160</b>
<b>Total Fund Balances</b>	<b>\$ 197,798,000</b>	<b>\$ 26,886,099</b>	<b>\$ 79,678,763</b>	<b>\$ 304,362,862</b>

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 18 – NET POSITION/FUND EQUITY (continued)**

**C. Fund Balance Policy**

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

Stabilization Arrangement

Maintaining financial stabilization is a necessity for sound financial management and fiscal accountability. Its purpose is to ensure funds are available to cover occasional budgetary shortfalls (i.e., when general unrestricted revenues decline) or other unexpected urgent events. The City’s Working Capital (Emergency) and Capital Projects Reserves are maintained for these purposes. As of June 30, 2016, the Working Capital and Capital Projects Reserves were \$48 million and \$33 million, respectively.

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

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

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

**D. Net Position/Fund Balance Deficits**

The funds listed below had an accumulated deficit as of June 30, 2016:

Fund Name	Accumulated Deficit
Enterprise Funds:	
Cemetery	\$ 2,503,051
Santa Clara Golf and Tennis Club	\$ 1,226,601
Internal Service Funds:	
Workers’ Compensation Insurance Claims	\$ 18,961,090

The City’s long term plans include construction of additional facilities that will help bring the Cemetery Enterprise Fund closer towards recovery. The Santa Clara Golf and Tennis Club deficit is due to the lower revenues from the current year operation while the expenses remain the same as the previous fiscal year. The Workers Compensation Insurance Claims’ Internal Service Fund accumulated deficit is expected to be offset by future charges to the General Fund and the proprietary funds.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 19 – RISK MANAGEMENT**

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

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

Changes in the reported liability since June 30, 2016 resulted from the following:

	<u>Special Liability</u>	<u>Workers' Compensation</u>	<u>Total</u>
Liability as of June 30, 2014	\$ 1,896,425	\$ 21,209,888	\$ 23,106,313
Claims and changes in estimates during fiscal 2015	3,863,347	4,909,421	8,772,768
Claim payments	<u>(4,033,189)</u>	<u>(2,918,458)</u>	<u>(6,951,647)</u>
Liability as of June 30, 2015	\$ 1,726,583	\$ 23,200,851	\$ 24,927,434
Claims and changes in estimates during fiscal 2016	3,028,339	3,496,592	6,524,931
Claim payments	<u>(2,637,228)</u>	<u>(3,055,298)</u>	<u>(5,692,526)</u>
Liability as of June 30, 2016	<u>\$ 2,117,694</u>	<u>\$ 23,642,145</u>	<u>\$ 25,759,839</u>
Current Claims Payable	\$ 1,207,086	\$ 3,309,900	\$ 4,516,986
Long Term Claims Payable	<u>910,608</u>	<u>20,332,245</u>	<u>21,242,853</u>
Liability as of June 30, 2016	<u>\$ 2,117,694</u>	<u>\$ 23,642,145</u>	<u>\$ 25,759,839</u>

With respect to the Special Liability accrual of \$2.1 million, the City has numerous unsettled lawsuits filed or claims asserted against it as of June 30, 2016. The City has reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the City and to arrive at an estimate of the amount or ranges of potential loss to the City. As a result of such review, the City has categorized the various claims and lawsuits as “probable,” “reasonably possible,” and “remote” loss contingencies, as defined by current accounting standards.

The City has determined that the City’s probable loss contingencies, which are accrued for as the estimated liability for claims and lawsuits as of June 30, 2016, are approximately \$2.1 million. The final outcome of claims and lawsuits, which have been categorized as reasonably possible loss contingencies, is not presently determinable and any associated potential loss cannot be estimated. Accordingly, no provision has been made in the accompanying basic financial statements relative to the potential outcome of such claims and lawsuits. However, the ultimate resolution of such claims and lawsuits is not expected to have a material effect on the accompanying basic financial statements.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 20 – COMMITMENTS AND CONTINGENCIES**

**A. Electricity Purchase Contracts**

The City has future commitments under electricity purchase contracts as discussed in Note 17A, and is contingently liable under joint venture agreements discussed in Note 12B.

**B. Grant Programs**

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

**C. Encumbrances**

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to contracts not yet performed and purchase orders not yet filled (executory contracts; and open purchase orders). Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities but, rather, as restricted or committed governmental fund balance. As of June 30, 2016, total governmental fund encumbrance balances for the City are as follows:

General Fund	\$ 3,473,925
Nonmajor Governmental Funds	<u>13,646,090</u>
Total Governmental Funds	<u><u>\$ 17,120,015</u></u>

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

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

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

During the transition from the old to the new contracts, one of the issues addressed was how to deal with the \$370 million in assets that were still being paid for by the wholesale customers under the old agreement. The assets were transferred to the new agreement, assigned a life with an agreed upon rate of return of 5.13%. Also negotiated was a provision to allow the wholesale customers to prepay any remaining existing assets'



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**NOTE 20 – COMMITMENTS AND CONTINGENCIES (continued)**

unpaid principal balance without penalty or premium. This prepayment was executed through the issuance of bonds by BAWSCA which provide a better interest rate given the favorable rate environment.

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

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

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

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

The City paid its surcharge of \$340,839 during fiscal year 2016, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2017 is estimated to be \$320,388.

**E. Santa Clara Stadium Authority – Stadium Facility Rent Arbitration**

StadCo has invoked the arbitration provisions of the Stadium Lease between StadCo and the Stadium Authority in order to settle a dispute between the lease parties regarding the amount of rent to be paid by StadCo to the Stadium Authority under the terms of the Stadium Lease. The Stadium Lease calls for a one time rent adjustment after the first full year of operations. StadCo claims that the rent should be adjusted downward from \$24.5 million to \$19.125 million per year. The Stadium Authority has not determined what the appropriate rent should be. Should the rent be adjusted downward, the Stadium Authority may be required to return to StadCo the excess rent collected, if any.

**CITY OF SANTA CLARA**  
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**NOTE 21 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**

**A. Redevelopment Dissolution**

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

In addition, AB 26 required the establishment of a seven-member Oversight Board to oversee the activities of the Successor Agency. On February 14, 2012, the Successor Agency adopted resolution 12-7908 authorizing the City Manager to establish the Oversight Board. The Oversight Board held its first meeting on March 23, 2012.

The Successor Agency has pooled its cash and investments with the City in order to achieve a higher return on investment. See Note 7 for disclosure related to cash and investments pooled with the City and the related custodial risk categorization.

Restricted cash and investments may be used only for enforceable obligations on a Recognized Obligation Payment Schedule (ROPS) that has been approved by the California Department of Finance.

A description of the long term obligations of the Successor Agency is described in Note 21C.

Due Diligence Review:

Pursuant to Health and Safety Code Section 34179.5, the Successor Agency is required to employ a licensed accountant, approved by the County Auditor-Controller for the County of Santa Clara, to conduct due diligence reviews (DDR) of Housing funds and the other funds and assets for the RDA and to determine the unobligated balances for the dissolved former RDA’s low and moderate income housing fund available for transfer to taxing entities and the available balances in the other funds available for transfer to taxing entities. Both the Housing Fund DDR and the Other Funds DDR were completed and presented to the Oversight Board for approval and submitted to the DOF. The DOF issued final determination letters regarding the Housing Fund DDR and the Other Funds DDR. The Successor Agency has complied with the DOF's final determinations with respect to both DDRs and has received a Finding of Completion from the DOF pursuant to Health and Safety Code Section 34179.7.

**B. Long-Term Debt**

Effective January 31, 2012, all Redevelopment Agencies were dissolved and certain assets and liabilities were distributed to a Successor Agency Trust Fund per ABx1 26, which was adopted by the State of California on June 28, 2011. The table below shows \$63.9 million in outstanding debt assumed by the Successor Agency Trust Fund as of June 30, 2016.

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**NOTE 21 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)**

The debt services transactions from July 1, 2015 through June 30, 2016 for the Successor Agency are also shown in the table below:

Type of Indebtedness	Authorized and Issued	Outstanding as of June 30,2015	Debt Retired	Outstanding as of June 30,2016	Current Portion	Principal & Interest
Private Purpose Trust Activity: Successor Agency Obligations:						
<b>1999-A Tax Allocation Bonds</b>						
Bayshore North Project 5.25%-5.5%, maturing through 2023	\$ 31,550,000	\$ 31,550,000	\$ 31,550,000	\$ -	\$ -	\$ 32,404,431
<b>1999-B Tax Allocation Bonds</b>						
Bayshore North Project 5.25%-5.5%, maturing through 2017	16,905,000	6,325,000	6,325,000	-	-	6,496,434
<b>2003 Tax Allocation Bonds</b>						
Bayshore North Project 5.0%, maturing through 2023	43,960,000	40,155,000	4,115,000	36,040,000	4,625,000	6,122,750
<b>2011 Tax Allocation Bonds</b>						
Bayshore North Project 2%-7.86%, maturing through 2026	31,411,295	29,064,268	1,109,651	27,954,617	1,646,845	2,080,613
Less Unamortized Discount	-	(122,054)	(11,181)	(110,873)	-	-
Total Debt:	<u>\$ 123,826,295</u>	<u>\$ 106,972,214</u>	<u>\$ 43,088,470</u>	<u>\$ 63,883,744</u>	<u>\$ 6,271,845</u>	<u>\$ 47,104,228</u>

Bayshore North Project 1999 Tax Allocation Bonds, Series A

On August 1, 1999, the former RDA issued \$31.55 million of Bayshore North Project 1999 Tax Allocations Bonds, Series A (RDA 1999A Bonds) to partially fund the construction of a multi-story parking garage and a soccer park. The garage is located in the vicinity of the Great America Theme Park and the Santa Clara Convention Center Complex and the soccer park is located near Tasman Drive. The RDA 1999A Bonds mature serially in years 2017 through 2019, with final maturity in year 2023. The bonds are subject to mandatory sinking fund redemption between 2020 and 2023 and optional redemption was available beginning June 1, 2009. The bonds were fully paid off on October 27, 2015 by the rent revenues returned from the City and the reserve held with the fiscal agent.

Bayshore North Project 1999 Tax Allocation Bonds, Series B

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

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**NOTE 21 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)**

fully paid off on October 27, 2015 by the rent revenues returned from the City and the reserve held with the fiscal agent.

Bayshore North Project 2003 Tax Allocation Bonds

On May 14, 2003, the former RDA issued \$43.96 million of Bayshore North Project 2003 Tax Allocation Bonds (RDA 2003 Bonds) to fund various former RDA projects. The RDA 2003 Bonds mature serially in years 2015 through 2023, and bear interest at 5.0%. The Bonds are insured by the MBIA Insurance Corporation.

Bayshore North Project 2011 Tax Allocation Bonds

On May 11, 2011, the former RDA issued \$31.41 million of Bayshore North Project 2011 Tax Allocation Bonds (RDA 2011 Bonds) with an interest rate ranging from 2% to 7.86%, and a final maturity of 2026, to finance various redevelopment activities associated with the former RDA’s Bayshore North Project Area. The 2011 Bonds are limited obligations of the former RDA secured by a pledge of, lien on and security interest in all of the “Tax Revenues”.

Secured Debt Payment from the Redevelopment Property Tax Trust Fund

The Tax Allocation Bonds were originally secured by Tax Increment Revenue that would be received by the former RDA. With the dissolution of the former RDA, Tax Increment is no longer distributed, and instead the debt is made by payments from the County’s Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds held by the Successor Agency, a Private Purpose Trust fund and from rent revenues received by the Successor Agency from property formerly held by the RDA and currently held by the Successor Agency.. To the extent other funds are available, such as lease revenues or land sale proceeds, those funds would be used first before RPTTF.

Future Debt Service Requirements

For the Year Ending June 30	Principal	Interest
2017	6,271,845	3,090,767
2018	6,021,067	2,925,296
2019	6,028,504	2,736,858
2020	6,068,962	2,513,900
2021	6,140,975	2,242,388
2022-2026	33,463,263	22,459,549
Less: Unamortized Bond Discount	(110,873)	-
Total	\$ 63,883,743	\$ 35,968,758

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 21 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)**

**C. Enforceable Obligations**

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

Franklin Mall Cooperation and Reimbursement Reentry Agreement

The City has made long-term advances to the former RDA. On May 18, 2012, the Oversight Board authorized the Successor Agency to reenter into the Loan Agreement with the City. On May 22, 2012, the agreement to reenter into a Loan Agreement was approved by the City and the Successor Agency. The outstanding interfund commitment from the Successor Agency totaled \$2.40 million on June 30, 2016.

Agreement Reentering into Promissory Note to Facilitate Implementation of the Affordable Housing Program

The City has made long-term advances to the former RDA for implementation of the former RDA's affordable housing program. On May 18, 2012, the Oversight Board authorized the Successor Agency to reenter into the Loan Agreement with the City. On May 22, 2012, the agreement reentering into a Loan Agreement was approved by the City and the Successor Agency. The outstanding interfund commitment from the Successor Agency totaled \$1.96 million as of June 30, 2016.

First Amendment to the Cooperation Agreement to Assist Publicly-Owned Stadium and First Amendment to Predevelopment Funding Agreement

On March 22, 2013, the Sacramento Superior Court found that the Cooperation Agreement to Assist Publicly-Owned Stadium and the Predevelopment Funding Agreement were not unenforceable as a result of the adoption of the Dissolution Act. In accordance with the Courts' decision, the Oversight Board held remand proceedings as directed by the Superior Court over the course of two meetings in August 2013. On August 1, 2013, the Oversight Board adopted Resolution 2013-05 pursuant to which the Oversight Board determined that all preconditions to payments under the Stadium Agreements had been met, the predevelopment costs charged toward the advance were valid, and authorized the placement of the Stadium Agreements on the ROPS 13-14B. The Oversight Board also directed the Successor Agency to renegotiate the terms of the repayment terms under the Stadium Agreements. The Oversight Board on September 23, 2013 approved the First Amendment to the Cooperation Agreement to Assist Publicly-Owned Stadium and Predevelopment Funding Agreement and approved listing the First Amendment on the ROPS 13-14B. On October 8, 2013, the Department of Finance (DOF) notified the Successor Agency that their office had received Resolution No. 2013-10 approving the agreements and pursuant to HSC 34179(h), they requested a review of this action. The DOF had 40-days from date of receipt to notify the Successor Agency of its determination. On October 25, 2013, the Successor Agency was notified that the DOF approved Oversight Board Resolution No. 2013-10.

As of January 27, 2016, the remaining balance of \$17,445,266 was fully paid off by the rent revenues.

**D. Commitments and Contingencies**

State Department of Finance Approval of Enforceable Obligations

The Successor Agency prepares a ROPS semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well

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**NOTE 21 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)**

as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The Successor Agency expects such amounts, if any, to be immaterial.

Agreed Upon Procedures by County of Santa Clara Finance Agency

Pursuant to Health and Safety Code section 34182, by October 5, 2012 the County of Santa Clara Auditor-Controller was required to provide the State Controller's Office and Department of Finance, the Agreed Upon Procedures Report (AUP) to establish assets, liabilities, and other indebtedness of each former RDA, as well as to document and determine any pass-through payment obligations to taxing entities. The Auditor-Controller contracted with Harvey Rose, LLC, to perform the AUP and informed the State Controller and the DOF on October 1, 2012, that due to complexity there would be a delay in the submission of the AUP for the former RDA. The Auditor-Controller completed the AUP on December 17, 2012 and amended it on April 30, 2013.

State Controller's Office Asset Transfer Review

On July 27, 2012, the State Controller's Office completed the asset transfer review. On September 10, 2013, the State Controller's Office issued the final report and deemed the transfers of assets totaling \$273 million to be unauthorized and unallowable. The exception from this amount is a \$5.9 million short-term, no interest cash flow loan agreement the State determined to be allowable. The assets at issue in the State Controller's asset transfer review have been returned to the Successor Agency.

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

On February 8, 2013, a lawsuit was filed by the County of Santa Clara, the Santa Clara Unified School District, and the Santa Clara County Office of Education. The lawsuit challenges the validity of certain actions taken by the former RDA prior to dissolution and requests the return of the property and funds transferred by the former RDA to the City, the SOSA, the Housing Authority and the Stadium Authority and seeks to enforce the DOF's order on the OFA DDR and the Controller's Order regarding the Asset Transfer Review. The County moved for a preliminary injunction to prohibit the City, the Housing Authority and the SOSA from selling, encumbering or otherwise transferring any property received from the former RDA after January 1, 2011 as well as prohibiting the City from spending certain cash, bond proceeds and rent revenues received from properties formerly owned by the former RDA. On July 26, 2013, a temporary injunction order was granted by the Court restraining the City, the Housing Authority and SOSA from spending, encumbering and transferring the assets at issue in the lawsuit. A hearing on the merits of the County's petition was held on October 31, 2014. The judge issued a ruling on behalf of the County determining that the assets needed to be returned to the Successor Agency to be disposed of in accordance with the Dissolution Laws. Subsequent to the judge's ruling, a Writ of Mandate was issued ordering the City, SOSA, the Housing Authority and the Stadium Authority to comply with the DOF determination on the OFA DDR and the State Controller's Order on the Asset Transfer Review. The City parties submitted a return on the writ setting out the reasons why it could not comply with some portions of the writ, but in compliance with the writ, the City returned to the Successor Agency \$23M in rent revenues received from the properties

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**NOTE 21 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)**

transferred to the City as well as additional funds received by the City during the OFA and DDR period (January 1, 2011-June 30, 2012) and the City returned certain properties to the Successor Agency.

The City, the Successor Agency and SOSA filed a cross-petition and complaint requesting a writ of mandate to overturn certain decisions of the DOF, the County and the State Controller's Office related to the Other Funds Due Diligence Review and the State Controller's Asset Transfer Review. A hearing was held on the cross-petition in the above case on April 24, 2015. The Judge issued a ruling denying the cross-petition. A hearing was scheduled for October 16, 2015 to hear the remaining issues in the case but was postponed. Prior to rescheduling the hearing on the remaining issues in the case, the City, the Successor Agency and SOSA entered into a Settlement Agreement with the County of Santa Clara, the Santa Clara Unified School District and the Santa Clara County Office of Education resolving all matters in the litigation. The lawsuit remains pending while the settlement is being implemented.

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

**NOTE 22 – SUCCESSOR AGENCY LEASE AGREEMENTS**

On January 8, 2016 the City executed the Settlement Agreement for Sharma vs Successor Agency to Agency of the City of Santa Clara. This Settlement Agreement calls for the City to return to the Successor Agency certain properties that the former Redevelopment Agency transferred to the City prior to dissolution. The properties transferred are as follows: the Great America Theme Park Property (not including the parking lot, see Note 4B), the Hilton Hotel Property, the North/South Parking Lots, the Gateway Parcel 2 Property, the Hyatt Hotel Property (not including the ballroom, see Note 4B), the Techmart Property, and the Martinson Childcare Center Property. All the properties, other than the Martinson Childcare Center Property will be sold by the Successor Agency. Until the properties are sold the rent revenues will be used to pay the Successor Agency's enforceable obligations. The Settlement Agreement requires the City to forego the long term lease revenues generated by the properties.

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

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

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

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

**CITY OF SANTA CLARA**  
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**NOTE 22 – SUCCESSOR AGENCY LEASE AGREEMENTS (continued)**

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

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

The base rent under the Ground Lease is \$5.3 million annually, payable in quarterly installments of \$1.325 million, plus additional rent equal to the sum of 5% of the annual gross revenues of the Theme Park in excess of \$56 million up to \$100 million plus 7.5% of the annual gross revenues in excess of \$100 million. If Cedar Fair exercises the first option to renew pursuant to the Fourth Amendment, annual base rent will increase to \$5,697,500. If Cedar Fair exercises the second option to renew pursuant to the Fourth Amendment in 2054 for an additional term of 10 years, annual base rent will increase to \$5,982,375. If Cedar Fair exercises the third option to renew pursuant to the Fourth Amendment in 2064 for an additional ten years, basic rent will increase to \$6,281,494. Lease revenues collected from July 1, 2012 to June 30, 2015 in the amount of \$16,865,617 have been passed on to the Successor Agency.

North South Parking Lot Revenue

Pursuant to the Fourth Amendment, Cedar Fair is allowed to use certain North South parcels adjacent to the Theme Park property for parking. Under the terms of the Ground Lease as amended by the Fourth Amendment, Cedar Fair pays annually for use of such property for parking. The lease payments for parking lots terms are from February 1 to January 31. Lease revenues collected from July 1, 2012 to June 30, 2015 in the amount of \$79,800 have been passed on to the Successor Agency.

For the fiscal year ended June 30, 2016, Cedar Fair paid base rent of \$5.3 million, additional rent of \$726,796, and parking lot revenue of \$26,600.

The following schedule summarizes the approximate future minimum lease revenues to be received from the Theme Park ground lease prior to December 31, 2019, when the current option expires:

Fiscal Year	Ground Lease Amount	Parking Lot Amount	Total
2017	\$ 5,300,000	\$ 26,600	\$ 5,326,600
2018	5,300,000	26,600	5,326,600
2019	5,300,000	29,925	5,329,925
2020	2,650,000	29,925	2,679,925
Total	<u>\$ 18,550,000</u>	<u>\$ 113,050</u>	<u>\$ 18,663,050</u>

**B. Techmart Office Building Ground Lease**

In May 1998, the former RDA entered into a long-term ground lease of the Techmart parcel with CarrAmerica. The lease has a 55 year term with options for two additional ten-year terms. The former RDA received \$1 million annual rent for each of the first ten years of the lease, which lease revenues were paid by



**CITY OF SANTA CLARA**  
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**NOTE 22 – SUCCESSOR AGENCY LEASE AGREEMENTS (continued)**

the former RDA to the City pursuant to the First Amended Cooperation Agreement. Rent increases are scheduled as follows: 10% in the eleventh year and every five years thereafter during the initial term and 15% in the first and sixth year of each option term. Under the terms of the lease, CarrAmerica assumed responsibility for all taxes and assessments levied against the Techmart parcel and the Lessor’s interest in the ground lease is unsubordinated to any other financing. 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.

Lease revenues collected from July 1, 2012 to June 30, 2015 in the amount of \$3,529,167 have been passed on to the Successor Agency. For the fiscal year ended June 30, 2016, Lessee paid rent of \$1,210,000.

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

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 1,210,000
2018	1,220,083
2019	1,331,000
2020	1,331,000
2021	1,331,000
Thereafter	<u>59,033,204</u>
Total	<u>\$ 65,456,287</u>

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

In April 1985, the former RDA entered into a long-term ground lease with SCCC Associates (Lessee) for the development of a certain portion of that piece of land – the Bayshore North Redevelopment Project Area, and eventual operation of a high quality hotel and related facilities, amenities and improvements including one of the Ballrooms in the Convention Center. The lease is for an initial term of 50 years. The Lessee has options to renew the lease for four additional periods of ten years each and one additional period of nine years. In 2005, SHC New Santa Clara, LLC, the successor-in-interest to SCCC Associates at that time, sold the interest to Hyatt Equities, LLC. In 2013, Hyatt Equities, LLC. sold its interest to Inland American Lodging Acquisitions, Inc.; the terms and conditions of the lease agreements remain in effect. Under the terms of the lease, the former RDA is entitled to receive a specified amount of minimum rent subject to adjustment at times specified in the lease. Lessee may also have an obligation for additional rent calculated as a predetermined percentage of the hotel gross revenues which exceed the amount specified in the lease.

The Settlement Agreement states that a portion of the ground lease payments from the Hyatt Hotel are derived from the Convention Center Ballroom space rental and are not related to the Hyatt Hotel ground lease. The Settlement Agreement states the City shall retain all revenues generated from the Ballroom Agreement starting July 1, 2015. Lease revenues collected from July 1, 2012 to June 30, 2015 in the amount of \$921,270 have been passed on to the Successor Agency. Additional information concerning the Ballroom Lease can be found in Note 4B.

Lease revenues collected from Hyatt from July 1, 2012 to June 30, 2015 in the amount of \$4,745,140 have been passed on to the Successor Agency. For the fiscal year ended June 30, 2016, Lessee paid minimum rent of \$400,000 and \$1,560,663 in the additional rent.

**CITY OF SANTA CLARA**  
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**NOTE 22 – SUCCESSOR AGENCY LEASE AGREEMENTS (continued)**

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

Fiscal Year	Ground Lease Amount
2017	\$ 400,000
2018	400,000
2019	400,000
2020	400,000
2021	400,000
Thereafter	5,533,333
Total	<u>\$ 7,533,333</u>

**D. Hilton Hotel Ground Lease**

In July 1999, the former RDA entered into a long-term ground lease with Santa Clara Hotel, LLC (Lessee) for the development of a certain portion of that piece of land – the North Parcel, and eventual operation of a high quality hotel and related facilities, amenities and improvements (Hilton Hotel). The lease is for an initial term of 55 years. The Lessee has options to renew the lease for three additional periods of ten years. Under the terms of the lease, the former RDA is entitled to receive a specified amount of minimum rent subject to adjustment at times specified in the lease. Beginning with the third lease year, the former RDA is also entitled to receive additional rent at an amount equal to a specified percentage of the gross revenues if the hotel exceeds the total amount of minimum rent for the applicable lease year.

Lease revenues collected from July 1, 2012 to June 30, 2015 in the amount of \$2,574,221 have been passed on to the Successor Agency. For the fiscal year ended June 30, 2016, Lessee paid minimum rent of \$400,000 and \$704,175 in the additional rent.

Fiscal Year	Amount
2017	\$ 400,000
2018	400,000
2019	400,000
2020	400,000
2021	400,000
Thereafter	13,233,334
Total	<u>\$ 15,233,334</u>

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

In April 2000, the former RDA entered into a Disposition and Development Agreement (DDA) with Ground Lease with The Irvine Company (Developer) for development of the site as an office/R&D complex. The DDA contemplated the former RDA obtaining title to the entire property from the City prior to entering into

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 22 – SUCCESSOR AGENCY LEASE AGREEMENTS (continued)**

ground leases with the Developer. The site is subdivided into three parcels to accommodate the phased development of the project. Only Gateway Parcel 2 was conveyed to the former RDA.

As provided under the DDA, the former RDA leased Gateway Parcel 2 to the Developer, effective February 16, 2001. Rent on Gateway Parcel 2 began on June 19, 2003. The term of the Lease is 80 years from the effective date and therefore shall expire on February 16, 2081.

Lease revenues collected from July 1, 2012 to June 30, 2015 in the amount of \$12,094,443 have been passed on to the Successor Agency. For the fiscal year ended June 30, 2016, Lessee paid rent of \$4,706,748.

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

Fiscal Year	Amount
2017	\$ 4,613,156
2018	4,613,156
2019	4,613,156
2020	4,613,156
2021	4,613,156
Thereafter	275,059,406
Total	<u>\$ 298,125,186</u>

**NOTE 23 – SPECIAL ITEMS**

**A. Summary of Special Items**

The special items resulting from dissolution of the former Redevelopment Agency (RDA) are included in the City's GAAP basis financial statements. A full description of the RDA OFA DDR is in Note 21.

A summary of the City's special items at June 30, 2016 are as follows:

	General Fund	Private Purpose Trust Fund	General Fixed Assets
Special items:			
RDA OFA DDR - Leases	\$ (496,392)	\$ 16,970,919	\$ -
RDA OFA DDR - Land	-	23,609,288	(23,609,288)
RDA OFA DDR - Other	(345,612)	1,193,438	-
Total Special items	<u>\$ (842,004)</u>	<u>\$ 41,773,645</u>	<u>\$ (23,609,288)</u>

***Required Supplementary Information***

<b>CITY OF SANTA CLARA REQUIRED SUPPLEMENTARY INFORMATION</b>
-------------------------------------------------------------------

This part of the City of Santa Clara's Comprehensive Annual Report provides detailed information to better understand the data presented within the financial statements and note disclosures.

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

Discloses the changes and components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percentage of covered-employee payroll.

**SCHEDULE OF CONTRIBUTIONS**

Contains information of the employer's contractually required contribution rates, contributions to the pension plan and related ratios.

**SCHEDULE OF FUNDING PROGRESS - OTHER POST RETIREMENT BENEFIT PLAN**

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

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

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

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**CITY OF SANTA CLARA**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**MISCELLANEOUS PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN**  
**Last Ten Fiscal Years for the Measurement Periods Ended June 30 <sup>(1)</sup>**

Miscellaneous Plan	Fiscal Year Ending	
	2015	2014
Total Pension Liability		
Service cost	\$ 9,909,421	\$ 10,345,749
Interest	44,755,550	42,969,016
Changes in benefits	-	-
Changes of assumptions	(10,233,178)	-
Differences between expected and actual experience	108,957	-
Benefit payments, including refunds of employee contributions	(31,858,297)	(29,847,146)
Net change in total pension liability	12,682,453	23,467,619
Total pension liability - beginning	606,138,535	582,670,916
<b>Total pension liability - ending</b>	<b>\$ 618,820,988</b>	<b>\$ 606,138,535</b>
Plan Fiduciary Net Position		
Contributions - employer	\$ 15,625,285	\$ 14,887,751
Contributions - employee	4,755,791	5,439,513
Net investment income	9,037,882	61,358,126
Other miscellaneous income	-	-
Benefit payments, including refunds of employee contributions	(31,858,297)	(29,847,146)
Plan to plan resource movement	(368)	-
Administrative expense	(457,051)	-
Net change in plan fiduciary net position	(2,896,758)	51,838,244
Plan fiduciary net position - beginning	408,631,135	356,792,891
<b>Plan fiduciary net position - ending</b>	<b>\$ 405,734,377</b>	<b>\$ 408,631,135</b>
<b>Net Pension Liability - ending</b>	<b>\$ 213,086,611</b>	<b>\$ 197,507,400</b>
Plan fiduciary net position as a percentage of the total pension liability	65.57%	67.42%
Covered payroll	57,336,229	57,193,591
Net pension liability as percentage of covered payroll	371.64%	345.33%

Notes to schedule:

(1) Fiscal year 2014-15 was the first year of implementation, therefore only two years are shown.

**Benefit changes:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014.

**Changes in assumptions:** The discount rate was changed from 7.5% (net of administrative expense) to 7.65%.

**CITY OF SANTA CLARA**  
**SCHEDULE OF PLAN CONTRIBUTIONS**  
**MISCELLANEOUS PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN**  
**Last Ten Fiscal Years for the Measurement Periods Ended June 30<sup>(1)</sup>**

Miscellaneous Plan	Fiscal Year Ending	
	2016	2015
Actuarially determined contribution	\$ 18,543,534	\$ 15,257,771
Contributions in relation to the actuarially determined contributions	(18,543,534)	(15,257,771)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	61,942,363	57,336,229
Contributions as a percentage of covered payroll	29.94%	26.61%
Notes to schedule		
Valuation date	6/30/2013	6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years as of valuation date
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.2% to 12.2% depending on age, service and type of employment
Investment rate of return	7.50%, net of pension plan investment and administrative expenses; includes inflation
Retirement age	67 yrs. Misc.
Mortality <sup>(2)</sup>	Derived using CalPERS' Membership Data for all Funds

(1) Fiscal year 2014-15 was the first year of implementation, therefore only two years are shown.

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



**CITY OF SANTA CLARA**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**SAFETY PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN**  
**Last Ten Fiscal Years for the Measurement Periods Ended June 30 <sup>(1)</sup>**

Safety Plan	Fiscal Year Ending	
	2015	2014
Total Pension Liability		
Service cost	\$ 10,678,931	\$ 10,748,085
Interest	46,944,730	45,454,864
Changes in benefits	-	-
Changes of assumptions	(11,249,844)	-
Differences between expected and actual experience	(3,604,245)	-
Benefit payments, including refunds of employee contributions	(34,372,454)	(33,072,631)
Net change in total pension liability	8,397,118	23,130,318
Total pension liability - beginning	640,357,452	617,227,134
<b>Total pension liability - ending</b>	<b>\$ 648,754,570</b>	<b>\$ 640,357,452</b>
Plan Fiduciary Net Position		
Contributions - employer	\$ 14,692,277	\$ 12,839,821
Contributions - employee	4,079,023	4,866,079
Net investment income	10,236,992	70,347,760
Other miscellaneous income	-	-
Benefit payments, including refunds of employee contributions	(34,372,454)	(33,072,631)
Plan to plan resource movement	-	-
Administrative expense	(516,273)	-
Net change in plan fiduciary net position	(5,880,435)	54,981,029
Plan fiduciary net position - beginning	464,622,337	409,641,308
<b>Plan fiduciary net position - ending</b>	<b>\$ 458,741,902</b>	<b>\$ 464,622,337</b>
<b>Net Pension Liability - ending</b>	<b>\$ 190,012,668</b>	<b>\$ 175,735,115</b>
Plan fiduciary net position as a percentage of the total pension liability	70.71%	72.56%
Covered payroll	39,002,668	37,666,322
Net pension liability as percentage of covered payroll	487.18%	466.56%

Notes to schedule:

(1) Fiscal year 2014-15 was the first year of implementation, therefore only two years are shown.

**Benefit changes:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014.

**Changes in assumptions:** The discount rate was changed from 7.5% (net of administrative expense) to 7.65%.

**CITY OF SANTA CLARA**  
**SCHEDULE OF PLAN CONTRIBUTIONS**  
**SAFETY PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN**  
**Last Ten Fiscal Years for the Measurement Periods Ended June 30 <sup>(1)</sup>**

Safety Plan	Fiscal Year Ending	
	2016	2015
Actuarially determined contribution	\$ 17,365,058	\$ 14,776,850
Contributions in relation to the actuarially determined contributions	<u>(17,365,058)</u>	<u>(14,776,850)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	41,116,053	39,002,668
Contributions as a percentage of covered payroll	42.23%	37.89%
Notes to schedule		
Valuation date	6/30/2013	6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years as of valuation date
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.4% to 20.0% depending on age, service and type of employment
Investment rate of return	7.50%, net of pension plan investment and administrative expenses; includes inflation
Retirement age	57 yrs. Safety
Mortality <sup>(2)</sup>	Derived using CalPERS' Membership Data for all Funds

(1) Fiscal year 2014-15 was the first year of implementation, therefore only two years are shown.

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

**CITY OF SANTA CLARA  
SCHEDULE OF FUNDING PROGRESS  
OTHER POST RETIREMENT BENEFIT PLAN  
June 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] /c)
	(a)	(b)	(b - a)			
06/30/2010	\$ 7,031,000	\$ 30,886,000	\$ 23,855,000	22.8%	\$ 101,739,000	23.4%
06/30/2012	9,129,000	36,473,000	27,344,000	25.0%	95,244,000	28.7%
06/30/2014	11,539,000	40,099,000	28,560,000	28.8%	92,907,000	30.7%

**CITY OF SANTA CLARA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)  
For the year ended June 30, 2016**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Sales	\$ 52,690,000	\$ 52,690,000	\$ 50,254,965	\$ (2,435,035)
Ad valorem	38,704,661	38,976,751	45,621,226	6,644,475
Transient occupancy	17,300,000	17,300,000	20,034,096	2,734,096
Other	4,726,935	4,726,935	5,611,927	884,992
Licenses, permits, fines and penalties	9,586,000	9,586,000	11,391,575	1,805,575
Intergovernmental	317,000	365,000	1,836,292	1,471,292
Charges for services	35,641,886	35,643,886	44,898,082	9,254,196
Contributions in-lieu of taxes	19,218,263	19,218,263	19,057,004	(161,259)
Interest and rents	11,434,098	11,434,098	14,892,233	3,458,135
Other	295,456	295,456	582,604	287,148
<b>Total Revenues</b>	<b>189,914,299</b>	<b>190,236,389</b>	<b>214,180,004</b>	<b>23,943,615</b>
<b>EXPENDITURES</b>				
Current:				
General Government:				
General Administration:				
Salary & benefits	3,883,497	4,562,003	4,188,026	373,977
Material, service & supplies	10,641,749	10,458,914	9,642,871	816,043
Internal service fund charges	209,769	209,769	209,769	-
Capital outlay	2,000	52,000	62,514	(10,514)
<b>Total General Administration</b>	<b>14,737,015</b>	<b>15,282,686</b>	<b>14,103,180</b>	<b>1,179,506</b>
City Clerk:				
Salary & benefits	873,012	857,386	821,366	36,020
Material, service & supplies	193,057	193,057	143,343	49,714
Internal service fund charges	26,699	26,699	26,699	-
<b>Total City Clerk</b>	<b>1,092,768</b>	<b>1,077,142</b>	<b>991,408</b>	<b>85,734</b>
City Attorney:				
Salary & benefits	1,368,936	1,373,575	1,397,919	(24,344)
Material, service & supplies	76,560	76,560	52,216	24,344
Internal service fund charges	36,061	36,061	36,061	-
<b>Total City Attorney</b>	<b>1,481,557</b>	<b>1,486,196</b>	<b>1,486,196</b>	<b>-</b>
Human Resources:				
Salary & benefits	2,184,978	2,183,759	2,002,795	180,964
Material, service & supplies	544,705	544,705	527,331	17,374
Internal service fund charges	52,950	52,950	52,950	-
Capital outlay	23,000	23,000	(6,301)	29,301
<b>Total Human Resources</b>	<b>2,805,633</b>	<b>2,804,414</b>	<b>2,576,775</b>	<b>227,639</b>

**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, 2016**  
**(continued)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Salary & benefits	8,271,654	8,212,567	7,835,481	377,086
Material, service & supplies	1,256,200	1,256,200	1,120,351	135,849
Internal service fund charges	388,853	388,853	388,853	-
<b>Total Finance</b>	<b>9,916,707</b>	<b>9,857,620</b>	<b>9,344,685</b>	<b>512,935</b>
Total General Government	30,033,680	30,508,058	28,502,244	2,005,814
Public Works:				
Salary & benefits	14,593,731	14,246,038	13,069,442	1,176,596
Material, service & supplies	2,961,496	2,961,496	2,663,138	298,358
Internal service fund charges	1,548,462	1,548,462	1,548,462	-
Capital outlay	-	-	6,364	(6,364)
<b>Total Public Works</b>	<b>19,103,689</b>	<b>18,755,996</b>	<b>17,287,406</b>	<b>1,468,590</b>
Parks and Recreation:				
Salary & benefits	11,150,211	11,232,263	10,053,978	1,178,285
Material, service & supplies	3,030,640	3,030,640	3,966,412	(935,772)
Internal service fund charges	858,986	858,986	858,986	-
<b>Total Parks and Recreation</b>	<b>15,039,837</b>	<b>15,121,889</b>	<b>14,879,376</b>	<b>242,513</b>
Public Safety:				
Police:				
Salary & benefits	52,405,841	52,176,336	50,231,139	1,945,197
Material, service & supplies	6,368,267	6,368,267	6,232,297	135,970
Internal service fund charges	3,689,607	3,689,607	3,689,607	-
<b>Total Police</b>	<b>62,473,715</b>	<b>62,244,210</b>	<b>60,153,043</b>	<b>2,091,167</b>
Fire:				
Salary & benefits	36,215,887	36,555,348	35,528,094	1,027,254
Material, service & supplies	908,294	991,129	1,239,861	(248,732)
Internal service fund charges	2,005,069	2,005,069	2,005,069	-
Capital outlay	56,200	56,200	59,993	(3,793)
<b>Total Fire</b>	<b>39,185,450</b>	<b>39,607,746</b>	<b>38,833,017</b>	<b>774,729</b>
<b>Total Public Safety</b>	<b>101,659,165</b>	<b>101,851,956</b>	<b>98,986,060</b>	<b>2,865,896</b>

**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, 2016  
(continued)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Planning & Inspection:				
Salary & benefits	7,090,393	6,985,281	6,154,851	830,430
Material, service & supplies	283,932	1,783,932	1,797,486	(13,554)
Internal service fund charges	217,986	217,986	217,986	-
Capital outlay	110,000	110,000	84,436	25,564
Total Planning & Inspection	<u>7,702,311</u>	<u>9,097,199</u>	<u>8,254,759</u>	<u>842,440</u>
Library:				
Salary & benefits	6,728,507	6,654,183	6,464,814	189,369
Material, service & supplies	2,064,290	2,314,290	2,294,182	20,108
Internal service fund charges	156,272	156,272	156,272	-
Total Library	<u>8,949,069</u>	<u>9,124,745</u>	<u>8,915,268</u>	<u>209,477</u>
Total Expenditures	<u>182,487,751</u>	<u>184,459,843</u>	<u>176,825,113</u>	<u>7,634,730</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>7,426,548</u>	<u>5,776,546</u>	<u>37,354,891</u>	<u>31,578,345</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,964,058	35,887,711	34,869,653	(1,018,058)
Transfers (out)	(15,344,289)	(22,383,887)	(22,383,887)	-
Total Other Financing Sources (Uses)	<u>(13,380,231)</u>	<u>13,503,824</u>	<u>12,485,766</u>	<u>(1,018,058)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS	<u>\$ (5,953,683)</u>	<u>\$ 19,280,370</u>	<u>\$ 49,840,657</u>	<u>\$ 30,560,287</u>
ADJUSTMENTS TO BUDGETARY BASIS:				
Prior year encumbrances recognized on the GAAP basis			(3,725,480)	
Current year encumbrances recognized on the budgetary basis			3,475,773	
Net change in receivables recognized on the GAAP basis			7,410,939	
Net change in accrued liabilities recognized on the GAAP basis			13,394,962	
Special item			(14,830,532)	
Net change in funds for GAAP Basis not included in annual budget			(1,389,711)	
Beginning Fund balance			<u>143,621,392</u>	
Ending Fund balance			<u>\$ 197,798,000</u>	

**CITY OF SANTA CLARA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2016**

**NOTE 1 – REQUIRED SUPPLEMENTARY INFORMATION**

**A. BUDGETS AND BUDGETARY ACCOUNTING**

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

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

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

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## *Supplementary Information*

<b>CITY OF SANTA CLARA NON-MAJOR GOVERNMENTAL FUNDS</b>
-------------------------------------------------------------

SPECIAL REVENUE FUNDS

**GAS TAX**

The fund accounts for revenues and expenditures received from the State under Street and Highways Codes Sections 2105 (Gas Tax 2105), 2106 (Collier-Unruh) and 2107 (Special Gas Tax). The allocations must be spent for street maintenance or construction and a limited amount for engineering.

**HUD PROGRAMS**

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

**CITY AFFORDABLE HOUSING**

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

**SANTA CLARA HOUSING AUTHORITY FUND**

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

**MAINTENANCE**

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

**OPERATING GRANTS FUND**

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

DEBT SERVICE FUNDS

**PUBLIC FACILITIES FINANCING CORPORATION (PFFC)**

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

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## CAPITAL PROJECTS FUNDS

### PARKS AND RECREATION FACILITIES

This fund was established to account for revenues, contributions and reimbursements received and costs incurred in connection with the acquisition and construction of the City parks.

### STREETS AND HIGHWAYS IMPROVEMENT

This fund is used to account for revenues and expenditures related to road construction and traffic improvements.

### STORM DRAIN IMPROVEMENT

This fund is used to account for revenues and expenditures related to the construction or modification of the City's storm drainage system.

### FIRE DEPARTMENT IMPROVEMENT

This fund is used to account for revenues and expenditures related to the construction or modification of City fire stations.

### LIBRARY DEPARTMENT IMPROVEMENT

This fund is used to account for revenues and expenditures related to the construction or modification of the City's library facilities.

### PUBLIC FACILITIES

This fund is used to account for revenues and expenditures related to the construction, acquisition or modification of public improvements not accounted for in another Capital Projects Fund.

### STREET BEAUTIFICATION

This fund is used to account for revenues and expenditures related to the landscaping of City streets.

### SPECIAL ASSESSMENTS

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

**CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2016**

**SPECIAL REVENUE FUNDS**

	<u>Gas Tax</u>	<u>HUD Programs</u>	<u>City Affordable Housing</u>	<u>Santa Clara Housing Authority</u>
<b>ASSETS</b>				
Cash and investments:				
Pooled cash and investments	\$ 17,384,304	\$ 1,447,505	\$ 4,526,695	\$ 2,220,590
Investments with fiscal agent - current	-	-	-	-
Cash restricted for construction	-	-	-	-
Receivables (net of allowance for uncollectibles):				
Accounts	-	-	-	-
Loans	-	12,707,964	14,773,492	7,352,352
Intergovernmental	191,163	2,617,772	-	-
Due from other funds	-	-	-	-
Investments with fiscal agent - noncurrent	-	-	-	-
Total Assets	<u>\$ 17,575,467</u>	<u>\$16,773,241</u>	<u>\$ 19,300,187</u>	<u>\$ 9,572,942</u>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 68,371	\$ 129,684	\$ -	\$ 52,922
Total Liabilities	<u>68,371</u>	<u>129,684</u>	<u>-</u>	<u>52,922</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - Loans	-	12,690,274	14,773,492	7,352,352
Unavailable revenue - Grants	-	2,260,912	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>14,951,186</u>	<u>14,773,492</u>	<u>7,352,352</u>
<b>FUND BALANCES</b>				
Restricted	17,507,096	1,692,371	-	-
Committed	-	-	4,526,695	2,167,668
Total Fund Balances	<u>17,507,096</u>	<u>1,692,371</u>	<u>4,526,695</u>	<u>2,167,668</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,575,467</u>	<u>\$16,773,241</u>	<u>\$ 19,300,187</u>	<u>\$ 9,572,942</u>

CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2016

DEBT SERVICE FUND

<u>Maintenance</u>	<u>Operating Grants Fund</u>	<u>Public Facilities Financing Corp.</u>
\$ 411,753	\$ 506,287	\$ 769,771
-	-	1,210
228,384	-	-
-	-	-
-	-	-
-	145,214	-
22,529	-	-
-	-	704,170
\$ 662,666	\$ 651,501	\$ 1,475,151
\$ 99,130	\$ 40,146	\$ 1,165
99,130	40,146	1,165
-	-	-
-	-	-
-	-	-
563,536	611,355	1,473,986
-	-	-
563,536	611,355	1,473,986
\$ 662,666	\$ 651,501	\$ 1,475,151

**CITY OF SANTA CLARA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2016 (continued)**

	<b>CAPITAL PROJECTS FUNDS</b>			
	<b>Parks and Recreation Facilities</b>	<b>Streets and Highways Improvement</b>	<b>Storm Drain Improvement</b>	<b>Fire Department Improvement</b>
<b>ASSETS</b>				
Cash and investments:				
Pooled cash and investments	\$ 11,198,459	\$ 16,997,499	\$ 2,304,081	\$ 548,594
Investments with fiscal agent - current	-	-	-	-
Cash restricted for construction	-	3,513,911	-	-
Receivables (net of allowance for uncollectibles):				
Accounts	-	-	38,879	-
Loans	-	-	-	-
Intergovernmental	-	270,236	-	-
Due from other funds	-	-	-	-
Investments with fiscal agent - noncurrent	-	-	-	-
Total Assets	<u>\$ 11,198,459</u>	<u>\$ 20,781,646</u>	<u>\$ 2,342,960</u>	<u>\$ 548,594</u>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 322,989	\$ 318,358	\$ -	\$ 7,172
Total Liabilities	<u>322,989</u>	<u>318,358</u>	<u>-</u>	<u>7,172</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - Loans	-	-	-	-
Unavailable revenue - Grants	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted	-	15,349,615	320,068	10,254
Committed	10,875,470	5,113,673	2,022,892	531,168
Total Fund Balances	<u>10,875,470</u>	<u>20,463,288</u>	<u>2,342,960</u>	<u>541,422</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,198,459</u>	<u>\$ 20,781,646</u>	<u>\$ 2,342,960</u>	<u>\$ 548,594</u>

CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2016 (continued)

Library Department Improvement	Public Facilities	Street Beautification	Special Assessments	Total Non-Major Governmental Funds
\$ 3,030,142	\$ 12,848,856	\$ 146,460	\$ 1,057,817	\$ 75,398,813
-	-	-	-	1,210
-	-	-	-	3,742,295
-	78,879	673	-	118,431
-	-	-	-	34,833,808
-	-	-	-	3,224,385
-	-	-	-	22,529
-	-	-	-	704,170
<u>\$ 3,030,142</u>	<u>\$ 12,927,735</u>	<u>\$ 147,133</u>	<u>\$ 1,057,817</u>	<u>\$ 118,045,641</u>
\$ 11,410	\$ 226,790	\$ 11,711	\$ -	\$ 1,289,848
<u>11,410</u>	<u>226,790</u>	<u>11,711</u>	<u>-</u>	<u>1,289,848</u>
-	-	-	-	34,816,118
-	-	-	-	2,260,912
-	-	-	-	37,077,030
-	2,139,410	-	1,057,817	40,725,508
<u>3,018,732</u>	<u>10,561,535</u>	<u>135,422</u>	<u>-</u>	<u>38,953,255</u>
<u>3,018,732</u>	<u>12,700,945</u>	<u>135,422</u>	<u>1,057,817</u>	<u>79,678,763</u>
<u>\$ 3,030,142</u>	<u>\$ 12,927,735</u>	<u>\$ 147,133</u>	<u>\$ 1,057,817</u>	<u>\$ 118,045,641</u>



**CITY OF SANTA CLARA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the year ended June 30, 2016**

	<b>SPECIAL REVENUE FUNDS</b>			
	<b>Gas Tax</b>	<b>HUD Programs</b>	<b>City Affordable Housing</b>	<b>Santa Clara Housing Authority</b>
<b>REVENUES</b>				
Intergovernmental	\$ 2,511,091	\$ 1,538,709	\$ -	\$ -
Charges for services	-	-	-	-
Interest and rents	127,141	2,281	33,333	15,978
Other	-	943,403	475,318	326,916
<b>Total Revenues</b>	<b>2,638,232</b>	<b>2,484,393</b>	<b>508,651</b>	<b>342,894</b>
<b>EXPENDITURES</b>				
Current:				
General Administration	-	1,155,916	136,446	121,601
Public Works	399,627	-	-	-
Parks and Recreation	-	-	-	-
Public Safety:				
Police	-	-	-	-
Fire	-	-	-	-
Library	-	-	-	-
Capital outlay	1,066,404	601,636	-	3,262,500
Debt service:				
Principal payments	-	-	-	-
Interest and fiscal fees	-	-	-	-
Bond issuance cost	-	-	-	-
<b>Total Expenditures</b>	<b>1,466,031</b>	<b>1,757,552</b>	<b>136,446</b>	<b>3,384,101</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,172,201</b>	<b>726,841</b>	<b>372,205</b>	<b>(3,041,207)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	188,220	-	-
Transfers (out)	(885,246)	-	(48,220)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(885,246)</b>	<b>188,220</b>	<b>(48,220)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>286,955</b>	<b>915,061</b>	<b>323,985</b>	<b>(3,041,207)</b>
Fund balances - beginning	17,220,141	777,310	4,202,710	5,208,875
Fund balances - ending	<b>\$ 17,507,096</b>	<b>\$ 1,692,371</b>	<b>\$ 4,526,695</b>	<b>\$ 2,167,668</b>

**CITY OF SANTA CLARA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the year ended June 30, 2016**

**DEBT SERVICE FUND**

<u>Maintenance</u>	<u>Operating Grants Fund</u>	<u>Public Facilities Financing Corp.</u>
\$ -	\$ 742,526	\$ -
714,975	116,751	-
4,173	-	618
-	-	-
<u>719,148</u>	<u>859,277</u>	<u>618</u>
-	-	-
1,416,958	-	-
-	148,746	-
-	729,572	-
-	34,736	-
-	57,081	-
-	24,883	-
-	-	1,620,000
-	-	878,975
-	-	1,165
<u>1,416,958</u>	<u>995,018</u>	<u>2,500,140</u>
<u>(697,810)</u>	<u>(135,741)</u>	<u>(2,499,522)</u>
759,289	51,340	2,504,475
-	-	-
<u>759,289</u>	<u>51,340</u>	<u>2,504,475</u>
61,479	(84,401)	4,953
502,057	695,756	1,469,033
<u>\$ 563,536</u>	<u>\$ 611,355</u>	<u>\$ 1,473,986</u>

**CITY OF SANTA CLARA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the year ended June 30, 2016 (continued)**

	<b>CAPITAL PROJECTS FUNDS</b>			
	<b>Parks and Recreation Facilities</b>	<b>Streets and Highways Improvement</b>	<b>Storm Drain Improvement</b>	<b>Fire Department Improvement</b>
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 2,499,246	\$ -	\$ 12,000
Charges for services	-	99,462	1,000,649	-
Interest and rents	-	64,720	4,163	-
Other	780,492	2,246,131	-	-
Total Revenues	<u>780,492</u>	<u>4,909,559</u>	<u>1,004,812</u>	<u>12,000</u>
<b>EXPENDITURES</b>				
Current:				
General Administration	-	-	-	-
Public Works	-	474,322	395,957	-
Parks and Recreation	324,270	-	-	-
Public Safety:				
Police	-	-	-	-
Fire	-	-	-	266,172
Library	-	-	-	-
Capital outlay	1,230,064	2,844,124	264,928	47,426
Debt service:				
Principal payments	-	-	-	-
Interest and fiscal fees	-	-	-	-
Bond issuance cost	-	-	-	-
Total Expenditures	<u>1,554,334</u>	<u>3,318,446</u>	<u>660,885</u>	<u>313,598</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(773,842)</u>	<u>1,591,113</u>	<u>343,927</u>	<u>(301,598)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,640,000	1,250,000	350,000	654,000
Transfers (out)	(75,729)	-	(446,000)	-
Total Other Financing Sources (Uses)	<u>5,564,271</u>	<u>1,250,000</u>	<u>(96,000)</u>	<u>654,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	4,790,429	2,841,113	247,927	352,402
Fund balances - beginning	6,085,041	17,622,175	2,095,033	189,020
Fund balances - ending	<u>\$ 10,875,470</u>	<u>\$ 20,463,288</u>	<u>\$ 2,342,960</u>	<u>\$ 541,422</u>

**CITY OF SANTA CLARA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the year ended June 30, 2016 (continued)**

<b>Library Department Improvement</b>	<b>Public Facilities</b>	<b>Street Beautification</b>	<b>Special Assessments</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 7,303,572
-	-	-	-	1,931,837
-	309	-	3,796	256,512
-	305,575	673	-	5,078,508
-	305,884	673	3,796	14,570,429
-	4,736,737	-	-	6,150,700
-	-	4,142	-	2,691,006
-	-	-	-	473,016
-	-	-	-	729,572
-	-	-	-	300,908
481,713	-	-	-	538,794
199,784	637,327	432,467	-	10,611,543
-	-	-	-	1,620,000
-	-	-	-	878,975
-	-	-	-	1,165
681,497	5,374,064	436,609	-	23,995,679
(681,497)	(5,068,180)	(435,936)	3,796	(9,425,250)
3,175,336	9,010,908	20,000	-	23,603,568
-	(3,549,581)	(882)	-	(5,005,658)
3,175,336	5,461,327	19,118	-	18,597,910
2,493,839	393,147	(416,818)	3,796	9,172,660
524,893	12,307,798	552,240	1,054,021	70,506,103
\$ 3,018,732	\$ 12,700,945	\$ 135,422	\$ 1,057,817	\$ 79,678,763

**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, 2016**

	<u>Budget</u>	<u>Actual Amount Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Charges for services	\$ 741,140	\$ 714,975	\$ (26,165)
Interest and rents	2,098	4,173	2,075
Total Revenues	<u>743,238</u>	<u>719,148</u>	<u>(24,090)</u>
<b>EXPENDITURES</b>			
Current:			
Public works			
Salary & benefits	82,004	73,247	(8,757)
Material, service & supplies	1,413,687	1,196,427	(217,260)
Internal service fund charges	63,766	56,418	(7,348)
Total Public Works	<u>1,559,457</u>	<u>1,326,092</u>	<u>(233,365)</u>
Total Expenditures	<u>1,559,457</u>	<u>1,326,092</u>	<u>(233,365)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(816,219)</u>	<u>(606,944)</u>	<u>209,275</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	759,289	759,289	-
Total Other Financing Sources (Uses)	<u>759,289</u>	<u>759,289</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>(56,930)</u>	152,345	<u>\$ 209,275</u>
<b>ADJUSTMENTS TO BUDGETARY BASIS:</b>			
Expenditures of prior year encumbrances recognized on the GAAP basis		(56,930)	
Current year encumbrances recognized on the budgetary basis		44,639	
Net change in accrued liabilities recognized on the GAAP basis		(78,575)	
Beginning Fund balance		<u>502,057</u>	
Ending Fund balance		<u>\$ 563,536</u>	

<p style="text-align: center;"><b>CITY OF SANTA CLARA</b> <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.

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

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

**SANTA CLARA CONVENTION CENTER FUND**

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

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

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

**CITY OF SANTA CLARA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2016**

	<u>Solid Waste</u>	<u>Cemetery</u>	<u>Santa Clara Golf and Tennis Club</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments:			
Pooled cash and investments	\$ 5,170,079	\$ 1,843,337	\$ 111,685
Receivables (net of allowance for uncollectible):			
Accounts	2,277,233	-	-
Due from other funds	-	206,908	-
Materials, supplies and prepaids	-	-	56,955
Total current assets	<u>7,447,312</u>	<u>2,050,245</u>	<u>168,640</u>
Noncurrent assets:			
Cash for construction	712,248	-	-
Capital assets:			
Land	-	1,096,874	-
Buildings, infrastructure and land improvements	127,362	1,280,641	23,832,610
Equipment	139,784	64,552	623,404
	<u>267,146</u>	<u>2,442,067</u>	<u>24,456,014</u>
Less accumulated depreciation	146,665	1,112,156	21,377,757
Net capital assets	<u>120,481</u>	<u>1,329,911</u>	<u>3,078,257</u>
Total noncurrent assets	<u>832,729</u>	<u>1,329,911</u>	<u>3,078,257</u>
Total assets	<u>8,280,041</u>	<u>3,380,156</u>	<u>3,246,897</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows pension related items	301,540	87,484	-
Total deferred outflows of resources	<u>301,540</u>	<u>87,484</u>	<u>-</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accrued liabilities	1,133,183	5,944	249,365
Unearned revenue	-	-	-
Accrued compensated absences	8,894	1,767	-
Current portion of landfill closure liability	840,133	-	-
Total current liabilities	<u>1,982,210</u>	<u>7,711</u>	<u>249,365</u>
Noncurrent liabilities:			
Advance from other funds	-	4,895,667	4,224,133
Long-term comp absences	84,569	16,799	-
Landfill closure liability	49,018	-	-
Net pension liability	3,452,003	1,001,506	-
Total noncurrent liabilities	<u>3,585,590</u>	<u>5,913,972</u>	<u>4,224,133</u>
Total liabilities	<u>5,567,800</u>	<u>5,921,683</u>	<u>4,473,498</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows pension related items	168,920	49,008	-
Total deferred inflows of resources	<u>168,920</u>	<u>49,008</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	120,481	1,329,911	3,078,257
Restricted for capital projects and other agreements	1,312,248	1,339,294	-
Unrestricted	1,412,132	(5,172,256)	(4,304,858)
Total net position	<u>\$ 2,844,861</u>	<u>\$ (2,503,051)</u>	<u>\$ (1,226,601)</u>

**CITY OF SANTA CLARA  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
June 30, 2016**

<b>Santa Clara Convention Center</b>	<b>Sports and Open Space Authority</b>	<b>TOTAL Non-Major Enterprise Funds</b>
\$ 2,083,615	\$ 32,009	\$ 9,240,725
559,251	-	2,836,484
-	-	206,908
-	-	56,955
<u>2,642,866</u>	<u>32,009</u>	<u>12,341,072</u>
-	-	712,248
-	1,995,998	3,092,872
78,353,492	-	103,594,105
2,481,466	-	3,309,206
<u>80,834,958</u>	<u>1,995,998</u>	<u>109,996,183</u>
50,963,488	-	73,600,066
<u>29,871,470</u>	<u>1,995,998</u>	<u>36,396,117</u>
<u>29,871,470</u>	<u>1,995,998</u>	<u>37,108,365</u>
<u>32,514,336</u>	<u>2,028,007</u>	<u>49,449,437</u>
-	-	389,024
<u>-</u>	<u>-</u>	<u>389,024</u>
356,091	29,045	1,773,628
1,230,340	-	1,230,340
-	-	10,661
-	-	840,133
<u>1,586,431</u>	<u>29,045</u>	<u>3,854,762</u>
-	-	9,119,800
-	-	101,368
-	-	49,018
-	-	4,453,509
<u>-</u>	<u>-</u>	<u>13,723,695</u>
<u>1,586,431</u>	<u>29,045</u>	<u>17,578,457</u>
-	-	217,928
<u>-</u>	<u>-</u>	<u>217,928</u>
29,871,470	1,995,998	36,396,117
-	-	2,651,542
1,056,435	2,964	(7,005,583)
<u>\$ 30,927,905</u>	<u>\$ 1,998,962</u>	<u>\$ 32,042,076</u>



**CITY OF SANTA CLARA  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
For the year ended June 30, 2016**

	<u>Solid Waste</u>	<u>Cemetery</u>	<u>Santa Clara Golf and Tennis Club</u>
Operating revenues:			
Charges for services	\$ 21,391,120	\$ 692,584	\$ 1,601,229
Rents and royalties	-	-	-
Other	447,382	-	64,301
Total operating revenues	<u>21,838,502</u>	<u>692,584</u>	<u>1,665,530</u>
Operating expenses:			
Salaries and benefits	1,033,161	350,057	-
Materials, services and supplies	19,113,036	420,980	1,977,725
Depreciation	6,450	18,911	799,785
Total operating expenses	<u>20,152,647</u>	<u>789,948</u>	<u>2,777,510</u>
Operating income (loss)	<u>1,685,855</u>	<u>(97,364)</u>	<u>(1,111,980)</u>
Nonoperating revenues (expenses):			
Interest revenue	-	9,875	-
Rents and royalties	15,466	-	-
Gain (loss) on retirement of assets	-	-	-
Total nonoperating revenues	<u>15,466</u>	<u>9,875</u>	<u>-</u>
Income (loss) before contributions and transfers	1,701,321	(87,489)	(1,111,980)
Transfers (out)	<u>(25,742)</u>	<u>(401)</u>	<u>-</u>
Change in net position	1,675,579	(87,890)	(1,111,980)
Total net position - beginning	<u>1,169,282</u>	<u>(2,415,161)</u>	<u>(114,621)</u>
Total net position - ending	<u>\$ 2,844,861</u>	<u>\$ (2,503,051)</u>	<u>\$ (1,226,601)</u>

**CITY OF SANTA CLARA  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
For the year ended June 30, 2016**

<b>Santa Clara Convention Center</b>	<b>Sports and Open Space Authority</b>	<b>TOTAL Non-Major Enterprise Funds</b>
\$ 7,399,493	\$ -	\$ 31,084,426
-	71,866	71,866
-	-	511,683
<u>7,399,493</u>	<u>71,866</u>	<u>31,667,975</u>
-	4,980	1,388,198
6,357,659	97,664	27,967,064
2,716,207	-	3,541,353
<u>9,073,866</u>	<u>102,644</u>	<u>32,896,615</u>
<u>(1,674,373)</u>	<u>(30,778)</u>	<u>(1,228,640)</u>
7,175	307	17,357
-	-	15,466
-	29,761,517	29,761,517
<u>7,175</u>	<u>29,761,824</u>	<u>29,794,340</u>
(1,667,198)	29,731,046	28,565,700
-	(30,190,000)	(30,216,143)
<u>(1,667,198)</u>	<u>(458,954)</u>	<u>(1,650,443)</u>
32,595,103	2,457,916	33,692,519
<u>\$ 30,927,905</u>	<u>\$ 1,998,962</u>	<u>\$ 32,042,076</u>

**CITY OF SANTA CLARA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2016**

	<u>Solid Waste</u>	<u>Cemetery</u>	<u>Santa Clara Golf and Tennis Club</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 21,164,856	\$ 692,584	\$ 1,601,229
Payments to suppliers	(19,299,561)	(351,307)	(1,887,025)
Payments to employees for salaries and benefits	(1,131,446)	(381,374)	-
Rents and royalties received	15,466	-	-
Other receipts (payments)	447,382	-	68,948
Net cash provided (used) by operating activities	<u>1,196,697</u>	<u>(40,097)</u>	<u>(216,848)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Decrease in due from other funds	-	17,499	-
Advances from other funds	-	293,529	-
Transfers (out)	<u>(25,742)</u>	<u>(401)</u>	<u>-</u>
Cash Flows from Noncapital Financing Activities	<u>(25,742)</u>	<u>310,627</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from sale of assets	-	-	-
Landfill closure payment	<u>(515,158)</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities	<u>(515,158)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	<u>-</u>	<u>9,875</u>	<u>-</u>
Cash Flows from Investing Activities	<u>-</u>	<u>9,875</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	655,797	280,405	(216,848)
Cash and cash equivalents at beginning of period	<u>5,226,530</u>	<u>1,562,932</u>	<u>328,533</u>
Cash and cash equivalents at end of period	<u>\$ 5,882,327</u>	<u>\$ 1,843,337</u>	<u>\$ 111,685</u>
<b>Cash and cash equivalents:</b>			
Pooled cash and investments	\$ 5,170,079	\$ 1,843,337	\$ 111,685
Cash designated for construction	<u>712,248</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 5,882,327</u>	<u>\$ 1,843,337</u>	<u>\$ 111,685</u>

**CITY OF SANTA CLARA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2016**

<b>Santa Clara Convention Center</b>	<b>Sports and Open Space Authority</b>	<b>TOTAL Non-Major Enterprise Funds</b>
\$ 8,001,324	\$ 71,866	\$ 31,531,859
(6,289,458)	(97,664)	(27,925,015)
-	(4,980)	(1,517,800)
-	-	15,466
-	3,160	519,490
<u>1,711,866</u>	<u>(27,618)</u>	<u>2,624,000</u>
-	-	17,499
-	-	293,529
<u>-</u>	<u>(30,190,000)</u>	<u>(30,216,143)</u>
<u>-</u>	<u>(30,190,000)</u>	<u>(29,905,115)</u>
-	30,190,000	30,190,000
<u>-</u>	<u>-</u>	<u>(515,158)</u>
<u>-</u>	<u>30,190,000</u>	<u>29,674,842</u>
<u>7,175</u>	<u>307</u>	<u>17,357</u>
<u>7,175</u>	<u>307</u>	<u>17,357</u>
1,719,041	(27,311)	2,411,084
<u>364,574</u>	<u>59,320</u>	<u>7,541,889</u>
<u>\$ 2,083,615</u>	<u>\$ 32,009</u>	<u>\$ 9,952,973</u>
\$ 2,083,615	\$ 32,009	\$ 9,240,725
-	-	712,248
<u>\$ 2,083,615</u>	<u>\$ 32,009</u>	<u>\$ 9,952,973</u>

**(continued)**

**CITY OF SANTA CLARA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2016**

	<u>Solid Waste</u>	<u>Cemetery</u>	<u>Santa Clara Golf and Tennis Club</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,685,855	\$ (97,364)	\$ (1,111,980)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
(Decrease) Increase in due to retirement system	(88,780)	(25,757)	-
Depreciation	6,450	18,911	799,785
Change in assets and liabilities:			
Receivables, net	(226,264)	-	-
Inventory	-	-	4,647
Accrued liabilities	(186,525)	69,673	90,700
Compensated absences	(9,505)	(5,560)	-
Other receipts	15,466	-	-
Net cash provided (used) by operating activities	<u>\$ 1,196,697</u>	<u>\$ (40,097)</u>	<u>\$ (216,848)</u>

**CITY OF SANTA CLARA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2016**

<u>Santa Clara Convention Center</u>	<u>Sports and Open Space Authority</u>	<u>TOTAL Non-Major Enterprise Funds</u>
\$ (1,674,373)	\$ (30,778)	\$ (1,228,640)
-	-	(114,537)
2,716,208	-	3,541,354
363,031	-	136,767
-	-	4,647
68,201	-	42,049
-	-	(15,065)
238,799	3,160	257,425
<u>\$ 1,711,866</u>	<u>\$ (27,618)</u>	<u>\$ 2,624,000</u>

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<p style="text-align: center;"><b>CITY OF SANTA CLARA INTERNAL SERVICE FUNDS</b></p>
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Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues or expenses of each internal service fund are eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

#### AUTOMOTIVE SERVICES

This fund accounts for the maintenance and replacement of vehicles and equipment used by all City departments. The source of revenue for this fund is rental fees charged to the various departments.

#### TECHNICAL EQUIPMENT SERVICES

This fund accounts for the maintenance and replacement of communication and computer equipment used by City departments. The source of revenue for this fund is rental fees charged to the various departments.

#### SPECIAL LIABILITY INSURANCE CLAIMS

This fund was established to account for the cost of claims and administrative costs for the City's self-insured general liability program.

#### WORKERS' COMPENSATION INSURANCE CLAIMS

This fund is used to account for the cost of claims for service connected with injuries and illnesses sustained by members of the City's work force.



**CITY OF SANTA CLARA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2016**

	<b>Automotive Services</b>	<b>Technical Equipment Services</b>	<b>Special Liability Insurance Claims</b>	<b>Workers' Compensation Insurance Claims</b>	<b>TOTAL</b>
<b>ASSETS</b>					
Current assets:					
Cash and investments:					
Pooled cash and investments uncollectible):	\$ 7,881,076	\$ 588,582	\$ 4,000,001	\$ 4,512,775	\$ 16,982,434
Accounts	17,509	-	-	191,295	208,804
Due from other funds	394,069	-	-	-	394,069
Materials, supplies and prepaids	788,386	-	-	-	788,386
<b>Total current assets</b>	<b>9,081,040</b>	<b>588,582</b>	<b>4,000,001</b>	<b>4,704,070</b>	<b>18,373,693</b>
Noncurrent assets:					
Capital assets:					
Equipment	28,547,202	3,383,569	-	-	31,930,771
Less accumulated depreciation	19,769,734	2,553,166	-	-	22,322,900
Net capital assets	8,777,468	830,403	-	-	9,607,871
<b>Total noncurrent assets</b>	<b>8,777,468</b>	<b>830,403</b>	<b>-</b>	<b>-</b>	<b>9,607,871</b>
<b>Total assets</b>	<b>17,858,508</b>	<b>1,418,985</b>	<b>4,000,001</b>	<b>4,704,070</b>	<b>27,981,564</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows pension related items	355,519	-	-	-	355,519
<b>Total deferred outflows of resources</b>	<b>355,519</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>355,519</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accrued liabilities	450,281	-	1,264,974	3,332,915	5,048,170
Due to other funds	1,727,144	477,643	-	-	2,204,787
Accrued compensated absences	17,306	-	-	-	17,306
<b>Total current liabilities</b>	<b>2,194,731</b>	<b>477,643</b>	<b>1,264,974</b>	<b>3,332,915</b>	<b>7,270,263</b>
Noncurrent liabilities:					
Long-term portion estimated claims	-	-	910,608	20,332,245	21,242,853
Long-term comp absences	164,549	-	-	-	164,549
Net pension liability	4,069,954	-	-	-	4,069,954
<b>Total noncurrent liabilities</b>	<b>4,234,503</b>	<b>-</b>	<b>910,608</b>	<b>20,332,245</b>	<b>25,477,356</b>
<b>Total liabilities</b>	<b>6,429,234</b>	<b>477,643</b>	<b>2,175,582</b>	<b>23,665,160</b>	<b>32,747,619</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows pension related items	199,159	-	-	-	199,159
<b>Total deferred inflows of resources</b>	<b>199,159</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>199,159</b>
<b>NET POSITION</b>					
Net investment in capital assets	8,777,468	830,403	-	-	9,607,871
Unrestricted	2,808,166	110,939	1,824,419	(18,961,090)	(14,217,566)
<b>Total net position</b>	<b>\$ 11,585,634</b>	<b>\$ 941,342</b>	<b>\$ 1,824,419</b>	<b>\$ (18,961,090)</b>	<b>\$ (4,609,695)</b>

**CITY OF SANTA CLARA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
For the year ended June 30, 2016**

	<u>Automotive Services</u>	<u>Technical Equipment Services</u>	<u>Special Liability Insurance Claims</u>	<u>Workers' Compensation Insurance Claims</u>	<u>TOTAL</u>
Operating revenues:					
Charges for services	\$ 7,387,477	\$ 187,012	\$ 2,136,900	\$ 4,130,000	\$ 13,841,389
Insurance refunds and other	-	-	188,496	530,785	719,281
Total operating revenues	<u>7,387,477</u>	<u>187,012</u>	<u>2,325,396</u>	<u>4,660,785</u>	<u>14,560,670</u>
Operating expenses:					
Salaries and benefits	1,877,199	-	-	-	1,877,199
Materials, services and supplies	1,734,125	-	-	-	1,734,125
General and administrative	-	-	3,264,393	4,035,038	7,299,431
Depreciation	1,895,598	112,774	-	-	2,008,372
Total operating expenses	<u>5,506,922</u>	<u>112,774</u>	<u>3,264,393</u>	<u>4,035,038</u>	<u>12,919,127</u>
Operating income (loss)	<u>1,880,555</u>	<u>74,238</u>	<u>(938,997)</u>	<u>625,747</u>	<u>1,641,543</u>
Nonoperating revenues (expenses):					
Other revenue	331,453	-	-	-	331,453
Total nonoperating revenues	<u>331,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,453</u>
Income (loss) before contributions and transfers	2,212,008	74,238	(938,997)	625,747	1,972,996
Transfers in	-	-	406,767	-	406,767
Transfers (out)	(112,582)	-	-	-	(112,582)
Change in net position	2,099,426	74,238	(532,230)	625,747	2,267,181
Total net position - beginning	9,486,208	867,104	2,356,649	(19,586,837)	(6,876,876)
Total net position - ending	<u>\$ 11,585,634</u>	<u>\$ 941,342</u>	<u>\$ 1,824,419</u>	<u>\$ (18,961,090)</u>	<u>\$ (4,609,695)</u>

**CITY OF SANTA CLARA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the year ended June 30, 2016**

	<b>Automotive Services</b>	<b>Technical Equipment Services</b>	<b>Special Liability Insurance Claims</b>	<b>Workers' Compensation Insurance Claims</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$7,369,968	\$ 187,012	\$ 2,136,900	\$ 4,064,872	\$ 13,758,752
Payments to suppliers	(2,199,279)	-	-	-	(2,199,279)
Payments to employees for salaries and benefits	(1,961,094)	-	-	-	(1,961,094)
Internal activity - payments from (to) other funds	(156,676)	-	-	-	(156,676)
Claims paid	-	-	(2,637,228)	(3,055,298)	(5,692,526)
Other receipts (payments)	331,453	-	-	-	331,453
Net cash provided (used) by operating activities	<u>3,384,372</u>	<u>187,012</u>	<u>(500,328)</u>	<u>1,009,574</u>	<u>4,080,630</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
(Increase) in due from other funds	(352,553)	-	-	-	(352,553)
Increase in due to other funds	-	48,267	-	-	48,267
(Decrease) in due to other funds	(211,426)	-	-	-	(211,426)
Transfers in	-	-	406,767	-	406,767
Transfers (out)	(112,582)	-	-	-	(112,582)
Cash Flows from Noncapital Financing Activities	<u>(676,561)</u>	<u>48,267</u>	<u>406,767</u>	<u>-</u>	<u>(221,527)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets, net	(3,338,434)	-	-	-	(3,338,434)
Cash Flows from Capital and Related Financing Activities	<u>(3,338,434)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,338,434)</u>
Net increase (decrease) in cash and cash equivalents	(630,623)	235,279	(93,561)	1,009,574	520,669
Cash and investments at beginning of period	8,511,699	353,303	4,093,562	3,503,201	16,461,765
Cash and investments at end of period	<u>\$7,881,076</u>	<u>\$ 588,582</u>	<u>\$ 4,000,001</u>	<u>\$ 4,512,775</u>	<u>\$ 16,982,434</u>
Cash and cash equivalents:					
Pooled cash and investments	<u>\$7,881,076</u>	<u>\$ 588,582</u>	<u>\$ 4,000,001</u>	<u>\$ 4,512,775</u>	<u>\$ 16,982,434</u>
Total cash and cash equivalents	<u>\$7,881,076</u>	<u>\$ 588,582</u>	<u>\$ 4,000,001</u>	<u>\$ 4,512,775</u>	<u>\$ 16,982,434</u>

**(continued)**

**CITY OF SANTA CLARA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the year ended June 30, 2016**

	<b>Automotive Services</b>	<b>Technical Equipment Services</b>	<b>Special Liability Insurance Claims</b>	<b>Workers' Compensation Insurance Claims</b>	<b>TOTAL</b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$1,880,555	\$ 74,238	\$ (938,997)	\$ 625,747	\$ 1,641,543
Adjustments to reconcile operating income to net cash provided by operating activities:					
(Decrease) Increase in due to retirement system	(104,672)	-	-	-	(104,672)
Depreciation	1,895,598	112,774	-	-	2,008,372
Change in assets and liabilities:					
Receivables, net	(17,509)	-	-	(65,128)	(82,637)
Inventory	(386,122)	-	-	-	(386,122)
Accrued liabilities	(235,708)	-	270,492	(162,567)	(127,783)
Long-term portion estimated claims	-	-	168,177	611,522	779,699
Compensated absences	20,777	-	-	-	20,777
Other receipts	331,453	-	-	-	331,453
Net cash provided (used) by operating activities	<u>\$3,384,372</u>	<u>\$ 187,012</u>	<u>\$ (500,328)</u>	<u>\$ 1,009,574</u>	<u>\$ 4,080,630</u>

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<p style="text-align: center;"><b>CITY OF SANTA CLARA COMBINING FIDUCIARY FUNDS</b></p>
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PRIVATE PURPOSE TRUST FUNDS

Private Purpose Trust Funds are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments. The Private Purpose Trust Funds are described below:

CHARITABLE TRUSTS

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

SUCCESSOR AGENCY

California State laws ABx1 26 and AB 1484 provided for the dissolution of California Redevelopment Agencies effective January 31, 2012 and the transfer of all non-housing Agency assets to the Successor Agency Redevelopment Obligation Retirement Fund.

AGENCY FUNDS

Agency Funds are presented separately from the Government-wide and Fund financial statements.

Agency Funds account for assets held by the City as an agent for individuals, governmental entities, and non-public organizations. These funds include the following:

EMPLOYEE BENEFIT AND LIABILITY CLEARING

This fund is used to account for monies collected and disbursed related to employee and retiree health, dental and other fringe benefits.

SPECIAL ASSESSMENTS

This fund accounts for monies collected and disbursed from special assessment districts where the City is not obligated for the outstanding debt payments.

DEPOSITS

This fund accounts for various deposits including leases and subpoenas.

**CITY OF SANTA CLARA  
PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF NET POSITION  
June 30, 2016**

	<u>Charitable Trust</u>	<u>Successor Agency</u>	<u>Total Private Purpose Trust</u>
<b>ASSETS</b>			
Pooled cash and investments	\$ 584,578	\$ 4,076,583	\$ 4,661,161
Receivables (net of allowance for uncollectibles):			
Interest	24,980	-	24,980
Cash designated for construction	-	25,007,352	25,007,352
Investments with fiscal agent - noncurrent	2,789,512	9,854,883	12,644,395
Land held for resale	-	23,609,288	23,609,288
Total Assets	<u>3,399,070</u>	<u>62,548,106</u>	<u>65,947,176</u>
<b>LIABILITIES</b>			
Accrued liabilities	-	417,763	417,763
Interest payable	-	204,385	204,385
Due to City	-	4,355,641	4,355,641
Long-term debt - due within one year	-	6,271,845	6,271,845
Long-term debt - due after one year	-	57,611,899	57,611,899
Total Liabilities	<u>-</u>	<u>68,861,533</u>	<u>68,861,533</u>
<b>NET POSITION</b>			
Held in trust for private purpose	<u>\$ 3,399,070</u>	<u>\$ (6,313,427)</u>	<u>\$ (2,914,357)</u>

**CITY OF SANTA CLARA  
PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
For the Year Ended June 30, 2016**

	<u>Charitable Trust</u>	<u>Successor Agency</u>	<u>Total Private Purpose Trust</u>
<b>Additions</b>			
Investment income:			
Interest	\$ 134,139	\$ 16,014	\$ 150,153
Net change in fair value of investments	24,247	-	24,247
Total additions	<u>158,386</u>	<u>16,014</u>	<u>174,400</u>
<b>Deductions</b>			
General and administrative	86,451	256,014	342,465
Interest and Fees	-	4,162,078	4,162,078
Total deductions	<u>86,451</u>	<u>4,418,092</u>	<u>4,504,543</u>
<b>Change in net position before special item</b>	71,935	(4,402,078)	(4,330,143)
<b>Special item</b>	-	41,773,645	41,773,645
<b>Change in net position</b>	<u>71,935</u>	<u>37,371,567</u>	<u>37,443,502</u>
<b>Net position held in trust for private purpose:</b>			
Beginning of year	<u>3,327,135</u>	<u>(43,684,994)</u>	<u>(40,357,859)</u>
End of year	<u>\$ 3,399,070</u>	<u>\$ (6,313,427)</u>	<u>\$ (2,914,357)</u>



**CITY OF SANTA CLARA  
 AGENCY FUNDS  
 COMBINING STATEMENT OF ASSETS AND LIABILITIES  
 June 30, 2016**

	<b>Employee Benefit &amp; Liability Clearing</b>	<b>Special Assessments</b>	<b>Deposits</b>	<b>Total</b>
<b>ASSETS</b>				
Pooled cash and investments	\$ 7,291,538	\$ 2,708,835	\$ 6,668,607	\$ 16,668,980
Cash and investments with fiscal agents	-	2	-	2
Total Assets	7,291,538	2,708,837	6,668,607	16,668,982
<b>LIABILITIES</b>				
Due to bondholders	-	2,708,837	-	2,708,837
Accrued liabilities	7,291,538	-	-	7,291,538
Refundable deposits	-	-	6,668,607	6,668,607
Total Liabilities	\$ 7,291,538	\$ 2,708,837	\$ 6,668,607	\$ 16,668,982

**CITY OF SANTA CLARA  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the year ended June 30, 2016**

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>
<u>Employee Benefit and Liability Clearing</u>				
Pooled cash and investments	\$ 7,161,845	\$ 94,333,505	\$ 94,203,812	\$ 7,291,538
Accrued liabilities	\$ 7,161,845	\$ 94,333,505	\$ 94,203,812	\$ 7,291,538
<u>Special Assessments</u>				
Pooled cash and investments	\$ 2,678,780	\$ 3,519,952	\$ 3,489,897	\$ 2,708,835
Cash and investments with fiscal agent	2	-	-	2
Total Assets	<u>\$ 2,678,782</u>	<u>\$ 3,519,952</u>	<u>\$ 3,489,897</u>	<u>\$ 2,708,837</u>
Due to bondholders	<u>\$ 2,678,782</u>	<u>\$ 3,519,952</u>	<u>\$ 3,489,897</u>	<u>\$ 2,708,837</u>
<u>Deposits</u>				
Pooled cash and investments	<u>\$ 7,535,379</u>	<u>\$ 8,053,661</u>	<u>\$ 8,920,433</u>	<u>\$ 6,668,607</u>
Refundable deposits	<u>\$ 7,535,379</u>	<u>\$ 8,053,661</u>	<u>\$ 8,920,433</u>	<u>\$ 6,668,607</u>
<u>Total Agency Funds</u>				
Pooled cash and investments	\$ 17,376,004	\$ 105,907,118	\$ 106,614,142	\$ 16,668,980
Cash and investments with fiscal agent	2	-	-	2
Total Assets	<u>\$ 17,376,006</u>	<u>\$ 105,907,118</u>	<u>\$ 106,614,142</u>	<u>\$ 16,668,982</u>
Due to bondholders	\$ 2,678,782	\$ 3,519,952	\$ 3,489,897	\$ 2,708,837
Accrued liabilities	7,161,845	94,333,505	94,203,812	7,291,538
Refundable deposits	7,535,379	8,053,661	8,920,433	6,668,607
Total Liabilities	<u>\$ 17,376,006</u>	<u>\$ 105,907,118</u>	<u>\$ 106,614,142</u>	<u>\$ 16,668,982</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.

	<u>TABLES</u>
<b>FINANCIAL TRENDS</b> Contains trend information to help the reader understand how the City’s financial performance has changed over time.	1 - 4
<b>REVENUE CAPACITY</b> Contains information to help the reader assess the City’s most significant local revenue source, the property tax.	5 - 9
<b>DEBT CAPACITY</b> 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.	10 - 14
<b>DEMOGRAPHIC AND ECONOMIC INFORMATION</b> Offers information to help the reader understand the environment within which the City’s financial activities take place.	15 - 16
<b>OPERATING INFORMATION</b> 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.	17 - 20

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

**Table 1**

	<b>2016</b>	<b>2015 <sup>(2)</sup></b>	<b>2014</b>	<b>2013 <sup>(1)</sup></b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Governmental Activities :</b>										
Net Investment in Capital Assets	\$ 507,390	\$ 524,645	\$ 528,043	\$ 522,175	\$ 520,899	\$ 351,410	\$ 432,534	\$ 438,198	\$ 457,789	\$ 458,933
Restricted	207,996	198,316	189,618	230,545	213,158	330,675	227,557	217,590	171,101	161,406
Unrestricted	(125,913)	(186,423)	102,421	127,390	172,350	22,747	45,357	62,748	96,257	84,269
<b>Total Governmental Activities Net Assets :</b>	<b>\$ 589,473</b>	<b>\$ 536,538</b>	<b>\$ 820,082</b>	<b>\$ 880,110</b>	<b>\$ 906,407</b>	<b>\$ 704,832</b>	<b>\$ 705,448</b>	<b>\$ 718,536</b>	<b>\$ 725,147</b>	<b>\$ 704,608</b>
<b>Business - Type Activities :</b>										
Net Investment in Capital Assets	\$ 844,911	\$ 760,150	\$ 496,107	\$ 406,972	\$ 445,554	\$ 405,806	\$ 388,822	\$ 381,345	\$ 334,006	\$ 313,110
Restricted	133,718	93,891	96,318	90,437	8,214	8,214	-	-	-	1,119
Unrestricted	(61,843)	(1,573)	325,633	382,992	430,774	420,310	403,931	419,417	497,197	541,778
<b>Total Business - Type Activities Net Position</b>	<b>\$ 916,786</b>	<b>\$ 852,468</b>	<b>\$ 918,058</b>	<b>\$ 880,401</b>	<b>\$ 884,542</b>	<b>\$ 834,330</b>	<b>\$ 792,753</b>	<b>\$ 800,762</b>	<b>\$ 831,203</b>	<b>\$ 856,007</b>
<b>Primary Government</b>										
Net Investment in Capital Assets	\$ 1,352,301	\$ 1,284,795	\$ 1,024,150	\$ 929,147	\$ 966,453	\$ 757,216	\$ 821,356	\$ 819,543	\$ 791,795	\$ 772,043
Restricted	341,714	292,207	285,936	320,982	221,372	338,889	227,557	217,590	171,101	162,525
Unrestricted	(187,756)	(187,996)	428,054	510,382	603,124	443,057	449,288	482,165	593,454	626,047
<b>Total Primary Government Net Position</b>	<b>\$ 1,506,259</b>	<b>\$ 1,389,006</b>	<b>\$ 1,738,140</b>	<b>\$ 1,760,511</b>	<b>\$ 1,790,949</b>	<b>\$ 1,539,162</b>	<b>\$ 1,498,201</b>	<b>\$ 1,519,298</b>	<b>\$ 1,556,350</b>	<b>\$ 1,560,615</b>

Note:

(1) Certain amounts in the prior year have been reclassified due to the implementation of GASB Statement No. 65.

(2) Certain amounts cannot be compared to FY15 due to the implementation of GASB Statement No. 68.

Source: Finance Office, City of Santa Clara.

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

**Table 2**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
General Administration	\$ 22,692	\$ 18,310	\$ 15,208	\$ 15,799	\$ 8,703	\$ 3,936	\$ 3,470	\$ 18,166	\$ 15,563	\$ 9,869
City Clerk	309	389	263	388	179	790	674	776	698	720
City Attorney	270	194	102	100	303	1,187	1,310	1,142	1,065	1,079
Human Resources	748	654	502	367	486	1,978	1,815	1,962	1,711	1,745
Finance	1,633	1,357	844	1,270	1,680	6,713	7,685	7,565	7,943	6,211
Public Works	30,365	29,713	30,287	29,337	28,802	29,339	29,344	29,991	28,394	28,769
Parks and Recreation	17,106	16,135	15,913	15,858	15,567	15,410	15,572	14,910	14,269	12,828
Public Safety:										
Police	58,599	54,252	47,105	45,120	43,516	44,138	45,143	44,861	42,870	41,105
Fire	37,120	35,341	34,099	33,162	31,702	33,594	34,457	35,344	33,855	32,183
Planning & Inspection	7,855	7,593	6,848	6,383	5,838	5,779	5,918	5,616	5,353	5,083
Library	10,718	8,851	8,161	7,712	7,728	8,090	8,470	8,666	8,416	8,106
Community Development	-	-	-	-	-	5,206	6,447	8,207	-	-
Interest on long term debt	803	853	1,125	2,107	6,991	10,437	9,856	10,287	11,679	12,338
Supplemental Educational Revenue Augmentation Fund	-	-	-	-	-	2,025	9,834	-	-	-
Pass Through Payments	-	-	-	-	1,085	-	-	-	-	-
<b>Total Governmental Activities Expenses (Net)</b>	<b>188,218</b>	<b>173,642</b>	<b>160,457</b>	<b>157,603</b>	<b>152,580</b>	<b>168,622</b>	<b>179,995</b>	<b>187,493</b>	<b>171,816</b>	<b>160,036</b>
<b>Business-Type Activities:</b>										
Utilities:										
Electric -										
Retail	364,557	344,382	333,432	314,069	283,142	281,342	280,512	316,523	293,619	269,659
Wholesale	21,682	32,635	28,871	24,717	32,115	50,754	73,727	110,879	177,973	197,076
Water	32,254	29,482	28,181	26,683	25,076	23,078	23,067	22,927	21,689	21,397
Sewer	19,081	17,981	17,237	16,054	15,348	16,296	14,222	13,469	12,538	12,181
Water Recycling	2,672	2,902	2,030	1,979	3,326	8,304	3,256	1,157	1,169	2,322
Solid Waste	20,142	19,717	18,486	19,222	17,322	16,192	15,842	16,226	15,689	15,508
Cemetery	781	676	901	991	958	935	960	721	736	709
Sports and Open Space Authority	102	97	95	44	48	48	18	7	39	20
Santa Clara Golf and Tennis Club	2,777	2,754	2,827	2,662	2,759	2,706	2,724	2,735	2,603	2,591
Santa Clara Convention Center	9,075	9,006	8,926	8,553	8,073	7,786	7,121	6,360	6,259	6,003
Santa Clara Stadium Authority	147,435	98,363	21,913	27,442	5,393	-	-	-	-	-
<b>Total Business-Type Activities Expenses</b>	<b>620,558</b>	<b>557,995</b>	<b>462,899</b>	<b>442,416</b>	<b>393,560</b>	<b>407,441</b>	<b>421,449</b>	<b>491,004</b>	<b>532,314</b>	<b>527,466</b>
<b>Total Primary Expenses</b>	<b>\$ 808,776</b>	<b>\$ 731,637</b>	<b>\$ 623,356</b>	<b>\$ 600,019</b>	<b>\$ 546,140</b>	<b>\$ 576,063</b>	<b>\$ 601,444</b>	<b>\$ 678,497</b>	<b>\$ 704,130</b>	<b>\$ 687,502</b>

Source: Finance Office, City of Santa Clara

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

**Table 2**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Program Revenues:</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
General Administration	\$ 1,247	\$ 416	\$ 355	\$ 562	\$ 680	\$ 6,611	\$ 9,596	\$ 9,625	\$ 9,848	\$ 9,340
Parks and Recreation	3,114	4,207	3,157	2,825	2,868	2,868	2,940	2,776	2,591	2,407
Planning and Inspection	15,065	13,944	9,299	6,872	12,509	5,307	3,549	3,576	5,340	4,114
Other Programs	23,022	16,281	12,296	9,352	10,397	9,508	6,956	7,792	6,833	5,943
Operating Grants and Contributions	5,809	8,240	6,566	3,922	4,444	4,028	4,105	5,650	6,485	4,732
Capital Gains and Contributions	12,100	5,848	10,347	4,490	4,737	4,467	5,775	5,412	13,285	5,095
<b>Total Governmental Activities Program Revenues</b>	<b>60,357</b>	<b>48,936</b>	<b>42,020</b>	<b>28,023</b>	<b>35,635</b>	<b>32,789</b>	<b>32,921</b>	<b>34,831</b>	<b>44,382</b>	<b>31,631</b>
<b>Business-Type Activities:</b>										
Utilities:										
Electric -										
Retail	395,162	354,557	335,658	322,749	329,518	304,024	270,834	256,872	249,079	251,332
Wholesale	17,279	27,301	28,622	22,296	29,149	50,124	67,840	102,480	172,404	204,723
Equity in income (losses) of joint ventures <sup>(1)</sup>	-	(4,719)	4,214	6,111	(3,576)	-	-	-	-	-
Water	31,955	31,462	30,979	30,177	28,232	25,682	23,744	24,251	23,001	21,701
Sewer	41,659	43,400	34,585	32,090	27,036	22,380	9,443	9,287	8,330	23,178
Equity in income (losses) of joint ventures <sup>(1)</sup>	-	(10,036)	(3,383)	(3,654)	(2,239)	-	-	-	-	-
Water Recycling	3,841	3,381	3,136	2,774	4,319	8,919	4,363	1,911	3,178	1,504
Solid Waste	21,854	20,404	20,154	19,575	18,460	17,142	15,843	15,619	16,185	15,624
Cemetery	693	649	528	632	519	426	454	356	465	564
Sports and Open Space Authority	72	66	82	420	2,056	1,415	1,506	1,745	1,605	1,317
Santa Clara Golf and Tennis Club	1,666	2,207	2,857	2,929	2,973	2,795	2,917	2,993	3,108	3,200
Santa Clara Convention Center	7,399	7,112	7,240	6,933	6,119	6,086	6,845	2,1947	12,059	6,654
Santa Clara Stadium Authority	146,619	102,908	33,193	-	5	-	-	-	-	-
<b>Total Business-Type Activities Program Revenues</b>	<b>668,199</b>	<b>578,692</b>	<b>497,865</b>	<b>443,032</b>	<b>442,571</b>	<b>438,993</b>	<b>403,789</b>	<b>437,461</b>	<b>489,414</b>	<b>529,797</b>
<b>Total Primary Government Program Revenues</b>	<b>728,556</b>	<b>627,628</b>	<b>539,885</b>	<b>471,055</b>	<b>478,206</b>	<b>471,782</b>	<b>436,710</b>	<b>472,292</b>	<b>533,796</b>	<b>561,428</b>
<b>Net (Expense) Revenue:</b>										
Governmental Activities	(127,861)	(124,706)	(118,437)	(129,580)	(116,945)	(135,833)	(147,074)	(152,662)	(127,434)	(128,405)
Business-Type Activities	47,641	20,697	34,966	616	49,011	31,552	(17,660)	(53,543)	(42,900)	2,331
<b>Total Primary Government Net (Expense) Revenue</b>	<b>\$ (80,220)</b>	<b>\$ (104,009)</b>	<b>\$ (83,471)</b>	<b>\$ (128,964)</b>	<b>\$ (67,934)</b>	<b>\$ (104,281)</b>	<b>\$ (164,734)</b>	<b>\$ (206,205)</b>	<b>\$ (170,334)</b>	<b>\$ (126,074)</b>

Note:

(1) Equity in income (losses) of joint ventures were included in the Electric and Sewer Business-Type Activities in Fiscal Year 2015-16.

Source: Finance Office, City of Santa Clara



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

**Table 2**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>General Revenue and other changes in Net Position</b>										
<b>Governmental Activities :</b>										
Taxes :										
Sales	\$ 57,796	\$ 49,649	\$ 46,736	\$ 44,159	\$ 41,280	\$ 35,845	\$ 31,876	\$ 34,894	\$ 40,516	\$ 43,176
Ad Valorem Property	45,627	37,574	39,187	31,651	43,880	57,172	61,834	61,695	54,536	49,736
Transient occupancy	20,557	18,186	15,141	13,673	11,755	9,910	8,302	9,138	11,269	10,542
Other	5,510	5,173	5,191	4,333	3,034	3,731	3,049	3,931	4,504	4,731
Internal Governmental, unrestricted:										
Motor Vehicle in-lieu	49	50	-	51	120	539	345	394	507	684
Contribution in-lieu of taxes	19,057	17,493	16,591	15,219	15,343	14,913	13,448	15,150	14,732	14,722
Investment earnings	2,178	1,702	3,380	6,058	7,900	21,770	18,179	20,665	31,462	33,838
Net increase (decrease) in the fair value of investments	1,049	496	1,815	(3,567)	(707)	(8,905)	413	16,985	1,415	4,674
Equity in income (losses) of joint ventures	44	(40)	(106)	(286)	(285)	(225)	(1)	69	1,225	-
Rents and royalties	13,642	11,189	3,781	13,658	13,115	2,851	3,274	3,383	2,850	2,474
Gain (loss) on retirement of assets	-	-	-	-	-	4,651	2	4	4	-
Other	8,551	12,154	4,317	4,434	4,104	2,989	2,917	2,845	3,049	2,687
Co-op Agreements Activities	-	-	-	-	(5)	-	-	-	-	-
Special item	(24,451)	(9,224)	(80,152)	(29,563)	106,602	-	-	-	-	-
<b>Total Government General Revenue, Transfers, and Special Item</b>	<b>149,609</b>	<b>144,402</b>	<b>55,881</b>	<b>99,820</b>	<b>246,136</b>	<b>145,241</b>	<b>143,638</b>	<b>169,153</b>	<b>166,069</b>	<b>167,264</b>
<b>Business-Type Activities : (2)</b>										
Investment earnings	16,894	15,602	2,863	3,403	5,922					
Net increase (decrease) in the fair value of investments	1,218	544	2,356	(4,695)	(874)					
Gain (loss) on retirement of assets	29,751	64	-	(2)	71,662					
<b>Total Business-Type General Revenue and Transfers</b>	<b>47,863</b>	<b>16,210</b>	<b>5,219</b>	<b>(1,294)</b>	<b>76,710</b>					
<b>Total Primary Government General Revenue and Transfers</b>	<b>197,472</b>	<b>160,612</b>	<b>61,100</b>	<b>98,526</b>	<b>322,846</b>					
<b>Change in Net Position - Total Primary Government</b>	<b>117,252</b>	<b>56,603</b>	<b>(22,371)</b>	<b>(30,438)</b>	<b>254,912</b>	<b>40,960</b>	<b>(21,096)</b>	<b>(37,052)</b>	<b>(4,265)</b>	<b>41,190</b>
<b>Net Position - Beginning of Year (2013 &amp; 2015 Adjusted)</b>	<b>1,389,007</b>	<b>1,738,140</b>	<b>1,760,511</b>	<b>1,790,949</b>	<b>1,536,037</b>	<b>1,498,202</b>	<b>1,519,298</b>	<b>1,556,350</b>	<b>1,560,615</b>	<b>1,519,424</b>
<b>GASB 68 Implementation</b>	<b>-</b>	<b>(405,736)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position - End of Year - Total Primary Government</b>	<b>1,506,259</b>	<b>1,389,007</b>	<b>1,738,140</b>	<b>1,760,511</b>	<b>1,790,949</b>	<b>1,539,162</b>	<b>1,498,202</b>	<b>1,519,298</b>	<b>1,556,350</b>	<b>1,560,614</b>

Notes:

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

Source: Finance Office, City of Santa Clara

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

**Table 3**

	2016	2015	2014	2013	2012	2011 <sup>(1)</sup>	2010	2009	2008	2007
<b>General Fund:</b>										
Nonspendable	\$ 13,517	\$ 13,247	\$ 12,850	\$ 12,785	\$ 12,466	\$ 46,015	\$ -	\$ -	\$ -	\$ -
Restricted	11,865	9,546	9,641	7,191	10,922	3,670	-	-	-	-
Committed	64,111	55,121	78,125	86,949	86,942	1,675	-	-	-	-
Assigned	4,875	6,761	4,752	4,927	4,033	1,157	-	-	-	-
Unassigned	103,430	58,946	23,910	38,522	33,393	21,138	-	-	-	-
Reserved	-	-	-	-	-	-	24,778	22,278	20,858	22,394
Unreserved:										
Designated	-	-	-	-	-	-	25,938	42,548	53,693	54,725
Undesignated	-	-	-	-	-	-	-	-	1,462	-
<b>Total General Fund</b>	<b>197,798</b>	<b>143,621</b>	<b>129,278</b>	<b>150,374</b>	<b>147,756</b>	<b>73,655</b>	<b>50,716</b>	<b>64,826</b>	<b>76,013</b>	<b>77,119</b>
<b>All other Governmental Funds:</b>										
Nonspendable	-	-	-	-	-	11,122	-	-	-	-
Restricted	67,612	76,848	60,489	105,785	125,100	188,584	-	-	-	-
Committed	38,953	20,237	25,697	21,351	32,007	34,794	-	-	-	-
Assigned	-	-	-	-	-	1,418	-	-	-	-
Unassigned	-	-	-	-	-	(22,834)	-	-	-	-
Reserved	-	-	-	-	-	-	93,119	99,361	108,510	78,343
Unreserved, reported in:										
Capital projects funds	-	-	-	-	-	-	113,632	115,740	115,401	136,414
Special revenue funds	-	-	-	-	-	-	602	426	409	7,033
Other purposes	-	-	-	-	-	-	19,305	16,770	13,195	10,712
<b>Total All Other Governmental Funds</b>	<b>106,565</b>	<b>97,085</b>	<b>86,186</b>	<b>127,136</b>	<b>157,107</b>	<b>213,084</b>	<b>226,658</b>	<b>232,297</b>	<b>237,515</b>	<b>232,502</b>
<b>Total Governmental Funds</b>	<b>\$ 304,363</b>	<b>\$ 240,706</b>	<b>\$ 215,464</b>	<b>\$ 277,510</b>	<b>\$ 304,863</b>	<b>\$ 286,739</b>	<b>\$ 277,374</b>	<b>\$ 297,123</b>	<b>\$ 313,528</b>	<b>\$ 309,621</b>

Note:

(1) The City implemented GASB Statement No. 54 in Fiscal year 2010-2011.

Source: Finance Office, City of Santa Clara.

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

Table 4

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>REVENUES:</b>										
Taxes:										
Sales	\$ 57,796	\$ 49,649	\$ 46,736	\$ 44,160	\$ 41,280	\$ 35,845	\$ 31,876	\$ 34,894	\$ 40,516	\$ 43,176
Ad valorem property	45,627	37,574	39,187	31,651	43,880	57,172	61,834	61,695	54,536	49,736
Transient occupancy	20,557	18,186	15,141	13,673	11,755	9,910	8,302	9,138	11,269	10,542
Other	5,510	5,173	5,191	4,333	4,139	3,731	4,099	4,931	5,459	5,636
Licenses, permits, fees and penalties	11,530	9,508	6,860	6,523	9,222	5,690	4,286	5,000	5,232	5,199
Intergovernmental	8,570	13,766	10,611	6,838	8,091	8,017	9,359	8,142	9,760	9,685
Charges for services	46,938	39,012	32,749	26,621	32,767	28,395	24,647	22,396	22,907	20,417
Contribution in-lieu of taxes	19,057	17,493	16,591	15,219	15,343	14,912	13,448	15,150	14,732	14,722
Interest and rents	15,617	10,692	7,672	20,026	21,329	25,220	25,477	25,878	30,547	29,955
Net increase (decrease) in the fair value of investments	1,049	496	1,815	(3,567)	(707)	(3,571)	449	6,409	258	1,553
Other	9,578	13,792	6,740	4,627	3,645	2,515	2,829	2,914	3,201	2,557
<b>TOTAL REVENUES</b>	<b>\$241,829</b>	<b>\$215,341</b>	<b>\$ 189,293</b>	<b>\$ 170,104</b>	<b>\$ 190,744</b>	<b>\$ 187,836</b>	<b>\$ 186,606</b>	<b>\$ 196,547</b>	<b>\$ 198,417</b>	<b>\$193,178</b>

Source: Finance Office, City of Santa Clara.

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

Table 4

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>EXPENDITURES</b>										
<b>Current:</b>										
General Administration	\$ 23,743	\$ 18,684	\$ 17,101	\$ 17,615	\$ 26,430	\$ 26,623	\$ 25,078	\$ 24,826	\$ 27,341	\$ 29,253
City Clerk	1,007	1,060	863	970	703	777	662	768	691	755
City Attorney	1,500	1,329	1,335	1,226	1,328	1,172	1,314	1,136	1,049	1,230
Human Resources	2,616	2,322	2,279	2,055	1,979	1,947	1,804	1,960	1,682	1,752
Finance	9,319	8,455	8,231	7,876	7,588	7,170	7,535	7,458	7,726	6,224
Public Works	20,088	18,424	17,562	16,765	16,231	17,133	17,178	17,853	16,307	17,012
Parks and Recreation	16,162	14,506	14,428	14,063	14,124	13,844	13,906	13,389	12,732	11,486
Public Safety:										
Police	61,015	54,344	45,584	42,991	41,912	42,520	43,959	43,317	40,089	37,450
Fire	39,129	35,144	33,267	32,370	31,522	32,214	33,768	34,292	31,636	30,157
Planning and Inspection	8,231	7,620	6,938	6,268	5,725	5,680	5,726	5,402	5,112	4,814
Library	9,479	7,611	7,206	6,564	6,594	6,932	7,406	7,460	7,008	6,897
Community Development	-	-	-	-	-	5,206	6,446	8,207	-	-
Capital Outlay	13,434	10,730	8,736	15,060	46,490	15,361	13,022	27,169	24,991	26,912
Debt Service:										
Principal payments	1,620	1,576	8,520	24,302	4,294	29,720	10,555	10,000	9,470	8,985
Interest and fiscal fees	879	925	1,174	2,009	7,038	10,335	10,128	10,720	11,294	11,811
Bond issuance cost	1	2	5	411	5	490	8	-	-	-
Supplemental Educational Revenue Augmentation Fund	-	-	-	-	-	2,025	9,834	-	-	-
Pass Through Payments	-	-	-	-	1,085	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>208,223</b>	<b>182,732</b>	<b>173,229</b>	<b>190,545</b>	<b>213,048</b>	<b>219,149</b>	<b>208,329</b>	<b>213,957</b>	<b>197,128</b>	<b>194,738</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>33,606</b>	<b>32,609</b>	<b>16,064</b>	<b>(20,441)</b>	<b>(22,304)</b>	<b>(31,313)</b>	<b>(21,723)</b>	<b>(17,410)</b>	<b>1,289</b>	<b>(1,560)</b>
<b>OTHER FINANCING SOURCES (USES):</b>										
Sale of Capital Assets	-	-	-	-	-	-	2	4	4	596
Co-op Agreements Activities	-	-	-	-	(5)	(8,297)	-	-	-	-
Proceeds from Bond Issuance	-	-	-	19,572	-	41,451	-	-	-	-
Transfers in	58,473	14,152	27,961	17,525	96,634	25,705	31,493	31,477	32,196	25,698
Transfers out	(27,581)	(12,295)	(25,918)	(14,446)	(20,180)	(23,661)	(29,521)	(30,476)	(29,582)	(23,311)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>30,892</b>	<b>1,857</b>	<b>2,043</b>	<b>22,651</b>	<b>76,449</b>	<b>35,198</b>	<b>1,974</b>	<b>1,005</b>	<b>2,618</b>	<b>2,983</b>
<b>NET CHANGE IN FUND BALANCES</b>										
<b>BEFORE SPECIAL ITEM</b>	<b>\$ 64,498</b>	<b>\$ 34,466</b>	<b>\$ 18,107</b>	<b>\$ 2,210</b>	<b>\$ 54,145</b>	<b>\$ 3,885</b>	<b>\$ (19,749)</b>	<b>\$ (16,405)</b>	<b>\$ 3,907</b>	<b>\$ 1,423</b>
<b>SPECIAL ITEM-ASSET TRANSFERRED TO LIABILITIES ASSUMED BY SUCCESSOR AGENCY</b>	<b>(842)</b>	<b>(9,224)</b>	<b>(80,152)</b>	<b>(29,563)</b>	<b>(31,847)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES AFTER SPECIAL ITEM</b>	<b>\$ 63,656</b>	<b>\$ 25,242</b>	<b>\$ (62,045)</b>	<b>\$ (27,353)</b>	<b>\$ 22,298</b>	<b>\$ 3,885</b>	<b>\$ (19,749)</b>	<b>\$ (16,405)</b>	<b>\$ 3,907</b>	<b>\$ 1,423</b>
<b>DEBT SERVICE AS A PERCENTAGE OF NON-CAPITAL EXPENDITURES</b>	<b>1%</b>	<b>1%</b>	<b>6%</b>	<b>15%</b>	<b>7%</b>	<b>21%</b>	<b>15%</b>	<b>10%</b>	<b>12%</b>	<b>12%</b>

Source: Finance Office, City of Santa Clara.

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

**Table 5**

<b>Fiscal Year Ending June 30</b>	<b>Net Local Secured Roll <sup>(1)</sup></b>	<b>State Assessed Valuation</b>	<b>Net Unsecured Roll</b>	<b>Net Assessed Valuation</b>	<b>Total Assessed Valuation</b>	<b>Ratio of Net Assessed Valuation To Total Assessed Valuation</b>	<b>% of Growth of Assessed Valuation</b>	<b>Total Direct Tax Rate</b>
2006 / 07	\$ 17,458,047	\$ 1,605	\$ 2,905,729	\$20,365,381	\$ 20,478,830	99.45%	8.89%	1.14%
2007 / 08	19,148,464	909	2,976,265	22,125,638	22,241,709	99.48%	8.64%	1.08%
2008 / 09	20,545,808	3,689	3,812,579	24,362,076	24,479,723	99.52%	10.11%	1.12%
2009 / 10	20,707,612	3,689	3,844,940	24,556,241	24,674,410	99.52%	0.80%	1.13%
2010 / 11	19,949,252	3,689	3,634,484	23,587,425	23,704,433	99.51%	-3.95%	1.11%
2011 / 12	19,818,648	4,641	3,892,148	23,715,437	23,830,461	99.52%	0.54%	1.14%
2012 / 13	20,475,348	4,641	4,702,675	25,182,664	25,295,792	99.55%	6.19%	1.16%
2013 / 14	22,216,962	4,641	4,680,536	26,902,139	27,012,697	99.59%	6.83%	1.14%
2014 / 15	24,294,056	4,183	4,352,204	28,650,443	28,758,679	99.62%	6.50%	1.13%
2015 / 16	27,659,960	4,183	5,157,346	32,821,489	32,927,777	99.68%	14.56%	1.16%

Note:

(1) Net of Home Owner Property Tax Relief.

Source: County of Santa Clara, Department of Finance

**CITY OF SANTA CLARA  
PROPERTY TAX RATES  
(Per \$100 Assessed Valuation)  
Direct and Overlapping Governments  
Last Ten Fiscal Years**

**Table 6**

<b>Fiscal Year Ending June 30</b>	<b>Santa Clara County</b>	<b>School Districts</b>	<b>Special Districts</b>	<b>Total</b>
2006 / 07	1.0388%	0.0923%	0.0072%	1.1383%
2007 / 08	1.0388%	0.0389%	0.0071%	1.0848%
2008 / 09	1.0388%	0.0775%	0.0061%	1.1224%
2009 / 10	1.0388%	0.0841%	0.0074%	1.1303%
2010 / 11	1.0388%	0.0658%	0.0072%	1.1118%
2011 / 12	1.0388%	0.0973%	0.0064%	1.1425%
2012 / 13	1.0388%	0.1108%	0.0069%	1.1565%
2013 / 14	1.0388%	0.0962%	0.0070%	1.1420%
2014 / 15	1.0388%	0.0824%	0.0065%	1.1277%
2015 / 16	1.0388%	0.1174%	0.0057%	1.1619%
<p>Tax rate limit: A state constitutional amendment (Proposition 13) commencing with fiscal 1979 provided that the tax rate was limited to 1% of full cash value, levied only by the County and shared with all other jurisdictions. All jurisdictions may levy a tax rate for voter approved debt.</p> <p>Due date for current taxes: First installment - November 1; second installment - February 1.</p> <p>Penalties for delinquency: 10% and 1.5% of tax per month after date taxes become delinquent.</p> <p>Collected by government unit: County of Santa Clara.</p> <p>Basis upon which collections are distributed: Taxing jurisdictions assessed valuations and tax rates for voter approved debt to taxing jurisdictions, County rate (1% of full cash value) shared by all jurisdictions.</p> <p>Compensation paid to collecting government unit for fiscal year 2015-16 is \$295,737.</p>				

Note: Tax rates stated are the rates applicable to the tax rate area 7-000 as typical tax rate area within the City. Rates are based on \$100 assessed valuation.

Source: County of Santa Clara, Department of Finance

**CITY OF SANTA CLARA  
PRINCIPAL PROPERTY TAX PAYERS  
2015-16 AND 2010-11 COMPARISON FOR GENERAL FUND  
(In Thousands)**

**Table 7**

Taxpayers	2015-16		2010-11	
	Assessed Valuation	Percentage of Total Assessed Valuation	Assessed Valuation	Percentage of Total Assessed Valuation
Intel Corporation	\$ 1,459,395	4.43%	\$ 974,576	4.71%
Forty Niners SC Stadium Company LLC	1,454,707	4.42%	-	0.00%
Sobrato Interest (Sobrato Development Company)	811,564	2.46%	308,442	1.49%
Xeres Ventures LLC	433,206	1.32%	-	0.00%
The Irvine Company	401,956	1.22%	-	0.00%
Nvidia Corporation (formerly Nvidia Land Development LLC)	337,283	1.02%	170,066	0.82%
Oracle America Inc (formerly Sun Microsystems)	312,326	0.95%	210,109	1.02%
Microsoft Corporation	281,487	0.85%	-	0.00%
PR 3975 Freedom Circle LLC	280,750	0.85%	-	0.00%
Agilent Technologies	278,607	0.85%	306,451	1.48%
Applied Materials, Inc.	-	0%	238,795	1.16%
Marvell Technology Inc	-	0%	200,350	0.97%
Silicon Vallery California LLC	-	0%	194,215	0.94%
Harvest 2400 LLC	-	0%	177,420	0.86%
National Semiconductor Corporation	-	0%	168,780	0.82%
Top Ten Total	\$ 6,051,281	18.37%	\$ 2,949,204	14.27%
City Total	<u>\$ 32,927,777</u>		<u>\$ 20,672,989</u>	

Sources: Santa Clara County Assessor 2015-16 and 2010-11 Combined Tax Rolls through HdL Coren & Cone.  
FY2015-16: Using 2010-11 Comparison data (Assessed Valuation) since 2006-07 data is not available.

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

**Table 8**

<b>Fiscal Year Ending June 30</b>	<b>Gross Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percentage of Current Levy Collected</b>	<b>Delinquent Tax Collected</b>	<b>Total Collections</b>	<b>Percentage of Total Levy Collected</b>
2006 / 07	\$ 18,197	\$ 18,128	99.62%	-	\$ 18,128	99.62%
2007 / 08	19,720	19,669	99.74%	-	19,669	99.74%
2008 / 09	21,123	21,061	99.71%	-	21,061	99.71%
2009 / 10	21,674	21,631	99.80%	-	21,631	99.80%
2010 / 11	20,894	20,867	99.87%	-	20,867	99.87%
2011 / 12	21,044	21,044	100.00%	-	21,044	100.00%
2012 / 13	22,313	22,313	100.00%	-	22,313	100.00%
2013 / 14	24,027	24,027	100.00%	-	24,027	100.00%
2014 / 15	25,550	25,550	100.00%	-	25,550	100.00%
2015 / 16	27,603	27,603	100.00%	-	27,603	100.00%

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



**CITY OF SANTA CLARA  
PRINCIPAL SALE/USE TAX CONTRIBUTORS  
June 30, 2016**

**Table 9**

**This list is in alphabetical order and represents sales from July 2015 to June 2016.  
The Top 25 Sales / Use Tax contributors generate 41.9% of Santa Clara's total sales and use tax revenue**

Affymetrix	Macy's Department Store
Applied Materials Inc.	One WorkPlace
Arista Networks	Pace Supply
Centerplate	Pivot Interiors
Costco Wholesale	Porsche of Stevens Creek
Dell Marketing	Premier Nissan
Financial SVCS Vehicle Trust	Safeway Stores
Fisher Scientific Company	Stevens Creek Acura
FishNet Security	Stevens Creek Auto Imports
Frontier Ford	Stevens Creek BMW
Home Depot	Sun Microsystems
Intel Corp.	Z T Systems
Lexus of Stevens Creek	

Note: Data from prior years not available for comparison

Sources: From Muni Services Sales Tax Digest Summary. Collections through September 2016. Sales through June 2016.

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

**Table 10**

Fiscal Year Ending June 30	Governmental Activities Public Financing Authority				Former Redevelopment Agency	Business Activities	Santa Clara Stadium Authority	Total Primary Government	Population	Debt per Capita	Total Personal Income (\$000)	Debt/ Income Ratio
	Certificates of Participation	Insurance Funding Bonds	Assessment Bonds	Total Governmental Activities	Tax Allocation Bonds <sup>(1)</sup>	Revenue Bonds	Revenue Bonds					
	2006 / 07	\$ 59,850	\$ 20,000	\$ 5,015	\$ 84,865	\$ 135,325	\$ 258,015	\$ -	\$ 478,205	110,771	\$ 4,317	\$ 3,831,569
2007 / 08	56,240	-	4,110	60,350	130,640	230,970	-	421,960	115,503	3,653	4,121,147	10.24%
2008 / 09	52,500	-	3,155	55,655	125,335	227,390	-	408,380	117,242	3,483	4,225,531	9.66%
2009 / 10	48,620	-	2,155	50,775	119,660	223,170	-	393,605	118,830	3,312	4,291,695	9.17%
2010 / 11	43,822	-	-	43,822	138,511	223,920	-	406,253	118,169	3,438	4,727,907	8.59%
2011 / 12	39,528	-	-	39,528	-	210,646	132,630	382,804	118,813	3,222	4,399,786	8.70%
2012 / 13	34,784	-	-	34,784	-	199,676	396,140	630,600	120,284	5,243	4,530,093	13.92%
2013 / 14	26,210	-	-	26,210	-	227,163	653,367	906,740	121,229	7,480	4,739,710	19.13%
2014 / 15	24,579	-	-	24,579	-	226,828	561,556	812,963	120,973	6,720	4,952,711	16.41%
2015 / 16	22,905	-	-	22,905	-	229,719	464,720	717,344	123,752	5,797	5,194,006	13.81%

Notes:  
(1) Beginning Fiscal Year 2011-12, Tax Allocation Bonds Direct Debt amounts for the Former Redevelopment Agency are shown in the Successor Agency of the City of Santa Clara's Statistical Sources: Finance Office, City of Santa Clara and MuniServices LLC.

**CITY OF SANTA CLARA  
POPULATION AND ASSESSED VALUATION  
Last Ten Fiscal Years  
(In Thousands)**

**Table 11**

<b>Fiscal Year Ending June 30</b>	<b>Population</b>	<b>Total Assessed Valuation</b>
2006 / 07	110.8	20,478,830
2007 / 08	115.5	22,241,709
2008 / 09	117.2	24,479,723
2009 / 10	116.3 <sup>(1)</sup>	24,674,410
2010 / 11	118.2	23,704,433
2011 / 12	118.8	23,830,461
2012 / 13	120.3	25,295,792
2013 / 14	121.2	27,012,697
2014 / 15	121.0	28,758,679
2015 / 16	123.8	32,927,777

Note: (1) Population was revised based on 2010 U.S. Census results.

Sources: State of California, Department of Finance

County of Santa Clara, Department of Finance

**CITY OF SANTA CLARA**  
**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT**  
**June 30, 2016**

**Table 12**

Description	% Applicable	Debt
<b>Direct Debt:</b>		
2010 Lease Financing	100%	5,855,000
2013 Refunding Certificates of Participation	100%	16,195,000
<b>Total Gross Direct Debt</b>		<b>22,050,000</b>
Unamortized Premium/Discount	100%	855,175
<b>Total Net Direct Debt</b>		<b>22,905,175</b>
<b>Overlapping Debt:</b>		
Santa Clara County General Fund Obligations	8.053%	57,996,814
Santa Clara County Pension Fund Obligations	8.053%	31,153,663
Santa Clara Valley Water District Benefit Assessment District	8.053%	8,406,232
Santa Clara County Board of Education Certificates of Participation	8.053%	541,407
San Jose-Evergreen Community College District Pension Obligations	0.069%	31,317
West Valley-Mission Community College District General Fund Obligations	26.917%	17,972,967
Foothill-DeAnza Community College District	1.264%	7,765,911
San Jose-Evergreen Community College District	0.069%	302,495
West Valley Community College District	26.915%	117,597,285
Fremont Union High School District	2.795%	10,814,564
Campbell Union High School District General Fund Obligations	1.750%	285,860
Campbell Union School District	3.826%	6,794,300
Campbell Union High School District	1.750%	2,691,120
Campbell Union School District Certificates of Participation	3.826%	134,224
El Camino Hospital District	1.386%	1,685,784
San Jose Unified School District	0.201%	1,021,652
Cupertino Union School District	4.663%	14,557,508
Santa Clara Unified School District	63.649%	335,618,488
San Jose Unified School District Certificates of Participation	0.201%	37,440
Santa Clara County	8.053%	67,258,763
Foothill-DeAnza Community College District Certificates of Participation	1.264%	129,126
Santa Clara Unified School District Certificates of Participation	63.649%	8,756,448
Santa Clara County Vector Control District Certificates of Participation	8.053%	245,245
<b>Total Overlapping Debt</b>		<b>691,798,613</b>
<b>Total Gross Direct and Overlapping Bonded Debt <sup>(1)</sup></b>		<b>713,848,613</b>
<b>Direct Unamortized Premium/Discount</b>		<b>855,175</b>
<b>TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT</b>		<b>\$ 714,703,788</b>
2015 / 16 Assessed Value	\$ 32,927,776,939	
<b>Ratios to Assessed Valuation:</b>		
Direct Debt	\$ (22,905,175)	0.067%
Total Gross Debt		2.168%
Total Net Debt		2.171%

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 13**

<b>Fiscal Year Ending June 30</b>	<b>Net Assessed Valuation</b>	<b>Debt Limit- 15% of Assessed Valuation <sup>(1)</sup></b>	<b>Debt Applicable to Limit</b>	<b>Legal Debt Margin</b>
2006 / 07	\$ 20,365,381	\$ 3,054,807	\$ 20,000	\$ 3,034,807
2007 / 08	22,125,638	3,318,846	-	3,318,846
2008 / 09	24,362,076	3,654,311	-	3,654,311
2009 / 10	24,556,241	3,683,436	-	3,683,436
2010 / 11	23,587,425	3,538,114	-	3,538,114
2011 / 12	23,715,437	3,557,316	-	3,557,316
2012 / 13	25,182,664	3,777,400	-	3,777,400
2013 / 14	26,902,139	4,035,321	-	4,035,321
2014 / 15	28,650,444	4,297,567	-	4,297,567
2015 / 16	32,821,489	4,923,223	-	4,923,223

Note:

(1) Section 1309 of the City Charter of the City states: "Bonded Debt Limit. The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen percent (15%) of the total assessed valuation of property within the City, exclusive of revenue bonds or any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending, or maintaining municipally owned utilities for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to the provisions of the State Constitution and this Charter."

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

**CITY OF SANTA CLARA  
 PLEDGED REVENUE COVERAGE  
 ELECTRIC REVENUE BOND  
 Last Ten Fiscal Years  
 (In Thousands)**

**Table 14**

<b>Fiscal Year Ending June 30</b>	<b>Gross Revenue</b>	<b>Less Operating Expense <sup>(1)</sup></b>	<b>Net Revenue Available For Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Letter Of Credit Fees</b>	<b>Total</b>	<b>Coverage <sup>(2)</sup></b>
2006 / 07	\$ 297,586	\$ 246,378	\$ 51,208	\$ 11,820	\$ 11,346	\$ 212	\$ 23,378	2.19
2007 / 08	318,895	283,206	35,689	12,370	11,295	2,423	26,088	1.37
2008 / 09	346,533	323,670	22,863	3,580	8,602	2,460	14,642	1.56
2009 / 10	296,833	276,402	20,431	4,220	7,235	838	12,293	1.66
2010 / 11	269,610	233,939	35,671	4,425	8,022	1,793	14,240	2.50
2011 / 12	300,216	238,074	62,142	6,255	9,616	1,017	16,888	3.68
2012 / 13	298,522	266,246	32,276	6,560	9,899	813	17,272	1.87
2013 / 14	314,847	288,954	25,893	3,550	7,994	637	12,181	2.13
2014 / 15	332,178	297,846	34,332	6,485	7,990	459	14,934	2.30
2015 / 16	359,084	316,578	42,506	8,958	8,348	358	17,664	2.41

Notes:

(1) In fiscal year 2007 / 08 Letter of Credit includes \$1.611 million refunding premium for 1998A, \$302 thousand issuance cost for 2008B and \$315 thousand issuance cost for 2008A.

(2) The required coverage is 1.00.

Source: City of Santa Clara

**CITY OF SANTA CLARA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Calendar Years**

**Table 15**

<b>Year</b>	<b>Population</b>	<b>Personal Income (\$000)</b>	<b>Per Capita Buying Income</b>	<b>Median Age</b>	<b>Public School Enrollment</b>	<b>County Unemployment Rate</b>	<b>City Unemployment Rate</b>
2006 / 07	110,771	3,831,569	34,590	-	13,366	5.0%	4.3%
2007 / 08	115,503	4,121,147	35,680	34.4	13,802	4.7%	4.3%
2008 / 09	117,242	4,225,531	36,738	34.4	14,729	11.8%	10.9%
2009 / 10	116,308	4,291,695	36,607	34.9	14,446	11.3%	10.4%
2010 / 11	118,169	4,727,907	40,010	34.3	14,731	10.3%	9.4%
2011 / 12	118,813	4,399,786	37,031	33.8	14,686	8.7%	8.0%
2012 / 13	120,284	4,530,093	37,662	34.1	14,705	6.8%	6.2%
2013 / 14	121,229	4,739,710	39,097	35.0	15,169	5.4%	4.9%
2014 / 15	120,973	4,952,711	40,941	34.4	15,169	3.9%	3.6%
2015 / 16	123,752	5,194,006	41,971	34.3	15,388	4.2%	3.7%

Note: (-) Data unavailable

Sources:

Population data by the California Department of Finance Projections as provided by MuniServices LLC.

Starting in FY 2006-07 Personal Income Data is determined using 2005 American Community Survey Data and adjusted for inflation in accordance with rates provided by the Bureau of Labor Statistics as provided by MuniServices LLC.

Public School Enrollment data provided by the Santa Clara Unified School District.

Unemployment Data by the State of California Employment Development Department.

**CITY OF SANTA CLARA  
PRINCIPAL EMPLOYERS  
Current Year and Ten Years Ago**

**Table 16**

Company	2016		2007	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Applied Materials, Inc.	8,500	22.1%		0.0%
Intel Corporation	7,801	20.3%	5,700	11.2%
California's Great America	2,500	6.5%		0.0%
Avaya Inc.	2,000	5.2%		0.0%
Santa Clara City Hall	1,759	4.6%		0.0%
EMC Corporation	1,338	3.5%		0.0%
Macy's	1,200	3.1%		0.0%
Santa Clara University	1,200	3.1%		0.0%
Catalyst Semiconductor Inc.	1,100	2.9%		0.0%
Lsa Global	1,001	3%		0.0%
National Semiconductor Corporation	-	0%	5,100	10.0%
Advanced Cardiovascular Systems	-	0%	4,200	8.3%
Oracle Corporation (Sun Microsystems)	-	0%	3,500	6.9%
Coast Personnel	-	0%	1,895	3.7%
Nortel Networks	-	0%	1,500	2.9%
Kaiser Foundation Hospitals	-	0%	1,200	2.4%
Coherent Inc.	-	0%	1,082	2.1%
Iseva Inc.	-	0%	1,000	2.0%
Guidant Corporation	-	0%	850	1.7%
<b>Total Top Ten</b>	<b>28,399</b>	<b>73.9%</b>	<b>26,027</b>	<b>51.2%</b>
All Others	10,022	26.1%	24,873	48.8%
<b>Total Employment</b>	<b>38,421</b>	<b>100%</b>	<b>50,900</b>	<b>100%</b>

Sources: Fiscal Year 2016: ReferenceUSA database, Infogroup, Inc., Papillion, Nebraska



**CITY OF SANTA CLARA**  
**FULL-TIME EQUIVALENT BUDGETED CITY EMPLOYEES BY PROGRAM/FUNCTION**  
**Last Ten Fiscal Years**

**Table 17**

	Fiscal Year Ending June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
City Council	9.00	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
City Clerk	5.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
City Attorney	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00
City Manager	16.00	9.00	9.00	8.00	8.00	8.00	9.00	9.00	9.00	8.00
Information Technology	5.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Human Resources	14.50	14.50	14.50	14.50	14.50	14.50	15.00	15.00	15.00	15.00
Finance	60.25	58.25	58.00	58.00	58.00	58.00	62.00	62.00	63.00	54.00
Parks & Recreation	82.75	82.75	82.00	82.00	82.00	82.00	83.00	83.00	83.00	84.00
Library	47.00	46.50	46.50	42.00	42.00	42.75	42.75	42.75	42.75	42.75
Planning & Inspection	42.00	44.00	40.00	40.00	40.00	40.00	40.00	40.00	39.00	39.00
Engineering	38.25	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00	44.00
Purchasing	*	*	*	*	*	*	*	*	*	9.00
Building Maintenance	10.90	11.40	11.50	11.50	11.50	12.50	13.50	13.50	13.50	13.50
Street	65.35	63.10	62.00	63.00	63.00	63.00	64.00	64.00	64.00	58.00
Automotive Services	15.00	15.00	15.00	16.00	18.00	18.00	19.00	19.00	19.00	19.00
Police	222.00	219.00	222.00	222.00	222.00	227.00	227.00	227.00	227.00	227.00
Fire	179.50	179.50	179.50	179.50	179.50	179.50	179.50	179.50	179.50	179.50
Electric Utility	166.00	156.00	142.00	135.00	135.00	144.00	144.00	144.00	144.00	144.00
Water Utility	50.10	47.10	45.40	45.80	45.80	46.15	45.45	45.45	45.50	45.50
Sewer Utility	19.90	17.90	15.60	14.20	14.20	13.85	14.55	14.55	14.50	13.50
<b>TOTAL</b>	<b>1,054.50</b>	<b>1,026.50</b>	<b>1,004.50</b>	<b>992.00</b>	<b>994.00</b>	<b>1,010.75</b>	<b>1,020.25</b>	<b>1,020.25</b>	<b>1,020.25</b>	<b>1,019.25</b>

Note: \* Included in Finance starting 2007-08

Source: City of Santa Clara Annual Budget 2015-16

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

**Table 18**

	Fiscal Year Ending June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Culture and Recreation:										
Number of library items circulated	2,479,126	2,491,553	2,260,844	2,525,555	2,527,883	2,466,152	2,782,561	2,647,837	2,564,484	2,545,942
Fire Protection:										
Number of calls answered	8,933	8,403	8,336	8,232	8,135	8,659	8,671	7,488	7,614	7,686
Number of inspections conducted	8,260	8,067	8,784	9,097	9,775	10,234	8,565	9,707	8,436	9,041
Police Protection:										
Number of calls for service <sup>(1)</sup>	51,853	60,208	59,474	59,158	57,018	62,004	64,797	57,245	57,769	55,909
Electric System:										
Maximum annual demand (MW)	526.4	491.1	482.4	471.1	463.01	471.37	459.8	489.9	479.6	486.5
Total annual energy (Mwh)	3,488,004	3,238,372	3,145,100	3,102,166	3,052,818	2,950,301	2,909,151	2,971,436	2,984,161	2,931,407
Sewer System:										
Number of service connections	25,744	25,656	25,660	25,530	25,300	25,420	25,540	26,125	26,084	26,014
Peak flow (5-day average, WPCP) (MG)	110	121	121	121	121	120	109	109	109	125
Maximum daily capacity of treatment plant (WPCP) (MGD)	167	167	167	167	167	167	167	167	167	167
Peak flow (5-day average, City) (MGD)	16	16	16	16	16	16	16	16	17	17
Water System:										
Number of service accounts	25,716	25,656	25,530	25,530	25,300	25,420	25,540	25,482	25,310	25,277
Daily Average consumption (MG)	15	16.8	18.8	19	19	18.6	18.1	19.4	21	22
Maximum daily capacity of plant:										
Potable Water (MGD)	96	87	87	87	87	87	87	87	87	89
Recycled Water (MGD)	14	15	15	15	15	15	15	15	15	15

Note: (1) Data Based on Calendar Year  
Source: City of Santa Clara

**CITY OF SANTA CLARA  
CAPITAL ASSETS STATISTICS BY FUNCTION  
Last Ten Fiscal Years**

**Table 19**

	Fiscal Year Ending June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Culture and Recreation:</b>										
Number of community centers	4	4	4	4	4	4	4	4	4	4
Number of parks	34	34	32	32	32	32	32	32	32	32
Park acreage	274	273	273	273	273	273	273	282	282	282
Number of golf courses	1	1	1	1	1	1	1	1	1	1
Number of swimming pools	5	5	5	5	5	5	5	5	5	4
Number of tennis courts	28	28	28	28	28	28	28	28	28	28
Number of lawn bowling greens	1	1	1	1	1	1	1	1	1	1
Number of lighted soccer fields	3	3	3	3	3	3	3	3	3	3
Number of lighted softball fields	7	7	7	7	7	7	7	7	7	7
Number of neighborhood park buildings	8	8	8	8	8	8	8	8	8	8
Number of gymnastic centers	1	1	1	1	1	1	1	1	1	1
Number of skate parks	1	1	1	1	1	1	1	1	1	1
Number of community theaters	1	1	1	1	1	1	1	1	1	1
Number of libraries	3	2	2	2	2	2	2	2	2	2
Cemetery	2	2	2	2	2	2	2	2	2	2
<b>Fire Protection:</b>										
Number of stations	10	10	10	10	10	10	10	10	10	10
<b>Police Protection:</b>										
Number of stations	2	2	2	2	2	2	2	2	2	2
<b>Electric System:</b>										
Number of meters	53,824	53,360	52,775	52,957	52,867	52,327	52,090	51,832	51,514	50,858
Miles of high voltage lines	605	591	590	586	582	579	573	573	548	479
Number of substations	27	27	26	26	26	26	24	23	23	23
<b>Sewerage System:</b>										
Miles of sanitary sewers	288	288	288	288	286	285	285	279	279	282
Miles of storm sewers	195	195	-	141	141	140	140	140	140	138
Number of treatment plants	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary
<b>Water System:</b>										
Miles of water mains	310	335	335	335	335	335	335	335	335	335
Number of fire hydrants	3,383	3,315	3,315	3,315	3,315	3,315	3,315	3,313	3,285	3,261
Miles of recycled water mains	33	33	33	33	33	23	21	20	20	20
<b>Streets:</b>										
Miles of Streets	252	252	249	249	249	249	249	249	249	249
Number of Street Lights	8,103	8,097	8,054	8,077	8,046	7,993	7,990	7,976	8,481	8,181
Number of Traffic Signals	206	200	196	191	188	188	188	188	187	187

Source: City of Santa Clara

**CITY OF SANTA CLARA  
STATEMENT OF INSURANCE COVERAGE  
June 30, 2016**

**Table 20**

TYPE OF POLICY	INSURANCE COMPANY	LIMITS <sup>(1)</sup>	ANNUAL PREMIUM	TERM YEARS	EXPIRATION DATE <sup>(2)</sup>
<b><u>Liability</u></b>					
Comprehensive General	Self-insured (Since 1987)	\$3 million	n/a	-	Ongoing
Excess Liability	Security National Insurance Company and various other carriers	\$65 million	\$370,803	1	7/1/2016
Workers' Compensation	Self-insured (since 1973)	\$500 thousand	n/a	-	Ongoing
Excess Workers' Compensation	CSAC Excess Ins. Authority	\$5 million	\$649,583	1	7/1/2016
<b><u>Property Coverage</u></b>					
All Risks, including flood, excluding earthquake	Alliant Property Insurance Program (APIP)  Lexington Insurance and various excess carriers	\$1 billion	\$394,927	1	7/1/2016
Boiler and Machinery	Lexington Insurance and various excess carriers	\$100 million	\$8,940	1	7/1/2016
<b><u>Financial Loss Bonds</u></b>					
Crime Coverage Bond	CSAC Excess Insurance Authority	\$15 million	\$7,520	2	6/30/2017

Notes:

(1) Limits are per occurrence

(2) All policies have been renewed

Source: City of Santa Clara

**SUCCESSOR AGENCY CITY OF SANTA CLARA  
STATISTICAL SECTION**

This part of the City of Santa Clara’s Comprehensive Annual Report provides detailed information to better understand the data presented within the financial statements, note disclosures, and required supplementary information.

TABLES

REVENUE CAPACITY

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

1 - 3

DEBT CAPACITY

Presents information to assess the affordability of the Successor Agency’s current levels of outstanding debts.

4

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**SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA  
BAYSHORE NORTH PROJECT AREA  
HISTORICAL TAX INCREMENT  
Last Ten Fiscal Years  
(In Thousands)**

**Table 1**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Real Property Value	\$ 4,474,185	\$ 2,504,578	\$ 2,428,787	\$ 2,443,683	\$ 2,337,717	\$ 2,302,910	\$ 2,627,293	\$ 2,441,511	\$ 2,029,853	\$ 1,851,088
Other Property Value	796,082	551,425	450,943	468,788	492,292	423,299	388,607	377,401	353,950	334,725
Total Project Value	<u>5,270,267</u>	<u>3,056,003</u>	<u>2,879,730</u>	<u>2,912,471</u>	<u>2,830,009</u>	<u>2,726,209</u>	<u>3,015,900</u>	<u>2,818,912</u>	<u>2,383,803</u>	<u>2,185,813</u>
Less Base Value	49,632	49,322	(8,829)	(8,838)	(8,838)	(8,838)	(8,838)	(8,838)	(8,838)	(8,838)
Increment Over Base Value	5,319,899	3,105,325	2,870,901	2,903,633	2,821,171	2,717,371	3,007,062	2,810,074	2,374,965	2,176,975
Redevelopment Property										
Tax Trust Fund (RP TTF) <sup>(1)</sup>	5,697	9,365	26,759	13,366	-	-	-	-	-	-
Tax Increment Revenue	-	-	-	-	15,035	28,629	31,656	29,597	25,036	22,945
Supplemental Tax Revenue	-	-	-	-	-	(37)	94	1,627	1,306	713
Total Tax Revenue	<u>5,697</u>	<u>9,365</u>	<u>26,759</u>	<u>13,366</u>	<u>15,035</u>	<u>28,592</u>	<u>31,750</u>	<u>31,224</u>	<u>26,342</u>	<u>23,658</u>
<u>Less:</u>										
AB 1484 True-Up Payment <sup>(2)</sup>	-	-	-	(378)	-	-	-	-	-	-
Pass Through Payments	-	-	-	-	(1,085)	-	-	-	-	-
SERAF Payment	-	-	-	-	-	(1,975)	(9,592)	-	-	-
Housing Set-Aside	-	-	-	-	(3,007)	(8,578)	(9,525)	(9,367)	(7,903)	(7,098)
County Administrative Charge	-	-	-	-	-	(312)	(321)	(286)	(262)	(251)
Net Tax Revenue	<u>\$ 5,697</u>	<u>\$ 9,365</u>	<u>\$ 26,759</u>	<u>\$ 12,988</u>	<u>\$ 10,943</u>	<u>\$ 17,727</u>	<u>\$ 12,312</u>	<u>\$ 21,571</u>	<u>\$ 18,177</u>	<u>\$ 16,309</u>

Notes:

(1) With the State dissolving all RDAs on 02/01/2012, the structure of Tax Increment Revenue has changed. Starting in fiscal year 2012-13, the County's property tax distribution to the Successor Agency was changed to the Redevelopment Property Tax Trust Fund (RP TTF).

(2) On June 28, 2012, AB 1484 became law which made a number of significant changes to ABX126. In particular, the new Health and Safety Code Section 34183.5 required the Santa Clara County Auditor-Controller to conduct a "true-up" of the June 1, 2012 distribution from the RP TTF for each former RDA. In accordance with the new law, the Successor Agency was required to make a "true-up" payment of \$378,540.37 by July 12, 2012.

Source: City of Santa Clara / Santa Clara County Auditor

**SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA  
 BAYSHORE NORTH PROJECT AREA  
 TEN LARGEST ASSESSEES - TAXABLE VALUE  
 June 30, 2016**

**Table 2**

<b>ASSESSEE</b>	<b>ASSESSED PROPERTY USE</b>	<b>ASSESSED PROPERTY VALUATION</b>	<b>PERCENT OF TOTAL</b>
<b>1</b> Forty Niners SC Stadium Company LLC	Commercial Office Building	\$ 1,454,707,170	27.60%
<b>2</b> Sobrato Interest	Commercial Office Building	436,530,586	8.28%
<b>3</b> The Irvine Company	Commercial Office Building	401,955,702	7.63%
<b>4</b> PR 3975 Freedom Circle LLC	Commercial Office Building	280,750,085	5.33%
<b>5</b> Prudential Insurance Co of America	Commercial Office Building	140,846,893	2.67%
<b>6</b> LEECO Real Estate Group LLC	Commercial Office Building	130,820,327	2.48%
<b>7</b> Lake Park Associates LLC	Commercial Office Building	111,483,814	2.12%
<b>8</b> Cedar Fair Southwest Inc	Commercial Office Building	103,303,888	1.96%
<b>9</b> Freedom Circle LLC	Commercial Office Building	98,537,414	1.87%
<b>10</b> Landing SC LLC	Commercial Office Building	95,821,192	1.82%
	TOTAL	<u>\$ 3,254,757,071</u>	<u>61.76%</u>
	TOTAL AGENCY ASSESSED VALUE	<u>\$ 5,270,267,039</u>	



**SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA  
BAYSHORE NORTH PROJECT AREA  
ASSESSMENT APPEAL ACTIVITY OF TOP 20 ASSESSES  
2015-16 Impacts**

**Table 3**

TAX ROLL NUMBER	ASSESSEE	ASSESSED		APPEAL NUMBER	HEARING DATE		APPLICANT'S OPINION	
		VALUATION/ORIGINAL	S/U <sup>(1)</sup>		DEADLINE	STATUS	VALUATION	LAND USE
984-92-103	Forty Niners	\$ 555,214,000	S	15.0278		Pending	\$ 88,000,000	Commercial
984-92-104	Forty Niners	555,214,000	S	15.0279		Pending	88,000,000	Commercial
984-92-103	Forty Niners	555,214,000	S	15.028		Pending	88,000,000	Commercial
984-92-104	Forty Niners	555,214,000	S	15.0281		Pending	88,000,000	Commercial
15-050365	Forty Niners	316,988,853	U	15.0883		Pending	308,000,000	N/A
14-088142	The Irvine C	170,250,000	U	14.1139		Pending	-	N/A
14-080693	The Irvine C	142,750,000	U	14.3353		Pending	90,000,000	N/A
104-40-019	Freedom Cir	136,500,000	S	15.2500		Pending	85,400,000	Commercial
104-40-019	Freedom Cir	136,500,000	S	15.2501		Pending	85,400,000	Commercial
15-028707	Arista Network	66,287,145	U	15.1102		Pending	33,000,000	N/A
14-028327	Arista Network	65,079,848	U	14.1869		Pending	37,065,000	N/A
12-041128	Quality Tech	63,702,529	U	12.6758		Pending	16,100,000	N/A
13-039368	Quality Tech	61,168,167	U	13.3546		Pending	16,100,000	N/A
104-04-077	Digital - PR	60,688,809	S	15.2483		Pending	30,344,405	Commercial
104-04-077	Digital - PR	59,778,380	S	15.2459		Pending	29,889,190	Commercial
14-080673	The Irvine C	59,750,000	U	14.3356		Pending	50,000,000	N/A
104-04-077	Digital PR	59,500,000	S	15.2482		Pending	29,750,000	Commercial
984-12-005	Cedar Fair S	52,312,695	S	14.H129		Pending	34,676,604	Commercial
13-022391	Cedar Fair S	52,147,534	U	13.3738		Pending	40,000,000	N/A
984-12-005	Cedar Fair S	51,847,500	S	15.0816		Pending	34,211,409	Commercial
		\$ 3,776,107,460					\$ 1,271,936,608	

Note:

(1) S=secured roll, U=unsecured roll

Source: Santa Clara County Assessor's Office

**SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA  
BAYSHORE NORTH PROJECT AREA  
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT  
June 30, 2016**

**Table 4**

2015-16 Assessed Valuation:	\$ 5,270,267,039		
Base Year Valuation:	(49,632,189)		
Incremental Valuation:	<u>\$ 5,319,899,228</u>		
		Total Debt 6/30/2016	Project Area's Share of Debt 6/30/16
<b><u>DIRECT DEBT:</u></b>		% Applicable	
1999 Tax Allocation Bonds, Series A	\$ 31,550,000	100%	\$ 31,550,000
1999 Tax Allocation Bonds, Series B	2,320,000	100%	\$ 2,320,000
2003 Tax Allocation Bonds	36,040,000	100%	36,040,000
2011 Tax Allocation Bonds	27,954,618	100%	27,954,618
TOTAL DIRECT DEBT			<u>\$ 97,864,618</u>
Ratio to Incremental Valuation: 1.84%			
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Santa Clara Unified School District	\$ 530,270,000	10.999%	58,324,397
West Valley-Mission Community College District	419,930,312	4.749%	19,942,491
Santa Clara County	792,585,000	1.358%	10,763,304
Santa Clara Valley Water District Benefit Assessment District	99,060,000	1.358%	1,345,235
El Camino Hospital District	136,280,000	0.012%	16,354
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 90,391,781</u>
<b><u>OVERLAPPING GENERAL FUND DEBT:</u></b>			
Santa Clara County General Fund Obligations	\$ 683,441,121	1.358%	\$ 9,281,130
Santa Clara County Pension Obligations	367,118,349	1.358%	4,985,467
Santa Clara County Board of Education Certificates of Participation	6,380,000	1.358%	86,640
West Valley-Mission Community College District Certificates of Participation	64,180,000	4.749%	3,047,908
Santa Clara Unified School District Certificates of Participation	13,835,000	10.999%	1,521,712
City of Santa Clara General Fund Obligations	22,050,000	16.006%	3,529,323
Santa Clara County Vector Control District Certificates of Participation	2,890,000	1.358%	39,246
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>\$ 22,491,427</u>
COMBINED TOTAL DIRECT AND OVERLAPPING DEBT			\$ 210,747,825
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT			\$ 120,356,045
(1) Percentage of overlapping agency's assessed valuation located within boundaries of the project area			
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations			
<b><u>Ratios to 2015-16 Assessed Valuation:</u></b>			
Combined Total Direct and Overlapping Debt	3.96%		
Net Combined Total Direct and Overlapping Debt	2.26%		

Source: California Municipal Statistics, Inc.