

# Comprehensive Annual Financial Report



**FISCAL YEAR ENDED**  
**JUNE 30, 2011**



**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT**

**FISCAL YEAR ENDED JUNE 30, 2011**



**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  
 TABLE OF CONTENTS**

Page

**INTRODUCTORY SECTION**

Table of Contents .....	i
Letter of Transmittal .....	iii
Roster of Council and Commission Members .....	xvii
Executive Management Team .....	xviii
GFOA Certificate of Achievement .....	xix
Organization Chart .....	xx
Local Map .....	xxi

**FINANCIAL SECTION**

<i>Independent Auditors' Report on Basic Financial Statements</i> .....	1-1
<i>Management's Discussion and Analysis</i> .....	1-3
<i>Basic Financial Statements</i>	
Government-wide Financial Statements	
Statement of Net Assets .....	2-2
Statement of Activities .....	2-4
Fund Financial Statements	
Governmental Funds	
Balance Sheets .....	2-8
Reconciliation of Fund Balances to Governmental Activities Net Assets .....	2-11
Statements of Revenues, Expenditures, and Changes in Fund Balances .....	2-12
Reconciliation of the Net Change in Fund Balances-Total Governmental Funds with the Statement of Activities .....	2-14
Proprietary Funds	
Statements of Net Assets .....	2-16
Statements of Revenues, Expenses and Changes in Fund Net Assets .....	2-18
Statements of Cash Flows .....	2-20
Fiduciary Funds	
Statement of Fiduciary Net Assets .....	2-24
Notes to Basic Financial Statements .....	3-1
<i>Required Supplementary Information</i>	
Schedule of Funding Progress – Other Post Retirement Benefit Plan .....	4-1
General Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Legal Basis) .....	4-2
Special Revenue Santa Clara Housing Authority Funds	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Legal Basis) .....	4-5
Note to Required Supplementary Information .....	4-6

**CITY OF SANTA CLARA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 TABLE OF CONTENTS  
 (continued)**

	<u>Page</u>
<i>Supplementary Information</i>	
Non-Major Governmental Funds	
Combining Balance Sheets .....	5-4
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	5-8
Special Revenue Maintenance Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Legal Basis) .....	5-12
Non-Major Enterprise Funds	
Statements of Net Assets .....	5-14
Statements of Revenues, Expenses and Changes in Fund Net Assets .....	5-16
Statements of Cash Flows .....	5-18
Internal Service Funds	
Combining Statement of Net Assets .....	5-22
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets .....	5-23
Combining Statement of Cash Flows .....	5-24
Agency Funds	
Combining Statements of Fiduciary Net Assets .....	5-26
Combining Statements of Changes in Fiduciary Net Assets .....	5-27
 <b>STATISTICAL SECTION (UNAUDITED)</b>	
1. Net Assets by Component – Last Ten Fiscal Years .....	6-2
2. Changes in Net Assets – Last Ten Fiscal Years .....	6-3
3. Fund Balances – Governmental Funds – Last Ten Fiscal Years .....	6-6
4. Changes in Fund Balances – Governmental Funds – Last Ten Fiscal Years .....	6-7
5. Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years .....	6-9
6. Property Tax Rates Direct and Overlapping Governments – Last Ten Fiscal Years .....	6-10
7. Principal Property Tax Payers – 2010-11 and 2001-02 Comparison for General Fund .....	6-11
8. Property Tax Levies and Collections – Last Ten Fiscal Years .....	6-12
9. Ratios of Outstanding Debt by Type – Last Nine Fiscal Years .....	6-13
10. Population and Assessed Valuation – Last Ten Fiscal Years .....	6-14
11. Computation of Direct and Overlapping Bonded Debt .....	6-15
12. Legal Debt Margin Information – Last Ten Fiscal Years .....	6-16
13. Pledged Revenue Coverage Electric Revenue Bond – Last Nine Fiscal Years .....	6-17
14. Demographic and Economic Statistics – Last Ten Calendar Years .....	6-18
15. Principal Private Employers .....	6-19
16. Full-Time Equivalent Budgeted City Employees by Program/Function – Last Nine Fiscal Years .....	6-20
17. Operating Indicators by Function/Activity – Last Nine Fiscal Years .....	6-21
18. Capital Assets Statistics by Function – Last Nine Fiscal Years .....	6-22
19. Statement of Insurance Coverage .....	6-23

S  
A  
N  
T  
A  
C  
I  
L  
I  
A  
R  
I  
A



January 27, 2012

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

Dear Citizens, Mayor and Members of the City Council:

The audited Comprehensive Annual Financial Report (CAFR) of the City of Santa Clara for the fiscal year ended June 30, 2011 is hereby submitted to you. 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 both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of the City's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the various funds of the City. All significant disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included in this report.

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

The independent audit was part of a broader, federally mandated audit of state and local governments ("Single Audit") designed to meet the special needs of federal granting agencies. The standards governing single Audit require the auditor to report on the fair presentation of the financial statements and the City's internal controls and compliance with legal granting requirements. This separate report is also available at the Santa Clara City Hall in the City Clerk's Office.

Vavrinek, Trine, Day and Co., LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Santa Clara's financial statements for the year ended June 30, 2011. The independent auditors' report is located at the front of the financial section of this report.

Finance Department  
1500 Warburton Avenue  
Santa Clara, CA 95050  
(408) 615-2345  
FAX (408) 243-8687  
[www.ci.santa-clara.ca.us](http://www.ci.santa-clara.ca.us)

## **THIS CAFR IS DIVIDED INTO THE FOLLOWING SECTIONS:**

*The Introductory Section* includes information about the organizational structure of the City, the City's economic environment and City overview for 2010-11, major City initiatives, the City reporting entity and its services, and financial information.

*The Financial Section* contains the City's audited financial statements, including the MD&A, government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present financial information for the City's major funds, non-major funds, as well as proprietary funds, internal service funds and fiduciary funds. Also included in this section are the accompanying notes to the basic financial statements.

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

## **CITY OVERVIEW**

The City enjoys a diversified industrial and commercial base. Santa Clara is headquarters to some of the nation's leading electronics, telecommunications, computer, and semiconductor firms. In terms of total assessed valuation, approximately 46% of the City's property is commercial/industrial and 54% is residential. The City is also home to a university, a community college, an adult learning center, and a general hospital.

The City's population continues to grow, indicating the City remains an attractive place both to live and to work. The City remains one of the most highly desirable areas to live in because of the high quality services it provides to residents and its business friendly environment. According to the California Department of Finance's Demographic Research Unit, the City's population increased from 116,308 on January 1, 2010 to 118,169 on January 1, 2011. This 1.6% increase was the largest increase in the County.

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

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

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

The City provides a full range of services. These services include police, fire protection and emergency dispatch; electric, water and sanitation services; the construction and maintenance of

streets and infrastructure; parks and recreational activities and cultural events; planning and zoning; library; cemetery; and general administrative and support services.

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

### **Mission Statement**

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

### **Vision**

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

On August 18, 2009, the City Council adopted principles and priorities for fiscal years 2009-11. These were left unchanged as part of the City Council's Goal Setting for fiscal years 2011-13.

### **Council Priority:**

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

### **Supporting Principles:**

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

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

## **ECONOMIC ENVIRONMENT**

The City is managing its way through the Great Recession which began to impact economically sensitive revenue collections in fiscal year 2007-08. Revenue declines accelerated in fiscal year 2008-09 and continued on a downward trend in fiscal year 2009-10. The Bay Area economy, and in particular the Silicon Valley region, commenced a slow recovery in fiscal year 2010-11. The downturn was originally fueled by the mortgage crisis which moved housing values downward, along with the equally serious crisis in the financial and credit markets. This led to dramatic increases in unemployment levels, which resulted in reductions in consumer and business spending and reinvestment. Funding for start ups as well as large commercial projects is slowly becoming available for projects to move forward.

Santa Clara County unemployment rates, which rose over the 11% mark in June 2010, peaked at 11.8% before ending the 2010-11 fiscal year at 10.3%. Although consumer confidence has rebounded somewhat from its historic lows in late 2009, full recovery to our property, sales, and transient occupancy tax revenues is expected to take several years.

The State of California's long-term budget crisis continues to negatively affect our overall budget. In adopting their fiscal year 2010-11 Budget, the State directed a \$2.05 billion takeaway of redevelopment agency (RDA) funds over two years. The share for our RDA project areas was \$9.8 million in fiscal year 2009-10 and \$2.0 million in fiscal year 2010-11. This funding would have been used for capital improvements in the City's two redevelopment project areas. It is important to note that this is a takeaway, not a loan.

The State's action was challenged by the California Redevelopment Association (CRA) and on May 4, 2010 the Superior Court ruled against the CRA lawsuit and denied a stay on the transfer pending the outcome of an appeal. The Third District Court of Appeal denied the stay on May 7, 2010 requiring the payments to be made during the appeal. As the CRA is continuing to pursue the appeal, Santa Clara filed a letter with our 2009-10 and 2010-11 payments noting that our payment was being made under protest and protecting our right to have the money returned to the Agency should the appeal be successful.

In June 2011, the Governor approved the State Budget for fiscal year 2011-12, and signed a number of trailer bills. This budget, as enacted, would have significant negative impact on the City of Santa Clara and its Redevelopment Agency.

Two of the bills significantly modify Redevelopment law by altering the future of California redevelopment. In order to protect the City of Santa Clara Redevelopment Agency projects, the Agency and City entered into Cooperation Agreements, resulting in the conveyance of Agency-owned property to the City and newly created Stadium Authority. Additionally, housing related projects were subsequently transferred to the newly formed Housing Authority. See appropriate sections below for additional information.

## **FINANCIAL DATA**

To balance the budget in light of the lingering affects of the Great Recession, the City had continued to implement cost reduction measures. Measures taken include eliminating, holding vacant, or freezing more than 100 positions; implementing unpaid employee furloughs; and the re-emphasis of the "Volunteer Santa Clara" program. For fiscal year 2010-11, these and other actions enabled the City to generate an operating surplus for the first time in several years, with transfers being made to both the Working Capital (Emergency) Reserve and the Capital Projects Reserve. These June 30, 2011 reserve balances are \$4.1 million and \$6.4 million, respectively. Additionally, the Building Inspection Reserve increased to \$2.6 million.

While reductions in the number of positions and paid staff hours have impacted City services, such as tree trimming, street and sidewalk repair, park and parkway maintenance, our dedicated City workforce continue to do their best to deliver the quality services that Santa Clarans have come to expect.

The City Council's adopted budget principles for fiscal year 2010-11 reflect the economic challenges that the City faces including recognition that sufficient reserves do not exist to balance projected future budget shortfalls, and that a multi-pronged strategy is needed to improve the financial picture for the General Fund. This strategy will continue for the next several years. The adopted principles include but are not limited to the following:

- Team-based approach to identify and implement cost savings measures including input and participation from all major stakeholders.
- Proactively seek opportunities for economic development to benefit the City.
- Any necessary reduction in permanent positions will be accomplished first through attrition and retirements, with layoffs used only as a last resort.
- Implement a three-year strategy to bring ongoing revenues and expenditures into balance, recognizing that the City's General Fund has a structural deficit and that the use of one-time monies is only a temporary solution.
- The City recognizes that the implementation of strategies to resolve the structural deficit may take time requiring short-term solutions until ongoing savings associated with structural changes are realized.
- Reduce hours of operations where possible while maintaining essential service levels.
- Review options for consolidation of functions that reduce operational costs and improve efficiency.
- Establish fees based on full cost recovery where individuals/business rather than the community at-large are benefiting from City services. This preserves limited unrestricted resources for providing services that benefit the community as a whole.

In fiscal year 2010-11, the City implemented Governmental Accounting Standards Board Statement No. 54 "Fund Balance Reporting and governmental Fund Type Definitions." See Note 19 in the Basic Financial Statements section of this report for detailed fund balance information. The following table summarizes certain June 30, 2011 reserves established and used internally by Council:

General Fund Contingency Reserves	Balance at 6-30-11 (millions)	Remarks
Working Capital (Emergency) Reserve	\$4.1	The June 30, 2011 balance represents 2.96% of the fiscal year 2011-12 adopted General Fund appropriations of \$140.0 million. The policy level is 25% of the General Fund adopted budget, or \$35.0 million. The July 1, 2011 balance remains at \$4.1 million, after the transfer out of twenty three thousand for the fiscal year 2011-12 appropriation.
Capital Projects Reserve	\$6.4	The June 30, 2011 balance is 129% of the minimum requirement of \$5 million. As part of fiscal year 2011-12 budget approval by Council, several CIP projects were closed/reduced. As a result, approximately \$1.6 million will be transferred back to the Capital Projects Reserve. The estimated balance of Capital Projects Reserve available for future projects with this anticipated transfer would be \$8.0 million. The July 1, 2011 balance would be \$6.3 million after the \$1.7 million transfer out for the fiscal year 2011-12 appropriation. The City has a backlog of \$136.5 million of capital project funding needs per the Five-Year Financial Plan 2012-13 through 2016-17.
Land Sale Reserve	\$17.0	Land Sale Reserve includes \$3.3 million of interest earned on non-spendable land sale proceeds. Under current policy, interest earnings are contributed to the General Fund during deficit periods, and to the Working Capital (Emergency) Reserve during surplus periods; corpus to remain intact.
Building Inspection Reserve	\$2.6	The Building Inspection Reserve is used by the Building Inspection Division of Planning and Inspection Department for capital and operating purposes. The July 1, 2011 balance is \$1.9 million after the \$0.7 million transfer out for the fiscal year 2011-12 appropriation.

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

The City faces two key challenges over the next several years: first, continuing to balance the General Fund and Enterprise Fund budgets given the slow economic recovery and second, developing alternatives for financing \$153.2 million in needed capital improvements over the next five years. The City has no identified sources of financing for \$136.5 million of these projects.

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

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

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

## **GENERAL FUND OVERVIEW**

The fiscal 2010-11 total revenues to the General Fund, as reported in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, were \$14.0 million higher compared to prior year. While sales tax revenues increased \$4.0 million and transient occupancy tax revenues increased \$1.6 million, they still remain well below pre-recession levels. The General Fund's other major direct revenue source – Ad Valorem property tax – was down \$1.5 million from fiscal year 2009-10 due to declines in assessed valuation. Property tax collections typically lag other economically sensitive revenues due to the time it takes for the change in property values to roll onto or off of the property tax rolls. Revenues from charges for services were up \$4.6 million primarily due to greater development activity and the remaining revenue sources had a net increase of \$7.7 million. The fair value of investments declined by \$2.5 million as higher yield investments have matured. The City's direct and indirect expenditures were down \$3.5 million, due primarily to lower salaries and benefits costs resulting from reductions in the number of funded positions and the implementation of unfunded employee furloughs.

## **MAJOR CITY INITIATIVES**

Because of the slow economic recovery, several projects are currently under review and/or on hold in the City. However, in fiscal year 2010-11 the City was able to make progress on several projects.

### **Land Use/Neighborhood Issues**

The annual budget includes substantial appropriations in this theme category whose primary thrust is to protect the integrity of the City's neighborhoods, provide affordable housing and preserve the

character of Santa Clara historical neighborhoods. The highlights for those City of Santa Clara neighborhoods are as follows:

### Affordable Housing Projects and Programs

The City is currently in the first year of its 2010-2015 Consolidated Plan for using federal Community Development Block Grant (CDBG) and Home Investment Partnership Act (HOME) funds. In addition, the Santa Clara Housing Authority (Housing Authority) uses 30% Affordable Housing Set-Aside funds from the Redevelopment Agency of the City of Santa Clara (Agency). All of these funds are used for new construction, acquisition and rehabilitation of existing housing, and first-time homebuyer loans. These funds also support housing-related programs such as fair housing, mortgage counseling, and support services for special needs persons. For the 2010-15 Consolidated Plan, the City plans to develop 575 new affordable housing units, to rehabilitate 450 housing units occupied by low income persons, and assist an average of 8,800 low-income persons per year with various services. These services are administered either directly by the City and the Housing Authority, or through non-profit service agencies.

*Projects underway at the end of fiscal year 2010-11 include:*

- The Bill Wilson Center Commons Project to purchase and rehabilitate a 28-unit apartment complex for affordable, permanent housing for both very low income youth aging out of foster care, and 6-8 staff counselors to mentor the youth residents.
- The Neighborhood Conservation and Improvement Program (NCIP) to support housing repairs for low-income homeowners. During fiscal year 2010-11, this program assisted 107 low-income homeowners to do needed repairs on their homes. The Bright Home Program was offered for exterior house painting of single-family, owner-occupied homes and assisted 50 low-income homeowners.
- Entering fiscal year 2011-12, the City was about to begin a third project with Habitat for Humanity to develop ownership housing for 8 very low income households. When that project is completed, the City and Habitat will have collaborated in the development of 20 housing units since 2005.
- The CORE Affordable Housing Presidio El Camino project to develop a 40-unit apartment complex affordable to extremely-low, very-low and low-income households.
- The First Time Homebuyer Financing Program has been totally redesigned and when used with the City's Below Market Priced Program, offers an affordable entry-level price for first-time homebuyers, with a market-based approach for owner-equity appreciation.

## **Economic Development**

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

### General Plan Update

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

going. The housing element was updated in mid-2009 and the balance of the General Plan were completed in November 2010.

### Redevelopment Agency

In the Redevelopment Agency, activity for the year was impacted by Assembly Bills x1 26 and 27, enacted as part of the State's budget package. AB x1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the Agency. AB x1 27 provided for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, cities that chose to "opt in" would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annually thereafter. The League of California Cities and the California Redevelopment Association filed a lawsuit to overturn both Assembly Bills.

On December 29, 2011 the California Supreme Court ruled on California Redevelopment Association (CRA) v. Ana Matosantos by upholding AB x1 26, the redevelopment elimination bill, and striking down AB x1 27, the bill which would have allowed redevelopment agencies to remain in operation as long as they made payments to the State. As it currently stands, redevelopment agencies will be dissolved on February 1, 2012. See Note 22 in the Basic Financial Statement section of this CAFR for more detailed information.

The City's Redevelopment Agency (Agency) can be categorized in two major areas: housing and other projects. Affordable housing was discussed in a previous section of this letter.

- The Bayshore North Project Area is one of the key elements of the City's economic development program. Major projects include the San Francisco 49ers proposal to build a 68,500 seat professional football stadium in the area. See the separate Stadium Authority section in this letter for more information.
- The University Project Area is a Downtown revitalization effort which includes the site of a proposed mixed-use concept of retail, office and housing on a parcel of 7.3 acres in the City's old quad area, the original downtown for the City of Santa Clara. The concept is for 350-400 housing units, 125,000 square feet of retail, and refurbishment of an existing office building. Due to a lack of demand for new housing and commercial buildings, the City Council approved putting a hold on the discussions. The City Council has created a new Downtown Revitalization subcommittee and they have commenced meetings to review and possibly modify the existing plan.

In February and March 2011, under the terms of various agreements, the Agency transferred all capital improvement projects and appropriations to the City of Santa Clara, the newly formed Santa Clara Housing Authority, or the Stadium Authority and all Agency-owned land and leases were conveyed to the City or Housing Authority. See Note 1D and 1E.

### Santa Clara Housing Authority

In February 2011, the City established the Santa Clara Housing Authority in accordance with Housing Authorities Law. In March 2011, the City, Agency and Housing Authority executed an assignment and assumption agreement whereby the Santa Clara Housing Authority assumed responsibility for housing projects with future funding coming from the Agency.

Under the terms of the assumption agreement, the Agency will pass-through the required 20% property tax increment it receives to the Housing Authority. The Agency will also pass-through the Agency's voluntary 10% property tax increment to the Santa Clara Housing Authority (if any).

The Housing Authority, having assumed the Agency's housing projects and will continue to maintain and fund these housing programs.

#### Santa Clara Stadium Authority

In June 2010, residents of Santa Clara passed Measure J, the Stadium Project Measure resulting in the approval of a city stadium for use by the San Francisco 49ers. This measure permitted the City to lease land to the Agency for the construction of the stadium. Since this measure, the City of Santa Clara has taken certain actions to implement Measure J.

In support of the Stadium Project Measure, in February 2011, the City and Agency entered into a joint exercise of powers agreement establishing the Santa Clara Stadium Authority. In March 2011, the City, Agency and Stadium Authority approved the transfer of all Stadium-related Agency projects and remaining appropriations to the Stadium Authority. The Agency will contribute up to \$40 million toward the estimated \$1 billion stadium construction cost. In addition, the Agency is contributing \$1.6 million for its share of development fees. See Note 1 in the Notes to the Basic Financial Statements for additional information.

#### **Santa Clara Utilities**

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

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

The Utility has recovered from several dry years of reduced hydroelectric power that increased operating costs and caused some drawdown of cash reserves. A 7% rate increase for the electric utility was approved in December 2009 for January 2011. The overall result is that operating revenues currently cover operating costs, capital refurbishments, and replenishment of cash reserves. The Electric Utility is anticipating load growth of 1% over the next fiscal year and an average of 3% in the following five years. The Electric Utility is in continuous conversation with many of its key customers, as well as regularly holding discussions with community groups to monitor their needs.

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

##### Water and Sewer Utilities

In addition to providing efficient and affordable water and sewer utility services to Santa Clara residents and businesses, the City continues to undertake programs to improve water quality and water supply reliability for its residents and to minimize treated sewage effluent discharge into the South Bay. The cost of wholesale water the City purchases from other entities for resale to the

residents and of wastewater conveyance and treatment are increasing. Council approved a fiscal year 2010-11 water rate increase of 9%. Council also approved sewer rate increases in fiscal year 2010-11 and fiscal year 2011-12. Effective July 1, 2011, sewer rates were increased by 15% for all customer types. The sewer rates for all customer types will increase by 10% on January 1, 2012 and by 19% on July 1, 2012.

The sewer rate study conducted in 2009 indicated the need for funding for significant capital infrastructure replacement within the City and at the San Jose-Santa Clara Water Pollution Control Plan within the next 10-15 years. In order to finance these improvements, rate increases and limited debt financing of improvements will be necessary over the next several years. The net sewer rate increase approved by City Council for fiscal year 2011-12 was \$5.14 per month per single-family residential unit. The net sewer rate increase approved by City Council for fiscal year 2012-13 was \$4.66 per month per single family residential unit.

The City continues to expand its recycled water program. Construction is currently underway for the largest single expansion of the City's recycled water system. Approximately six miles of additional recycled water mains are currently under construction and scheduled to be operational by September 2011. Currently 13 City parks, the Santa Clara Youth Soccer Park, City Cemetery, Santa Clara Golf and Tennis Club, and the Donald Von Raesfeld Power Plant are using recycled water. - The City now saves approximately 2,400 acre-feet of potable water per year due to the implementation of the recycled water program.

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

## **FINANCIAL INFORMATION**

### **Internal Controls**

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

### **Single Audit**

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

As part of the City's single audit, tests are made to determine the adequacy of internal controls, including that portion related to federal financial assistance programs, and that the City has complied with applicable laws and regulations. The results of the City's single audit for the year

ended June 30, 2011, published in a separately issued report, indicated that there were no material weaknesses in internal controls.

## **Budgetary Controls**

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

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

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

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

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

## **OTHER INFORMATION**

### **Independent Audit**

The City Charter and State of California statutes require the City to have an annual audit by an independent certified public accountant. The City goes to the market with a formal Request For Proposal for audit services every five years. The accounting firm of Vavrinek, Trine, Day and Co., LLP, Certified Public Accountants, was selected by the City Council in 2006, and is in the final 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.

## Awards

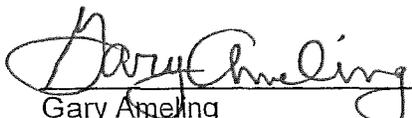
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Clara for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The City has received this prestigious award for the past nineteen consecutive years.

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

## ACKNOWLEDGMENTS

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

Respectfully submitted,

  
\_\_\_\_\_  
Gary Ameling  
Director of Finance

  
\_\_\_\_\_  
Jennifer Sparacino  
City Manager

This Page Intentionally Left Blank

**CITY OF SANTA CLARA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
June 30, 2011**

**ROSTER OF COUNCIL AND COMMISSION MEMBERS**

CITY COUNCIL

Mayor	Jamie L. Matthews
Councilmember	Lisa M. Gillmor
Councilmember	Will Kennedy
Councilmember	Patrick Kolstad
Councilmember	Patrica M. Mahan
Councilmember	Jamie McLeod
Councilmember	Kevin Moore

BOARD OF LIBRARY TRUSTEES

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

CIVIL SERVICE COMMISSION

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

CULTURAL ADVISORY COMMISSION

Vivian M. Arciniega-Aanenson, Debi Davis  
Fatima Fagundes, Michelle Guzman,  
Estella Ross Lockwood, Debra Pavao  
(One Vacancy)

HISTORICAL & LANDMARKS COMMISSION

Brian Johns, Regina "Jeannie" Mahan, Gerald  
"Jerry" McKee, Kris Motyka, Rosalie Wilson  
(Two Vacancies)

HOUSING REHABILITATION LOAN COMMITTEE

Anne Kepner, Brice McQueen,  
Councilmember Jamie McLeod  
(One Vacancy)

INTERNATIONAL EXCHANGE COMMISSION

Loretta Beavers, Yuki Ikezi, James Mathre,  
Eugene Mirabella, Barbara Stahl  
(Two Vacancies)

PARKS AND RECREATION COMMISSION

Raymond G. Gamma, Steve Lee, Jerry Marsalli,  
Michael E. O'Halloran, Cynthia Owens  
(Two Vacancies)

PLANNING COMMISSION

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

SENIOR ADVISORY COMMISSION

Dwight Collins, Frank E. Kadlecek,  
Foster Steven Lopes, Donna Marencia,  
Alice Pivacek, Charles A. "Chuck" Roberts  
(One Vacancy)

YOUTH COMMISSION

Sufyan Abbasi, Ajaipal Chahal, Samantha Chan,  
Devleena Das, Sharleen Gill, Michele Gleit,  
Ayumi Gothberg, Jackie Greely, Kristin Oswald,  
Sheryl Ratnam, Andrew Raushhuber, Deepika Suresh,  
Hannah Villalpando, Ashley Wong,  
Camille Zubizarreta

**CITY OF SANTA CLARA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
June 30, 2011**

**EXECUTIVE MANAGEMENT TEAM**

**CITY MANAGER**  
Jennifer Sparacino

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

**ACTING ASSISTANT CITY MANAGER**  
Carol L. McCarthy

**INTERIM CITY ATTORNEY**  
Elizabeth H. Silver

**DEPUTY CITY MANAGER**  
Carol L. McCarthy

**ACTING CHIEF OF POLICE**  
Kevin R. Kyle

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

**FIRE CHIEF**  
Phil Kleinheinz

**DIRECTOR OF PLANNING & INSPECTION**  
Kevin Riley

**DIRECTOR OF ELECTRIC UTILITY**  
John Roukema

**DIRECTOR OF FINANCE**  
Gary Ameling

**ACTING DIRECTOR OF WATER &  
SEWER UTILITIES**  
Christopher de Groot

**DIRECTOR OF HUMAN RESOURCES**  
Elizabeth Brown

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

**CITY LIBRARIAN**  
Julie Passalacqua

**DIRECTOR OF INFORMATION TECHNOLOGY/CIO**  
Gaurav Garg

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

# 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, 2010

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



*Linda C. Dandson*

President

*Jeffrey R. Emery*

Executive Director





This Page Intentionally Left Blank

# **Financial Section**

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

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





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

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Clara, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Santa Clara's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Clara, California, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 22 to the financial statements, the California State Legislature enacted two different Assembly Bills, the first, AB X1 26, provided for the dissolution of redevelopment agencies, and the second, AB X1 27, provided a mechanism for the continuance of redevelopment agencies. On December 29, 2011 the California Supreme Court upheld that Assembly Bill X1 26, which dissolves redevelopment agencies, was constitutional and determined that AB X1 27 was unconstitutional. Additionally, as described in Note 22, this event causes substantial doubt regarding the Santa Clara Redevelopment Agency's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Notes 4, 6 and 7 to the financial statements, during fiscal year 2010-11, the City and the Santa Clara Redevelopment Agency (Agency) took several actions including the conveyance of certain real property and assigned leasehold interests in those properties to the City of Santa Clara, and the repayment of a loan by the Agency to the City.

As described in Note 2C and Note 19 to the financial statements, the City has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010. The accompanying financial statements reflect certain changes required as a result of implementation of this Statement. These changes resulted in a restatement of the beginning fund balance of the General Fund and the Non-Major Governmental Funds, as described in Note 19.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2012, 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* and should be considered in assessing the results of our audit.

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

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

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

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California  
January 27, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) of the City of Santa Clara's (City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year 2010-11. Please read this document in conjunction with the accompanying Letter of Transmittal and Basic Financial Statements.

### FISCAL YEAR 2010-11 FINANCIAL HIGHLIGHTS

The City of Santa Clara continues to navigate its way through the impacts of the Great Recession. For the first time in several years, the City generated a surplus for the fiscal year ending June 30, 2011. Two of the General Fund's major revenue sources, sales tax and transient occupancy tax, increased approximately \$6 million in total compared to the prior fiscal year. Additionally, in fiscal year 2010-11, there was a reduction in the payment of the State required Educational Revenue Augmentation Fund (ERAF) from \$10 million in 2009-10 to \$2 million in 2010-11. Higher revenues were experienced in the business-type activities as well, partially due to an increase in service charges. Further analysis of the City's financial activities are discussed in the following pages.

Financial highlights of fiscal year 2010-11 include:

*Citywide:*

- The City's total net assets (assets exceeding liabilities) were \$1,539 million in fiscal year 2010-11, a \$41 million increase from the prior year. While Governmental Activities remain at the same level as in the prior year, the increase of \$41 million in the Business-Type Activities is due to a combination of higher revenues and lower expenses.
- Total City revenues, including program and general revenues, were \$618 million, an increase of \$39 million from the prior year, and total expenses were \$577 million, a decrease of \$23 million.
- While Governmental Activities Program Revenues were \$33 million, the same as prior year, General Revenues increased by \$10 million, totaling \$141 million in fiscal year 2010-11.
- Governmental Activities expenses were \$169 million in fiscal year 2010-11, a \$10 million decrease from the prior year.
- Business-Type net assets were \$834 million, an increase of \$41 million, due primarily to increases in Program Revenues and revenues from joint project contribution and developer contributions.
- Program Revenues from Business-Type Activities were \$439 million in fiscal year 2010-11, up \$36 million from the prior year, mostly due to the increased charge for services in enterprise funds.
- Expenses of Business-Type Activities were \$408 million in fiscal year 2010-11, a decrease of \$13 million from prior year, due primarily to decreased cost of wholesale power.
- Additional analyses on the "Financial Activities of the City As A Whole" can be found on the following pages.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### *Governmental Fund level:*

- General Fund Direct Revenues of \$137 million represented an increase of \$14 million from prior year.
- General Fund Expenditures of \$138 million were \$4 million lower than the prior year primarily due to reduced salary and benefit costs of fewer funded positions and negotiated unpaid furloughs.

### **The Basic Financial Statements**

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

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

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

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

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

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

Together, all these statements are called the Basic Financial Statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### *The Citywide Financial Statements*

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

- **Governmental Activities**—All of the City's basic services are considered to be governmental activities. These services are shown as Functions or Programs on the Statement of Activities. These services are supported by general City revenues such as taxes, and by specific program revenues such as developer fees.

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

- **Business-Type Activities**—All of the City's enterprise activities, including the Major funds (Electric, Water, Sewer, and Water Recycling utilities) and Non-Major funds (Solid Waste, Cemetery, Sports and Open Space Authority, Santa Clara Golf & Tennis Club, Santa Clara Convention Center, and Santa Clara Stadium Authority) are considered Business-Type Activities. Unlike governmental services, these services are supported by fees paid by users based on the amount of the service they use.

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

### *Governmental Fund Financial Statements*

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

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

Major Funds present the primary activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

There are four Major Governmental Funds presented in the fund financial statements, the General Fund, the Redevelopment Agency, the Housing Authority, and the Redevelopment Project Area CIP Fund. Four of the City's Enterprise Funds are considered Major Funds and are presented individually in the Major Proprietary Fund financial statements, providing additional information for the City's Business-Type Activities. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses Internal Service Funds to account for the acquisition and maintenance of its fleet of vehicles, for its management of technical equipment services, and for its management of its workers' compensation and special liability self-insurance claims. The activities of the City's Internal Service Funds are reported in the Proprietary Fund financial statements. Since the City's Internal Service Funds provide goods and services only to the City's governmental and business-type activities, Internal Service Funds may not be Major Funds because their revenues are derived from other City

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Funds. These revenues are eliminated in the Citywide financial statements and any related profits or losses are returned to the Activities which created them, along with any residual net assets of the Internal Service Funds.

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

The Required Supplementary Information contains comparisons of Budget and Actual financial information for the General Fund (pages 4-2 to 4-4), Santa Clara Housing Authority (pages 4-5), and other Non-Major Special Revenue Funds (pages 5-12).

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

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

### *Fiduciary Statements*

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

#### Citywide Financial Statements

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

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Cash and investments	\$ 285	\$ 278	\$ 310	\$ 290	\$ 595	\$ 568
Other assets	124	118	181	179	305	297
Capital assets	533	538	600	589	1,133	1,127
<b>Total Assets</b>	<b>942</b>	<b>934</b>	<b>1,091</b>	<b>1,058</b>	<b>2,033</b>	<b>1,992</b>
Long-term liabilities outstanding	210	197	232	234	442	431
Other liabilities	27	32	25	31	52	63
<b>Total Liabilities</b>	<b>237</b>	<b>229</b>	<b>257</b>	<b>265</b>	<b>494</b>	<b>494</b>
Net assets:						
Invested in capital assets, net of debt	376	432	406	389	782	821
Restricted	281	228	-	-	281	228
Unrestricted	48	45	428	404	476	449
<b>Total Net Assets</b>	<b>\$ 705</b>	<b>\$ 705</b>	<b>\$ 834</b>	<b>\$ 793</b>	<b>\$ 1,539</b>	<b>\$ 1,498</b>

#### City Governmental Activities

The City's net assets from Governmental Activities in fiscal year 2010-11 remained at the same level of \$705 million as fiscal year 2009-10. The details of revenue and expenditure are illustrated on the Statement of Net Assets in Table 2.

- Cash and Investments increased \$7 million primarily due to new debt issuances. Other Assets increased from \$118 million in the prior fiscal year to \$124 million in the current fiscal year. The increase in Other assets is mostly due to increased loan receivables for the Housing Authority. Capital Assets (net of depreciation) decreased \$5 million from the prior fiscal year due to accumulated depreciation more than offsetting fixed asset additions. Capital Assets are discussed in more details in Note 10 of the Basic Financial Statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

- Long-term liabilities outstanding increased by \$13 million. This net increase was primarily due to a new bond issuance of \$31 million for the Redevelopment Agency reduced by the retirement of various Certificates of Participation totaling about \$17 million.
- Net assets invested in capital assets net of related debt were \$376 million in fiscal year 2010-11, a decrease of \$56 million compared to the prior year. This was primarily due to scheduled debt retirement and proceeds held in restricted net assets not yet appropriated to specific capital projects.
- Restricted net assets are the portion of net assets which are legally restricted by grantors, debt covenants, contract, or law. As shown in Table 1 on the prior page, on June 30, 2011, restricted net assets totaled \$281 million, an increase of \$53 million from prior fiscal year. This is comprised of \$103 million restricted to the acquisition of capital assets, \$20 million for payment of debt service, \$141 million that may only be used for redevelopment activities (affordable housing and other redevelopment projects), and \$17 million for other purposes.
- Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations or for other purposes without constraints established by debt covenants or other legal requirements. Unrestricted net assets amounted to \$48 million on June 30, 2011. This is an increase of \$3 million from the prior year.

### City Business-Type Activities

Table 1 on the previous page shows net assets of the City's Business-Type Activities. In fiscal year 2010-11 net assets of the Business-Type Activities increase \$41 million as explained below:

- Cash and Investments of \$310 million increased \$20 million from the prior fiscal year. This was due to increased operating revenues, as well as increased reserve with fiscal agents. Capital assets of \$600 million increased \$11 million primarily from multiyear projects to rebuild electric substations.
- Long-term liabilities of \$232 million decreased \$2 million from the prior fiscal year. This was due to the \$2 million less liabilities in the long-term derivative financial instruments. Other liabilities were \$25 million, \$6 million less than prior fiscal year due to less accrued liabilities in the current year.
- Net assets invested in capital assets net of related debt were \$406 million in fiscal year 2010-11, an increase of \$17 million from the prior fiscal year. This increase is also attributed to the rebuilding of substations and construction of new distribution substations.
- Unrestricted net assets of \$428 million were \$24 million higher than last year's balance of \$404 million primarily due to the higher cash and investment balances as explained above.

Fiscal Year 2010-11 Governmental Activities Statement of Activities presents Program Expenses, Program Revenues and General Revenues in detail. All elements in the Changes in Governmental Net Assets are summarized in Table 2 on the next page.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 24	\$ 23	\$ 425	403	\$ 449	\$ 426
Operating grants and contributions	4	4	-	-	4	4
Capital grants and contributions	5	6	14	-	19	6
General revenues:						
Taxes:						
Sales	36	32	-	-	36	32
Ad valorem property	57	62	-	-	57	62
Transient occupancy	10	8	-	-	10	8
Other	4	3	-	-	4	3
Contribution in lieu of taxes	15	13	-	-	15	13
Investment earnings	14	9	8	9	22	18
Net increase (decrease) in fair value of investments	(4)	1	(5)	-	(9)	1
Rents and royalties	-	-	2	3	2	3
Gain on sale of assets	5	-	-	-	5	-
Other	4	3	-	-	4	3
Total revenues	<u>174</u>	<u>164</u>	<u>444</u>	<u>415</u>	<u>618</u>	<u>579</u>
Expenses:						
General Administration	4	3	-	-	4	3
City Clerk	1	1	-	-	1	1
City Attorney	1	1	-	-	1	1
Human Resources	2	2	-	-	2	2
Finance	7	8	-	-	7	8
Public Works	29	29	-	-	29	29
Parks and Recreation	16	16	-	-	16	16
Public Safety:						
Police	44	45	-	-	44	45
Fire	34	34	-	-	34	34
Planning and Inspection	6	6	-	-	6	6
Library	8	8	-	-	8	8
Community Development	5	6	-	-	5	6
Interest on long-term debt	10	10	-	-	10	10
Supplemental Educational Revenue						
Augmentation Funds	2	10	-	-	2	10
Utilities						
Electric-						
Retail	-	-	282	281	282	281
Wholesale	-	-	51	74	51	74
Water	-	-	23	23	23	23
Sewer	-	-	16	14	16	14
Water Recycling	-	-	8	3	8	3
Solid Waste	-	-	16	15	16	15
Cemetery	-	-	1	1	1	1
Sports and Open Space Authority	-	-	-	-	-	-
Santa Clara Golf and Tennis Club	-	-	3	3	3	3
Santa Clara Convention Center	-	-	8	7	8	7
Santa Clara Stadium Authority	-	-	-	-	-	-
Total expenses	<u>169</u>	<u>179</u>	<u>408</u>	<u>421</u>	<u>577</u>	<u>600</u>
Increase (decrease) in net assets before transfers	5	(15)	36	(6)	41	(21)
Co-op Agreements Activities	(8)	-	8	-	-	-
Transfers in (out)	3	2	(3)	(2)	-	-
Increase (decrease) in net assets	-	(13)	41	(8)	41	(21)
Net assets - July 1	705	718	793	801	1,498	1,519
Net assets - June 30	<u>\$ 705</u>	<u>\$ 705</u>	<u>\$ 834</u>	<u>\$ 793</u>	<u>\$ 1,539</u>	<u>\$ 1,498</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Summary points from Table 2 are as follows:

- In fiscal year 2010-11, Governmental Activities generated \$174 million in revenues, compared to prior year of \$164 million, an increase of \$10 million. This was primarily due to increases in sales tax, transient occupancy tax (TOT), and gains on sale of capital asset.
- Governmental Activities expenses were \$169 million, a \$10 million decrease from the prior year, primarily due to a reduction of \$8 million in supplemental Educational Revenue Augmentation Fund payments.
- As a combined result of increased revenues and decreased expenses (after net transfers out), Governmental Activities' net assets of \$705 million were at the same level as in the prior year.
- In fiscal year 2010-11, Business-Type Activities generated \$444 million in revenue compared to the prior year's \$415 million, an increase of \$29 million. Charges for services increased \$22 million primarily due to rate increases in the utility services. Capital grants and contributions increased \$14 million due to the \$10 million gain in the City's share of joint venture equity and a \$4 million increase in the Recycled Water joint project receipts.
- Business-Type Activities expenses decreased from \$421 million in 2009-10 to \$408 million in 2010-11. The wholesale power cost decreased by \$23 million. The savings were partially offset by a \$5 million increase in the Recycled Water project for City of San Jose.
- As a result of increased revenues and decreased expenses the City's Business-Type Activities' net assets (including transfers and cooperation agreement funding for the Stadium Authority) increased by \$41 million.

### Changes in Net Assets -- Governmental Activities

Table 2 on the previous page shows that total Governmental revenues excluding transfers were up \$10 million in fiscal year 2010-11. While program revenues did not experience significant changes, the increase of \$10 million was in general revenues. Additional analyses of Governmental and Business-Type activities are presented in Tables 3 and 4 on pages 1-12 and 1-13.

As the Sources of Revenue Chart 1 on the following page shows, of the total revenues from Governmental Activities including transfers (\$174 million in fiscal year 2010-11), \$36 million, or 21% was from sales tax, \$57 million, or 33% was from ad valorem property taxes, \$15 million or 8% was from contribution in lieu of taxes, \$10 million or 6% was from transient occupancy taxes, and \$7 million or 4% was from leases (included in Program Revenues).

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Chart 1  
Governmental Activities

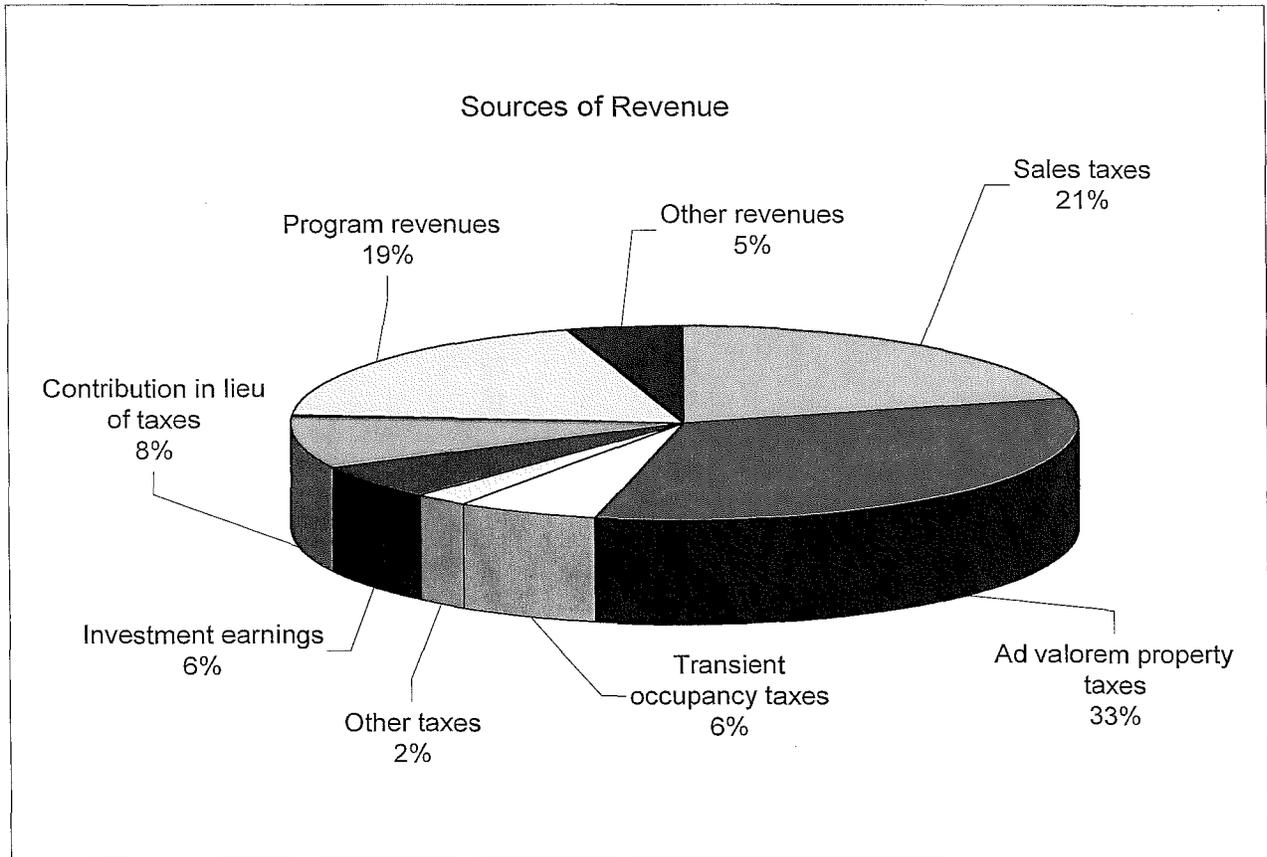


Table 3, on the next page, presents the total cost and net cost of each of the City's largest programs. Net cost is defined as total program cost less the revenues generated by those specific activities. It is common to see Governmental Activities as net cost generators, wherein costs of governmental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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

	Cost Of Services (Net of Allocation)		Net Cost Of Services	
	2011	2010	2011	2010
General Administration	\$ 4	\$ 3	\$ (3)	\$ (7)
City Clerk	1	1	1	-
City Attorney	1	1	1	1
Human Resources	2	2	2	2
Finance	7	8	6	7
Public Works	29	29	21	21
Parks and Recreation	16	16	12	13
Public Safety:				
Police	44	45	42	43
Fire	34	34	31	32
Planning & Inspection	6	6	(2)	1
Library	8	8	8	8
Community Development	5	6	5	6
Interest on long-term debt	10	10	10	10
Supplemental Educational Revenue Augmentation Funds	2	10	2	10
<b>Totals</b>	<b>\$ 169</b>	<b>\$ 179</b>	<b>\$ 136</b>	<b>\$ 147</b>

In fiscal year 2010-11 total costs of services decreased \$10 million and net costs decreased \$11 million. The decreased net cost for Governmental Activities was primarily due to an \$8 million reduction in State required Supplemental Educational Revenue Augmentation Funds. In addition, Planning and Inspection net cost decrease of \$3 million was attributed to increases in corresponding program revenues from building and related permits and grant revenues.

### Changes in Net Assets -- Business-Type Activities

Table 2 listed on page 1-9 presents Changes in Net Assets of Business-Type Activities. Total revenues increased \$29 million in fiscal year 2010-11. In fiscal year 2010-11, charges for services were \$425 million, a increase of \$22 million compared to the prior year mainly due to the rate increases in the utility services. Additionally, capital grants and contributions for the current fiscal year increased by \$14 million due to the \$10 million gain in the City's share of joint venture equity and \$4 million increase in the Recycled Water joint project receipt. Investment earnings decreased \$1 million primarily due to the decline in interest rates. The value of investments decreased \$5 million due to the flat bond market in the current fiscal year as compared to a large increase in the fair value of the bond market in the prior fiscal year.

Total expenses of Business-Type Activities decreased \$13 million mainly due to:

- Wholesale power expenses decreased by \$23 million due to lower cost and volume.
- Sewer expenses increased by \$2 million due to higher costs for material, supplies and services and increase in the resource expense.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

- Water Recycling expenses increased by \$5 million due to an increase in the Recycled Water project for City of San Jose.

Table 4 below, provides the total costs and net costs of each of the City's enterprise funds. Net cost is defined as total program cost less the revenues generated by each enterprise fund.

- In fiscal year 2010-11, retail net costs of services for the Electric Utility were negative \$23 million, a decrease of \$33 million over the prior year. This cost decrease can be attributed to increased retail sales and decreased expenses.
- Electric Utility wholesale net cost of services were \$5 million lower than the prior year due to reduced purchases of wholesale power.
- Water Utility net cost of services were negative \$3 million, a decrease of \$2 million from the prior year as a result of increased service charges.
- Net costs of services for the Sewer Utility were negative \$6 million, a decrease of \$11 million over the prior year. The net cost decrease can be attributed to the increase in the City share's joint venture equity and increased service charges.

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

	Total Cost Of Services		Net Cost Of Services	
	2011	2010	2011	2010
Utilities:				
Electric -				
Retail	\$ 282	\$ 281	\$ (23)	\$ 10
Wholesale	51	74	1	6
Water	23	23	(3)	(1)
Sewer	16	14	(6)	5
Water Recycling	8	3	(1)	(1)
Solid Waste	16	15	(1)	-
Cemetery	1	1	-	-
Sports and Open Space Authority	-	-	(1)	(1)
Santa Clara Golf and Tennis Club	3	3	-	-
Santa Clara Convention Center	8	7	2	-
Totals	<u>\$ 408</u>	<u>\$ 421</u>	<u>\$ (32)</u>	<u>\$ 18</u>

### Governmental Fund Financial Statements

Turning attention from the Citywide statements to the fund-specific statements, the analysis can be subdivided into the Governmental Funds (pages 2-8 to 2-14) and Enterprise Funds (pages 2-16 to 2-21).

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Governmental Funds

As of June 30, 2011, the City's governmental funds reported combined fund balances of \$287 million, which is an increase of \$10 million compared to last year. The increase of \$23 million in the General Fund balance resulted mostly from increased revenues and decreased expenditures. The Redevelopment Agency had asset transfers of \$137 million comprised of \$68 million to the Housing Authority and \$69 million to the Redevelopment Project Area CIP Fund. Fund balance for other Non-Major Governmental funds decreased by \$8 million in fiscal year 2010-11.

Governmental fund revenues were \$188 million, up \$1 million from the prior year's total of \$187 million. The General Fund increased \$14 million due to higher tax revenues and charges for services. However, the increase was offset by a decrease in other funds which can be attributed to loss in the fair market value of investments and low interest and rent revenues.

Governmental fund expenditures were \$219 million in fiscal year 2010-11, an increase of \$11 million. Of this increased amount, \$10 million was due to more debt being paid in the current year compared to the prior year.

### Enterprise Funds

Enterprise Fund net assets totaled \$834 million at the end of fiscal year 2010-11, an increase of \$42 million over the \$792 million reported in the prior fiscal year. Enterprise operating revenues were \$352 million, up \$34 million from last year's revenues of \$318 million, due mostly to increased utility rates in electric, water and sewer enterprise funds. Enterprise Fund operating expenses were \$333 million, up \$6 million from the prior year's \$327 million.

Non-operating revenues were \$96 million, down \$3 million from the prior year due mostly to a decline in wholesale power sales and decline in the fair value of investments. Non-operating expenses were \$80 million, down \$19 million from the prior year due mostly to a decline in wholesale power purchases.

### Analysis of Major Governmental Funds

#### General Fund

##### Revenues

General Fund direct revenues of \$137 million represents a \$14 million increase from the prior fiscal year, principally due to the reasons set forth below.

##### *Sales Tax*

Sales tax is the largest revenue source for the City's General Fund and accounts for approximately 26% of direct General Fund revenues. Sales tax revenue for fiscal year 2010-11 was \$36 million, an increase of \$4 million, or 12% more than the \$32 million in fiscal year 2009-10. While sales tax revenues increased, they still remain well below pre-recession levels.

##### *Property Tax*

Property tax revenues for fiscal year 2010-11 were \$28 million compared to \$29 million in the prior fiscal year 2009-10. Declines in assessed valuation began in 2009-10 and continued in 2010-11. As the County Assessor reduced assessed valuations as a result of Proposition 8 revaluation requests and property tax appeals, property tax collections have declined.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### *Transient Occupancy Taxes*

Revenue from transient occupancy taxes were \$10 million in fiscal year 2010-11 compared with \$8 million in fiscal year 2009-10, an increase of 19%. 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*

Revenues for licenses, permits, fines and penalties were \$6 million in fiscal year 2010-11 compared with \$4 million in fiscal year 2009-10. These figures reflect improved economic conditions in construction activity linked to building and related permits.

### *Charges for Services*

Charges for Services in fiscal year 2010-11 were \$27 million compared to \$23 million in fiscal year 2009-10. This increase can be attributed to increased development activity and fee increases which resulted in higher cost recovery.

### *Contribution In-lieu of Taxes*

Contribution In-lieu of taxes was approximately \$15 million in fiscal year 2010-11 compared with \$13 million in fiscal year 2009-10. Contribution In-lieu of taxes increased due to an Electric Utility rate increase and increased demand.

### *Interest and Rents*

Interest and rent revenues were \$13 million in fiscal year 2010-11 compared to \$8 million in fiscal year 2009-10. This increase is primarily due to certain lease revenues now being receipted directly in the General Fund.

### Expenditures

General Fund direct expenditures in fiscal year 2010-11 were \$138 million compared with \$142 million in fiscal year 2009-10, a decrease \$4 million, or 3%. The major reasons for changes in expenditures are:

#### *Salary and Benefits*

Salary and benefits expenditures were \$109 million in fiscal year 2010-11 compared with \$114 million in fiscal year 2009-10, a decrease of \$5 million or 4%. The decrease is primarily due to the cost savings resulting from position eliminations, a hiring freeze for certain positions and savings from negotiated unpaid furloughs.

#### *All Other Operating Expenditures*

Other operating expenditures, including materials, services, and supplies, internal service fund charges and minor capital outlays, were \$29 million in fiscal year 2010-11 compared with \$28 million in the prior fiscal year, a slight decrease due to expenditure controls.

### Transfers

Transfers out of the General Fund decreased from \$14 million in fiscal year 2009-10 to \$11 million in fiscal year 2010-11, mainly because of less transfers to Capital Project Fund resulting from deferral of capital projects.

### Fund Balance

As of June 30, 2011, total General Fund balance was \$74 million, up \$22 million from fiscal year 2009-10. Table 5A shows the breakdown of various components from the prior fiscal year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Table 5A  
General Fund Balance for the Fiscal Year Ended June 30, 2011  
(in millions)**

	<u>2011</u>	<u>2010 <sup>(1)</sup></u>	<u>Net Change</u>
Nonspendable	\$ 46.0	\$ 29.2	\$ 16.8
Restricted	3.7	2.3	1.4
Committed	1.7	2.5	(0.8)
Assigned	1.2	0.5	0.7
Unassigned	<u>21.1</u>	<u>17.2</u>	<u>3.9</u>
 Total General Fund Balance	 <u>\$ 73.7</u>	 <u>\$ 51.7</u>	 <u>\$ 22.0</u>

(1) Prior year amounts have been restated to reflect the implementation of GASB 54

**General Fund Budget Comparison**

Included in the Required Supplementary Information is the General Fund Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Legal Basis) for the year ended June 30, 2011. During the year, the City Council took action to amend the adopted General Fund budget.

**Original Budget Versus Final Budget**

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

**Table 5B  
General Fund Budget for the Fiscal Year Ended June 30, 2011  
(in millions)**

	<u>Original Budgeted Amount</u>	<u>Final Budgeted Amount</u>	<u>Net Change</u>
Revenues	\$ 124.4	\$ 125.7	\$ 1.3
Expenditures	137.4	138.3	0.9
Other financing sources (uses)	2.2	3.9	1.7

The appropriation increases include budget amendments for salary and benefit adjustments. The augmentation in revenue budget is primarily to recognize sales tax increases. The increase in budgeted Other Financing Sources is due to the transfer of the unspent Construction in Progress funds to the Capital Projects Reserve.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Final Budget Versus Actual

**Table 5C**  
**General Fund Final Budget Versus Actual for the Fiscal Year Ended June 30, 2011**  
**(in millions)**

	Final Budgeted Amount	Actual Amount	Variance
Revenues	\$ 125.7	\$ 138.2	\$ 12.5
Expenditures	138.3	138.3	-
Other financing sources (uses)	3.9	6.8	2.9

The final budgeted revenues resulted in a \$12.5 million positive variance mainly due to increases in sales taxes, charges for services, and interest and rents. Actual expenditures matched the final budget (see pages 4-2 to 4-4 for additional details). The increase of \$2.9 million in Other Financing Sources is primarily due to a lower transfer out from the General Fund to the Capital Projects Reserve resulting from deferral of capital projects.

### Santa Clara Housing Authority Fund Budget Comparison

Included in the Required Supplementary Information is the Special Revenue Santa Clara Housing Authority Fund Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Legal Basis) for the period March 8, 2011 to June 30, 2011. On March 8, 2011 the City Council and Agency Board took action to approve an assignment and assumption agreement related to certain cooperation agreements for payment of costs associated with certain Agency funded low and moderate income housing projects.

### Original Budget Versus Final Budget

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

**Table 5D**  
**Special Revenue Santa Clara Housing Authority Fund**  
**Budget for the Period March 8, 2011 to June 30, 2011**  
**(in millions)**

	Original Budgeted Amount	Final Budgeted Amount	Net Change
Revenues	\$ -	\$ -	\$ -
Expenditures	58.2	58.2	-
Other financing sources (uses)	67.7	67.7	-

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Final Budget Versus Actual

**Table 5E**  
**Special Revenue Santa Clara Housing Authority Fund**  
**Budget Versus Actual for the Period March 8, 2011 to June 30, 2011**  
**(in millions)**

	Final Budgeted Amount	Actual Amount	Variance
Revenues	\$ -	\$ 0.7	\$ 0.7
Expenditures	58.2	1.3	56.9
Other financing sources (uses)	67.7	70.6	2.9

The final budgeted revenues resulted in a \$1 million positive variance mainly due to higher interest income. The unspent appropriations of \$56.9 million will be carried forward into future years for the low and moderate income housing projects. The positive variance of \$3 million from other financing sources is due to the Agency tax increment transfer to the Santa Clara Housing Authority Fund.

### Redevelopment Agency Fund

The purpose of the Redevelopment Agency (Agency) is to eliminate blight in its project areas, while ensuring an adequate stock of low and moderate-income housing. The Agency's power of eminent domain in Bayshore North and University project areas expired as of December 31, 1994. The Agency's power to issue debt payable out of the incremental property taxes expected to be realized as a result of its redevelopment activities expired as of January 1, 2004. A plan amendment for the Bayshore North Project Area eliminated this limitation allowing for the issuance of 2011 Tax Allocation Bonds. The agency may enter into development agreements with developers and others to further its purpose. The Agency's operations are funded primarily by property tax increments generated by increased assessments in the redevelopment areas and by lease payments from current long-term land leases.

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

The Agency's revenues were \$40 million in fiscal year 2010-11, a decrease of over \$10 million from the previous fiscal year. Property tax increment revenues were \$29 million in fiscal year 2010-11, a decrease of \$3 million compared to the prior year, due to the decline in property value in the project area. Revenue from the use of assets were \$10 million in fiscal year 2010-11, a decrease of \$6 million which is primarily due to leases assigned to the City on March 8, 2011. The Agency's expenditures were \$42 million in fiscal year 2010-11, the same level as the prior fiscal year. The Agency's fund balance is negative \$9 million at June 30, 2011 as a result of transfers to the Housing Authority and the Redevelopment Project Area CIP Funds.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

### **Redevelopment Project Area CIP**

The Redevelopment Project Area CIP was created on March 8, 2011 to account for all capital assets that were transferred to the City per the Property Conveyance Agreement between the City and the Redevelopment Agency. The agreements conveyed the properties and assigned leasehold interest in the properties to the City. The value of the asset transfer from the Redevelopment Agency to the Redevelopment Project Area CIP was \$69.7 million. In fiscal year 2010-11 there were capital outlay expenditures of \$2.4 million. There was \$25 million of revenue from Co-op Agreement Activities.

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

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

### **Analysis of Enterprise Funds**

#### **Electric Utility**

Retail operating revenues were \$278 million in fiscal year 2010-11 compared with \$253 million in fiscal year 2009-10, an increase of approximately 10%. The main reason for the increase was due to a 7% electric rate increase effective January 2011 and higher power consumption by the industrial sector.

Retail operating expenses were \$265 million in fiscal year 2010-11 compared with \$262 million in fiscal year 2009-10, an increase of \$3 million or 1%. Operating expenses were higher primarily due to the \$4 million net purchase price for the Altamont Pass property which was offset by a savings of \$1 million resulting from a lower cost of purchased power.

Revenues of wholesale power operations decreased to \$50 million in the current fiscal year, down from \$68 million in fiscal year 2009-10. The cost of wholesale power purchases decreased as well from \$74 million in fiscal year 2009-10 to \$51 million in current fiscal year. The reduced wholesale power purchase is due to the decreased market cost to purchase wholesale power. This also resulted in a lower sales price; therefore, excess electricity is not being produced and sold back to the general grid.

Interest revenues were \$7 million in fiscal year 2010-11, a \$1 million decrease from fiscal year 2009-10 due primarily to lower interest rates. Interest expense increased \$1 million from the prior fiscal year due to the 2008A bond refinancing to adjust from a variable interest rate to a fixed interest rate.

The \$5 million net increase in the fair value of investments from the prior fiscal year can be contributed to lower cash reserves and the unfavorable bond market environment.

Other revenues increased from \$17 million the prior year to \$21 million in fiscal year 2010-11. The variance can be attributed to the Xeres Ventures LLC developer fees paid directly to the City for their proposed data center facility which obligated SVP to build a 60kV station and modify the sub-transmission system.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The Electric Utility Fund had \$600 million in net assets at June 30, 2011, an increase of \$26 million from the prior fiscal year. Of this amount, \$307 million was invested in capital assets, net of related debt, \$293 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**

Operating revenues were \$26 million in fiscal year 2010-11 and \$24 million in fiscal year 2009-10. The increase can be attributed to a water rate increase of 9.6%.

Operating expenses were held constant at \$23 million in fiscal year 2010-11. The Water Utility Fund's net assets at June 30, 2011 were \$51 million, an increase of \$4 million over net assets from the prior fiscal year.

### **Sewer Utility**

Operating revenues of the Sewer Utility increased to \$20 million in fiscal year 2010-11, up from \$16 million in fiscal year 2009-10, an increase of 21%. The increase was primarily due to a 19% sewer rate increase.

Operating expenses were \$16 million in fiscal year 2010-11 compared with \$14 million in fiscal year 2009-10. Operating expenses increased in materials, services and supplies due to increased Right of Way charges paid to the City and increases in resource expenses.

Unrestricted net assets increased from \$106 million in fiscal year 2009-10 to \$112 million in the fiscal year 2010-11. The Sewer Fund, together with the City of San Jose, owns the San Jose/Santa Clara (SJSC) Water Pollution Control Plant (WPCP), which is administered by the City of San Jose. The Fund's ownership share is approximately 17.18% of the assets, capital and operating costs. In fiscal year 2010-11 the City of San Jose reported that the fund's equity in the Plant remained constant at a deficit of \$1 million.

A Sanitary Sewer System Capacity Assessment study was performed in 2007 for the city's sewer system, and was updated for the 2015/2025/2035 General Plan. Based on the study the following capacity improvement projects are underway:

- Walsh Avenue Sanitary Sewer Improvement Project (Phase 1) is under construction with estimated construction completion in December 2011.
- Nobili Avenue, Monroe Street and Machado Avenue Sanitary Sewer Improvement Project (Phase 2) is in the design phase with an estimated construction start in late 2012.
- Scott Boulevard and Park Avenue Sanitary Sewer Improvement Project (Phase 3) is in the design phase with estimated construction to start in late 2012.

### **Water Recycling**

Operating revenues increased from \$1 million in fiscal year 2009-10 to \$2 million in fiscal year 2010-11. Operating expenses for fiscal year 2010-11 remained at \$1 million. Net assets as of June 30, 2011 were \$4 million.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

### **Solid Waste**

Operating revenues increased from \$16 million in fiscal year 2009-10 to \$17 million in the current year. The increased revenue can be contributed to a 7.9% rate increase effective January 1, 2011. Operating expenses were \$16 million in fiscal year 2010-11, relatively unchanged from fiscal year 2009-10. Net assets increased by \$1 million.

### **Cemetery**

This fund accounts for the Mission City Memorial Park's operations. Operating revenues were down 6% due to limited inventory and operating expenses were relatively unchanged from the prior year. Net assets (deficit) at June 30, 2011 were (\$2) million. This fund usually runs a deficit in its operation and capital activities, which is funded by an advance from the General Fund.

### **Sports and Open Space Authority**

This fund accounts for the acquisition and preservation of open space within the City and the development of local sports activities. Operating revenues were \$1 million in fiscal year 2010-11, down slightly from the prior fiscal year of \$2 million. Net assets at June 30, 2011 remained at \$4 million.

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

This fund accounts for the operations of the City's public golf course. Operating revenues were \$3 million in fiscal year 2010-11 unchanged from the prior fiscal year. Operating expenses remained at \$3 million the same as the previous fiscal year. Net assets at June 30, 2011 were \$3 million.

### **Santa Clara Convention Center**

This fund accounts for the operations of the Santa Clara Convention Center. Operating revenues were \$5 million in fiscal year 2010-11 a \$1 million increase from the prior fiscal year revenues of \$4 million. Operating expenses increased from \$7 million in fiscal year 2009-10 to \$8 million in fiscal year 2010-11 mainly due to increased depreciation expense. Contributions decreased from \$2 million in the prior fiscal year to \$1 million in fiscal year 2010-11. The decrease is due to the completion of the Santa Clara Convention Center ballroom expansion which had large developer contributions in the prior fiscal year. Net assets at June 30, 2011 were \$42 million.

### **Santa Clara Stadium Authority**

On June 8, 2010, the citizens of the City of Santa Clara approved Measure J by a majority vote, which authorized the City to lease land in the City of Santa Clara Redevelopment Agency's (RDA) Bayshore North Redevelopment Project Area for the purposes of developing a stadium under certain terms and conditions as set forth in the ballot measure. The City and the RDA are currently negotiating the terms of the Lease and Disposition and Development Agreement (DDA) for the Stadium with Forty Niners Stadium, LLC. The terms of the DDA and Ground Lease will set out the financial arrangements regarding the Stadium development and operations, which will be consistent with Measure J. See further information in Subsequent Events Note 22.

On February 22, 2011, the City entered into a Joint Powers Agreement (JPA) with the RDA to create the Santa Clara Stadium Authority (SA). The purpose of the SA is to construct and operate a stadium facility that will reduce physical and economic blight in the Bayshore North Project Area.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The SA will own, develop, construct, operate and maintain the Stadium Project. The RDA is obligated to commit up to \$40 million of available property tax increment revenues to the Stadium Project and \$2 million for its share of the development fees. As of June 30, 2011 the RDA had transferred \$8 million to the SA in connection with the cooperation agreement. Net assets at June 30, 2011 were \$8 million.

### CAPITAL ASSETS

At June 30, 2011 the City's capital assets, totaled \$533 million in Governmental Activities, and \$600 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, 2011**  
**(in millions)**

	2011	2010	Net Change
<b>Governmental Activities:</b>			
Land	\$ 112	\$ 113	\$ (1)
Construction in progress	5	9	(4)
Land improvements	19	19	-
Buildings	163	158	5
Infrastructure	444	432	12
Machinery and equipment	72	69	3
Less accumulated depreciation	(282)	(262)	(20)
Totals	\$ 533	\$ 538	\$ (5)
 <b>Business-Type Activities:</b>			
Land	\$ 21	\$ 20	\$ 1
Construction in progress	21	35	(14)
Land improvements	24	24	-
Buildings	90	90	-
Infrastructure	838	794	44
Machinery and equipment	19	17	2
Less accumulated depreciation	(413)	(391)	(22)
Totals	\$ 600	\$ 589	\$ 11

The decrease of \$5 million in the Governmental Funds asset base was due primarily to an increase in accumulated depreciation.

The \$1 million Land reduction was due to the sale of Altamont Pass property to the Business-Type, Electric Utility fund.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Construction in Progress (CIP), had additions of \$14 million which was offset by the transfer out of \$18 million netting to a reduction of \$4 million. The \$18 million transfer was comprised of \$11 million to Governmental Infrastructure, \$5 million to Governmental Buildings, \$0.4 million to Governmental Land, \$1 million to Governmental Machinery and Equipment and \$1 million to Business-Type Activities.

Buildings increased \$5 million primarily due to the Emergency Dispatch Relocation project. Infrastructure increased \$12 million and the two largest contributors were the Walsh Avenue Sanitary Sewer Improvement project and South of Forest Neighborhood Street Improvements project. Machinery and equipment increase of \$3 million was predominately due to replacements of aging vehicles and equipment for the Police and Street departments.

The \$11 million increase in Enterprise Funds total assets were for various categories as exemplified below.

The decrease of \$14 million in Enterprise Funds Construction in Progress (CIP), was comprised of additions of \$33 million which was offset by the transfer of \$44 million to Infrastructure, and \$3 million transfer to Machinery and Equipment.

The increase of \$44 million for Enterprise Funds Buildings was primarily due to the Palm Substation Site Work, and construction of the new Kenneth Substation. Smaller contributors were a project for the major engine overhaul and replace to the Generations plants through out the City and various projects necessary in the course of the providing utilities to our customers.

Enterprise Funds Machinery and Equipment increased \$2 million primarily for the operating and planning technology upgrade to City's Service Center and City Hall.

The Capital Improvement Project Budget for fiscal year 2010-11 and Five Year Financial Plan for fiscal year 2010-11 through fiscal year 2015-16 contain more detailed discussions of Capital Projects planned for the City of Santa Clara. See Note 10 to the financial statements for additional details on fiscal year 2010-11 capital assets.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### DEBT ADMINISTRATION

Each of the City's debt issues is discussed in detail in Note 11 to the financial statements. At June 30, 2011 the City's debt was comprised of the following:

**Table 7**  
**Outstanding Debt at June 30, 2011**  
**(in millions)**

	Balance June 30, 2011	Balance June 30, 2010	Net Change
<b>Governmental Activity Debt:</b>			
Special Assessment Debt with City commitment	\$ -	\$ 2	\$ (2)
Redevelopment Tax Allocation Bonds	139	120	19
Certificates of Participation 1997	-	11	(11)
Certificates of Participation 2002A	21	22	(1)
Refunding Certificates of Participation, Series 2002B	13	16	(3)
Lease Agreement Between City of Santa Clara and City of Santa Clara Public Facilities Financing Corporation	10	-	10
<b>Business-Type Debt:</b>			
Electric Utility Revenue Bonds, net of unamortized discount	216	216	-
<b>Total Debt</b>	<u>\$ 399</u>	<u>\$ 387</u>	<u>\$ 12</u>

### SPECIAL ASSESSMENT DISTRICT DEBT

Special assessment districts in different parts of the City have also issued debt to finance infrastructure and facilities construction entirely in those districts. During fiscal year 2010-11 the City paid its remaining special assessment debt obligation.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

# ***Basic Financial Statements***



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

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

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

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

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

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

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

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

On February 22, 2011, the City established the Santa Clara Housing Authority and the Santa Clara Stadium Authority. On March 8, 2011 the City, Redevelopment Agency, and Santa Clara Housing Authority executed an assignment and assumption agreement whereby the Santa Clara Housing Authority assumed responsibility for housing projects. On the same date, the City, Redevelopment Agency and Stadium Authority approved the transfer of all Stadium-related Agency projects and remaining appropriations to the Stadium Authority.

**CITY OF SANTA CLARA**  
**STATEMENTS OF NET ASSETS**  
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments (Note 8):			
Pooled cash and investments	\$ 180,595,570	\$ 276,055,664	\$ 456,651,234
Investments with fiscal agent	3,426,265	8,306,014	11,732,279
Receivables (net of allowance for uncollectible):			
Accounts	3,028,417	38,467,542	41,495,959
Interest	1,275,884	1,583,255	2,859,139
Intergovernmental	6,292,642	-	6,292,642
Internal balances (Note 9D)	(582,981)	582,981	-
Materials, supplies and prepaid	409,973	12,301,594	12,711,567
Derivative financial instruments	-	718,900	718,900
Land held for redevelopment (Note 2H)	7,103,770	-	7,103,770
Total Current Assets	<u>201,549,540</u>	<u>338,015,950</u>	<u>539,565,490</u>
<b>Noncurrent Assets</b>			
Cash for construction (Note 8)	83,243,387	5,219,431	88,462,818
Investment with fiscal agent (Note 8)	18,056,744	14,096,975	32,153,719
Deposits (Note 8)	-	6,559,569	6,559,569
Internal balances (Note 9D)	7,488,824	(7,488,824)	-
Long Term Loans, net (Note 2AA)	92,529,503	-	92,529,503
Capital assets (Note 10):			
Land and construction in progress	116,668,815	41,943,471	158,612,286
Capital assets being depreciated, net	416,592,593	557,909,893	974,502,486
Investment in joint ventures (Note 13)	5,467,419	123,279,098	128,746,517
Deferred inflow of resources (Note 11)	-	9,065,220	9,065,220
Other	589,984	2,273,036	2,863,020
Total Noncurrent Assets	<u>740,637,269</u>	<u>752,857,869</u>	<u>1,493,495,138</u>
Total Assets	<u>\$ 942,186,809</u>	<u>\$ 1,090,873,819</u>	<u>\$ 2,033,060,628</u>

**CITY OF SANTA CLARA**  
**STATEMENTS OF NET ASSETS**  
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accrued liabilities	\$ 11,076,534	\$ 20,225,049	\$ 31,301,583
Interest payable	3,250,152	2,843,743	6,093,895
Accrued compensated absences (Note 2K)	1,001,533	268,063	1,269,596
Unearned revenue	12,246,320	1,199,456	13,445,776
Landfill closure liability (Note 12)	-	540,000	540,000
Long-term debt-due within one year (Note 11)	<u>11,219,000</u>	<u>6,255,000</u>	<u>17,474,000</u>
<b>Total Current Liabilities</b>	<u>38,793,539</u>	<u>31,331,311</u>	<u>70,124,850</u>
<b>Noncurrent Liabilities</b>			
Long-term Portion Estimated Claims	14,958,593	-	14,958,593
Accrued compensated absences (Note 2K)	12,655,801	3,406,757	16,062,558
Landfill closure liabilities (Note 12)	-	2,545,415	2,545,415
Long-term derivative financial instruments (Note 11)	-	9,065,220	9,065,220
Long-term debt-due after one year (Note 11)	<u>170,946,586</u>	<u>210,195,246</u>	<u>381,141,832</u>
<b>Total Noncurrent Liabilities</b>	<u>198,560,980</u>	<u>225,212,638</u>	<u>423,773,618</u>
<b>Total Liabilities</b>	<u>237,354,519</u>	<u>256,543,949</u>	<u>493,898,468</u>
<b>NET ASSETS (Note 19)</b>			
Invested in capital assets, net of related debt	<u>351,409,745</u>	<u>405,806,107</u>	<u>757,215,852</u>
Restricted for:			
Capital projects	111,499,974	8,213,726	119,713,700
Debt service	18,517,500	-	18,517,500
Redevelopment activities	126,625,089	-	126,625,089
Permanent Funds and Other:			
Expendable	15,863,031	-	15,863,031
Nonexpendable	<u>58,169,654</u>	<u>-</u>	<u>58,169,654</u>
<b>Total Restricted Net Assets</b>	<u>330,675,248</u>	<u>8,213,726</u>	<u>338,888,974</u>
<b>Unrestricted Net Assets</b>	<u>22,747,297</u>	<u>420,310,037</u>	<u>443,057,334</u>
<b>Total Net Assets</b>	<u>\$ 704,832,290</u>	<u>\$ 834,329,870</u>	<u>\$ 1,539,162,160</u>

See accompanying notes to basic financial statements

CITY OF SANTA CLARA  
STATEMENTS OF ACTIVITIES  
For the year ended June 30, 2011

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	\$ 15,018,847	\$ (11,083,295)	\$ 6,610,887	\$ 55,493	\$ 256,148
City Clerk	790,374	-	-	8,291	-
City Attorney	1,187,399	-	845	-	-
Human Resources	1,977,735	-	-	-	-
Finance	6,712,683	-	831,997	-	-
Public Works	29,338,524	-	3,933,826	100,805	4,210,811
Parks and Recreation	15,410,260	-	2,868,467	409,411	-
<b>Public Safety:</b>					
Police	44,138,012	-	1,869,264	678,185	-
Fire	33,594,194	-	2,662,434	226,896	-
Planning & Inspection	5,778,828	-	5,306,056	2,160,953	-
Library	8,089,991	-	210,070	387,901	-
Community Development	5,206,484	-	-	-	-
Interest on long term debt	10,436,647	-	-	-	-
Supplemental Education Revenue	2,024,693	-	-	-	-
<b>Total Governmental Activities</b>	<b>179,704,671</b>	<b>(11,083,295)</b>	<b>24,293,846</b>	<b>4,027,935</b>	<b>4,466,959</b>
<b>Business-type Activities:</b>					
<b>Utilities:</b>					
<b>Electric -</b>					
Retail	274,191,197	7,151,056	299,038,645	-	4,985,898
Wholesale	50,753,685	-	50,123,510	-	-
Water	21,122,514	1,955,204	25,681,786	-	-
Sewer	15,548,810	747,491	20,577,099	-	1,802,973
Water Recycling	8,210,573	93,917	1,933,490	-	6,985,533
Solid Waste	15,175,784	1,015,543	17,141,536	-	-
Cemetery	848,083	87,068	426,380	-	-
Sports and Open Space Authority	15,511	33,016	1,415,328	-	-
Santa Clara Golf and Tennis Club	2,705,760	-	2,794,627	-	-
Santa Clara Convention Center	7,785,652	-	5,439,108	-	647,020
Santa Clara Stadium Authority	193	-	-	-	-
<b>Total Business-type Activities</b>	<b>396,357,762</b>	<b>11,083,295</b>	<b>424,571,509</b>	<b>-</b>	<b>14,421,424</b>
<b>Total</b>	<b>\$ 576,062,433</b>	<b>\$ -</b>	<b>\$ 448,865,355</b>	<b>\$ 4,027,935</b>	<b>\$ 18,888,383</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					
Co-op Agreements Activities (Note 6C)					
Transfers (Note 9A)					
<b>Total General Revenues and Transfers</b>					
Change in Net Assets					
Net Assets - Beginning					
Net Assets - Ending					

See accompanying notes to basic financial statements

CITY OF SANTA CLARA  
 STATEMENTS OF ACTIVITIES  
 For the year ended June 30, 2011

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
Governmental Activities	Business-Type Activities	Total
\$ 2,986,976	\$ -	\$ 2,986,976
(782,083)	-	(782,083)
(1,186,554)	-	(1,186,554)
(1,977,735)	-	(1,977,735)
(5,880,686)	-	(5,880,686)
(21,093,082)	-	(21,093,082)
(12,132,382)	-	(12,132,382)
(41,590,563)	-	(41,590,563)
(30,704,864)	-	(30,704,864)
1,688,181	-	1,688,181
(7,492,020)	-	(7,492,020)
(5,206,484)	-	(5,206,484)
(10,436,647)	-	(10,436,647)
(2,024,693)	-	(2,024,693)
<u>(135,832,636)</u>	<u>-</u>	<u>(135,832,636)</u>
-	22,682,290	22,682,290
-	(630,175)	(630,175)
-	2,604,068	2,604,068
-	6,083,771	6,083,771
-	614,533	614,533
-	950,209	950,209
-	(508,771)	(508,771)
-	1,366,801	1,366,801
-	88,867	88,867
-	(1,699,524)	(1,699,524)
-	(193)	(193)
<u>-</u>	<u>31,551,876</u>	<u>31,551,876</u>
<u>(135,832,636)</u>	<u>31,551,876</u>	<u>(104,280,760)</u>
35,844,898	-	35,844,898
57,172,155	-	57,172,155
9,910,031	-	9,910,031
3,731,298	-	3,731,298
539,026	-	539,026
14,912,599	-	14,912,599
13,840,571	7,929,954	21,770,525
(3,570,535)	(5,334,592)	(8,905,127)
(225,167)	-	(225,167)
477,301	2,373,755	2,851,056
4,651,000	-	4,651,000
2,989,440	-	2,989,440
(8,297,231)	8,297,231	-
3,241,894	(3,241,894)	-
<u>135,217,280</u>	<u>10,024,454</u>	<u>145,241,734</u>
(615,356)	41,576,330	40,960,974
705,447,646	792,753,540	1,498,201,186
<u>\$ 704,832,290</u>	<u>\$ 834,329,870</u>	<u>\$ 1,539,162,160</u>

This Page Intentionally Left Blank

**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 2010-11. Individual non-major funds may be found in the Supplementary section.

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

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

**REDEVELOPMENT AGENCY FUND**

Prior to March 8, 2011, the Redevelopment Agency (Agency) Fund accounted for the construction or acquisition of public improvements of the Agency; housing set aside funds received from Agency tax increment for the purpose of developing low to moderate income housing; and for monies for the payment of Agency long-term obligations which are financed by tax increment and lease revenues. On March 8, 2011, the City, Agency, and the Santa Clara Housing Authority through execution of an assignment and assumption agreement, assumed responsibility for housing loans to qualifying individuals and groups for the purpose of eliminating blight. On March 8, 2011, capital assets were transferred to the City per the Property Conveyance Agreement and Cooperation Agreements executed between the City and Agency.

**SANTA CLARA HOUSING AUTHORITY FUND**

On February 22, 2011, the Santa Clara Housing Authority (SCHA), a special revenue fund, was established to account for housing loans to assist in eliminating blight. On March 8, 2011, the City, Agency, 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.

**REDEVELOPMENT PROJECT AREA CIP FUND**

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

**CITY OF SANTA CLARA  
GOVERNMENTAL FUNDS  
BALANCE SHEETS  
June 30, 2011**

	General Fund	Redevelopment Agency	Santa Clara Housing Authority
<b>ASSETS</b>			
Cash and investments (Note 8):			
Pooled cash and investments	\$ 39,659,719	\$ 2,963,869	\$ 62,407,372
Investments with fiscal agent - current	-	3,131,099	-
Cash designated for construction	-	-	-
Receivables (net of allowance for uncollectibles):			
Accounts	2,619,140	-	500
Interest	627,653	122,444	337,948
Interest on advances	1,936,521	-	-
Loans	-	-	73,669,301
Intergovernmental	2,315,451	-	-
Due from other funds (Note 9B)	1,813,776	-	-
Materials, supplies and prepaids	25,230	-	-
Land held for redevelopment (Note 2H)	-	-	7,103,770
Investments with fiscal agent - noncurrent (Note 8)	-	9,663,788	-
Advances to other funds (Note 9C)	30,323,613	-	-
Other	25,800	-	-
Total Assets	<u>\$ 79,346,903</u>	<u>\$ 15,881,200</u>	<u>\$ 143,518,891</u>
<b>LIABILITIES</b>			
Accrued liabilities	\$ 4,936,514	\$ 140,628	\$ 95,858
Interest payable	-	1,936,521	-
Accrued compensated absences (Note 2K)	59,694	-	-
Due to other funds (Note 9B)	-	-	-
Deferred revenue	695,348	-	73,669,751
Interfund Commitment	-	16,179,464	-
Advances from other funds (Note 9C)	-	6,655,325	-
Total Liabilities	<u>5,691,556</u>	<u>24,911,938</u>	<u>73,765,609</u>
<b>FUND BALANCES</b>			
Nonspendable	46,014,651	-	7,103,770
Restricted	3,670,574	13,370,721	44,571,851
Committed	1,674,978	433,330	18,077,661
Assigned	1,156,804	-	-
Unassigned	21,138,340	(22,834,789)	-
Total Fund Balances	<u>73,655,347</u>	<u>(9,030,738)</u>	<u>69,753,282</u>
Total Liabilities and Fund Balances	<u>\$ 79,346,903</u>	<u>\$ 15,881,200</u>	<u>\$ 143,518,891</u>

See accompanying notes to basic financial statements

**CITY OF SANTA CLARA  
GOVERNMENTAL FUNDS  
BALANCE SHEETS  
June 30, 2011**

Redevelopment Project Area CIP	Non-Major Governmental Funds	Total Governmental Funds
\$ 13,195,710	\$ 47,178,883	\$ 165,405,553
-	295,166	3,426,265
79,558,725	3,684,662	83,243,387
-	87,111	2,706,751
-	187,839	1,275,884
-	-	1,936,521
-	21,661,999	95,331,300
-	3,977,191	6,292,642
-	20,282	1,834,058
-	-	25,230
-	-	7,103,770
-	8,392,956	18,056,744
-	-	30,323,613
-	400	26,200
<u>\$ 92,754,435</u>	<u>\$ 85,486,489</u>	<u>\$ 416,987,918</u>
\$ 244,726	\$ 807,335	\$ 6,225,061
-	-	1,936,521
-	-	59,694
-	154,959	154,959
-	24,672,777	99,037,876
-	-	16,179,464
-	-	6,655,325
<u>244,726</u>	<u>25,635,071</u>	<u>130,248,900</u>
-	4,018,680	57,137,101
92,509,709	38,131,352	192,254,207
-	16,283,527	36,469,496
-	1,417,859	2,574,663
-	-	(1,696,449)
<u>92,509,709</u>	<u>59,851,418</u>	<u>286,739,018</u>
<u>\$ 92,754,435</u>	<u>\$ 85,486,489</u>	<u>\$ 416,987,918</u>

This Page Intentionally Left Blank

**CITY OF SANTA CLARA**  
**RECONCILIATION OF FUND BALANCES TO GOVERNMENTAL ACTIVITIES NET ASSETS**  
**June 30, 2011**

**Total Governmental Fund Balance (from prior page) \$ 286,739,018**

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

**CURRENT LIABILITIES**

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

Current portion of accrued compensated absences  
excluding Internal Service Funds (935,276)

**CAPITAL ASSETS**

Capital assets used in Governmental Activities are not current assets or financial resources and, therefore, are not reported in the Governmental Funds. 533,261,408

**INVESTMENT IN NON-BUSINESS TYPE JOINT VENTURE 5,467,419**

**ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS**

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

Cash and investments 15,190,017  
Accounts receivable 321,666  
Materials, supplies and prepaid 384,743  
Accrued liabilities (4,851,473)  
Long-term portion of estimated claims (14,958,593)  
Compensated absences - current (6,563)  
Compensated absences - long-term (217,995)  
Internal balances (2,262,080)

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

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 86,791,556

**LONG TERM LIABILITIES**

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

Reserve against conditional grant balances (4,738,318)  
Long-term debt (182,165,586)  
Interest payable (1,313,631)  
Bond issuance cost 563,784  
Non-current portion of accrued compensated absences  
excluding Internal Service Funds (12,437,806)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 704,832,290**

**CITY OF SANTA CLARA  
GOVERNMENTAL FUNDS  
STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the year ended June 30, 2011**

	General Fund	Redevelopment Agency	Santa Clara Housing Authority
<b>REVENUES</b>			
Taxes:			
Sales	\$ 35,844,898	\$ -	\$ -
Ad valorem	27,927,817	29,244,338	-
Transient occupancy	9,910,031	-	-
Other	3,731,298	-	-
Licenses, permits, fines, and penalties	5,689,839	-	-
Intergovernmental	1,195,067	-	-
Charges for services	27,346,614	-	-
Contributions in-lieu of taxes	14,912,599	-	-
Interest and rents	12,957,483	10,397,057	972,947
Net increase (decrease) in the fair value of investments	(2,477,265)	(718,219)	(539,316)
Other	346,480	827,717	60,340
Total Revenues	<u>137,384,861</u>	<u>39,750,893</u>	<u>493,971</u>
<b>EXPENDITURES</b>			
Current:			
General Administration	12,511,584	8,594,681	1,296,694
City Clerk	777,349	-	-
City Attorney	1,171,900	-	-
Human Resources	1,947,427	-	-
Finance	7,170,264	-	-
Public Works	14,814,686	-	-
Parks and Recreation	13,582,597	-	-
Public Safety:			
Police	42,124,928	-	-
Fire	31,873,861	-	-
Planning & Inspection	5,679,702	-	-
Library	6,766,539	-	-
Community Development	-	5,206,484	-
Capital outlay	15,412	5,790,518	-
Debt service (Note 11)			
Principal payments	-	12,560,000	-
Interest and Fiscal Fees	-	8,051,365	-
Bond Cost Expense	-	-	-
Return of Remaining Monies	-	-	-
Supplemental Educational Revenue			
Augmentation Funds (SERAF)	-	2,024,693	-
Total Expenditures	<u>138,436,249</u>	<u>42,227,741</u>	<u>1,296,694</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,051,388)</u>	<u>(2,476,848)</u>	<u>(802,723)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Capital Assets	5,480,000	-	-
Transfer of assets on 03/08/2011 (Note 2B)	-	(137,397,175)	67,711,924
Co-op Agreement Activities (Note 6D)	16,179,464	(49,476,696)	-
Proceeds from Bond Issuance	-	31,243,586	-
Transfers In (Note 9A)	12,176,333	-	2,844,081
Transfers (Out) (Note 9A)	(10,828,597)	(9,423,317)	-
Total Other Financing Sources (Uses)	<u>23,007,200</u>	<u>(165,053,602)</u>	<u>70,556,005</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>21,955,812</u>	<u>(167,530,450)</u>	<u>69,753,282</u>
Fund balances at beginning of period	50,715,909	158,499,712	-
GASB 54 Implementation Adjustment	983,626	-	-
Adjusted fund balances at beginning of period (Note 19B)	<u>51,699,535</u>	<u>158,499,712</u>	<u>-</u>
<b>FUND BALANCES AT END OF PERIOD</b>	<u>\$ 73,655,347</u>	<u>\$ (9,030,738)</u>	<u>\$ 69,753,282</u>

**CITY OF SANTA CLARA  
GOVERNMENTAL FUNDS  
STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the year ended June 30, 2011**

Redevelopment Project Area CIP	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 35,844,898
-	-	57,172,155
-	-	9,910,031
-	-	3,731,298
-	-	5,689,839
-	6,821,938	8,017,005
-	1,048,109	28,394,723
-	-	14,912,599
2,565	889,587	25,219,639
-	164,265	(3,570,535)
-	1,280,096	2,514,633
<u>2,565</u>	<u>10,203,995</u>	<u>187,836,285</u>
108	4,219,855	26,622,922
-	-	777,349
-	-	1,171,900
-	-	1,947,427
-	-	7,170,264
-	2,318,665	17,133,351
-	261,752	13,844,349
-	395,147	42,520,075
-	339,837	32,213,698
-	-	5,679,702
-	165,021	6,931,560
-	-	5,206,484
2,383,588	7,171,073	15,360,591
-	17,160,000	29,720,000
-	2,283,488	10,334,853
-	489,597	489,597
-	-	-
-	-	2,024,693
<u>2,383,696</u>	<u>34,804,435</u>	<u>219,148,815</u>
<u>(2,381,131)</u>	<u>(24,600,440)</u>	<u>(31,312,530)</u>
-	-	5,480,000
69,685,251	-	-
25,000,000	-	(8,297,232)
-	10,207,000	41,450,586
205,589	10,479,194	25,705,197
-	(3,408,914)	(23,660,828)
<u>94,890,840</u>	<u>17,277,280</u>	<u>40,677,723</u>
<u>92,509,709</u>	<u>(7,323,160)</u>	<u>9,365,193</u>
-	68,158,204	277,373,825
-	(983,626)	-
-	67,174,578	277,373,825
<u>\$ 92,509,709</u>	<u>\$ 59,851,418</u>	<u>\$ 286,739,018</u>

See accompanying notes to basic financial statements

**CITY OF SANTA CLARA**  
**RECONCILIATION OF THE NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS**  
**WITH THE STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2011**

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

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 9,365,193**

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

**ACCRUAL OF CURRENT ITEMS**

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

Current portion of accrued compensated absences 641,424

**CAPITAL ASSET TRANSACTIONS**

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

The capital outlay expenditures are therefore added back to fund balance 14,767,171

Depreciation expense is deducted from the fund balance

(Depreciation expense is net of internal service fund depreciation of \$1,662,498 which has already been allocated to serviced funds.) (19,175,960)

Retirements and transfers of capital assets (net of internal service fund retirements of \$33,539) (843,821)

Contributions of infrastructure improvements by developers and equipment are capitalized in the Statement of Activities, but are not recorded in the Fund Statements because no cash changed hands. 956,291

**JOINT VENTURES** (225,167)

**LONG TERM DEBT PROCEEDS AND PAYMENTS**

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.

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

Bond Proceeds (41,618,295)

Amortized discount 167,709

Bond Issuance Cost 563,784

Repayment of debt principal is added back to fund balance 29,720,000

**ACCRUAL OF NON-CURRENT ITEMS**

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

Provision for reserve of conditional grants (786,435)

Non-current portion of accrued compensated absences (599,477)

Interest payable 387,803

Deferred revenue 6,073,272

**ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY**

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

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

Change in Net Assets - All Internal Service Funds, net 502,101

Change in Net Assets of Internal Service Funds reported with Business-Type Activities (510,949)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ (615,356)**

**CITY OF SANTA CLARA  
MAJOR PROPRIETARY FUNDS**

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

The City has identified the funds below as major proprietary funds in fiscal year 2010-11.

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

**ELECTRIC UTILITY FUND**

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

**WATER UTILITY FUND**

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

**SEWER UTILITY FUND**

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

**WATER RECYCLING UTILITY FUND**

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

CITY OF SANTA CLARA  
 PROPRIETARY FUNDS  
 STATEMENTS OF NET ASSETS  
 June 30, 2011

	Business-type Activities-Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
<b>ASSETS</b>			
Current assets:			
Cash and investments (Note 8):			
Pooled cash and investments	\$ 233,758,603	\$ 16,142,308	\$ 18,046,888
Investments with fiscal agent	8,306,014	-	-
Receivables (net of allowance for uncollectible):			
Accounts	28,693,684	3,008,614	2,184,510
Interest	1,371,987	87,718	109,156
Due from other funds (Note 9B)	1,801,359	69,732	246,595
Materials, supplies and prepaids	7,644,338	593,760	-
Derivative financial instrument (Note 11)	718,900	-	-
Total current assets	<u>282,294,885</u>	<u>19,902,132</u>	<u>20,587,149</u>
Noncurrent assets:			
Cash for construction (Note 8)	-	303,090	1,507,553
Investment with fiscal agent (Note 8)	14,096,975	-	-
Deposits (Note 8)	6,559,569	-	-
Capital assets (Note 10):			
Land and land improvements	14,379,593	661,268	725,328
Buildings and infrastructure	757,044,293	64,811,183	27,155,742
Equipment	11,366,486	3,491,850	1,739,550
Construction in progress	20,518,283	276,806	238,707
Less Accumulated depreciation	<u>803,308,655</u>	<u>69,241,107</u>	<u>29,859,327</u>
	302,371,310	37,091,460	18,054,809
	500,937,345	32,149,647	11,804,518
Investment in joint ventures (Note 13)	32,550,455	-	90,728,643
Deferred inflow of resources (Note 11)	9,065,220	-	-
Other assets	2,110,980	69,384	45,740
Total noncurrent assets	<u>565,320,544</u>	<u>32,522,121</u>	<u>104,086,454</u>
Total assets	<u>847,615,429</u>	<u>52,424,253</u>	<u>124,673,603</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accrued liabilities	16,154,010	1,299,784	266,692
Interest payable	2,843,743	-	-
Accrued compensated absences (Note 2K)	234,082	1,484	20,556
Due to other funds (Note 9B)	-	67,405	-
Deferred revenue	427,758	7,433	-
Current portion of landfill closure liability (Note 12)	-	-	-
Current portion of long-term debt (Note 11)	6,255,000	-	-
Total current liabilities	<u>25,914,593</u>	<u>1,376,106</u>	<u>287,248</u>
Noncurrent liabilities:			
Advance from other funds (Note 9C)	-	-	-
Landfill closure liability (Note 12)	-	-	-
Long-term portion estimated claims	-	-	-
Long-term comp absences (Note 2K)	2,576,622	364,156	299,009
Long-term derivative financial instruments (Note 11)	9,065,220	-	-
Long-term debt (Note 11)	210,195,246	-	-
Total noncurrent liabilities	<u>221,837,088</u>	<u>364,156</u>	<u>299,009</u>
Total liabilities	<u>247,751,681</u>	<u>1,740,262</u>	<u>586,257</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	306,890,088	32,149,647	11,804,518
Restricted for capital projects			
Unrestricted	292,973,660	18,534,344	112,282,828
Total net assets	<u>\$ 599,863,748</u>	<u>\$ 50,683,991</u>	<u>\$ 124,087,346</u>

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

Net assets of business-type activities

CITY OF SANTA CLARA  
 PROPRIETARY FUNDS  
 STATEMENTS OF NET ASSETS  
 June 30, 2011

Business-type Activities-Enterprise Funds			
Water Recycling Utility	Non-Major Enterprise Funds	TOTAL	Internal Service Funds (Note 2B)
\$ 2,137,221	\$ 6,383,956	\$ 276,468,976	\$ 14,776,705
-	-	8,306,014	-
2,281,293	2,299,441	38,467,542	321,666
14,394	-	1,583,255	-
-	191,517	2,309,203	284,667
-	4,063,496	12,301,594	384,743
-	-	718,900	-
<u>4,432,908</u>	<u>12,938,410</u>	<u>340,155,484</u>	<u>15,767,781</u>
-	3,408,788	5,219,431	-
-	-	14,096,975	-
-	-	6,559,569	-
-	28,963,002	44,729,191	-
-	79,024,987	928,036,205	-
-	2,886,787	19,484,673	24,848,790
-	98,202	21,131,998	-
-	110,972,978	1,013,382,067	24,848,790
-	56,011,124	413,528,703	19,250,975
-	54,961,854	599,853,364	5,597,815
-	-	123,279,098	-
-	-	9,065,220	-
-	46,932	2,273,036	-
-	58,417,574	760,346,693	-
<u>4,432,908</u>	<u>71,355,984</u>	<u>1,100,502,177</u>	<u>21,365,596</u>
496,621	2,007,942	20,225,049	4,851,473
-	-	2,843,743	-
-	11,941	268,063	6,563
-	1,658,817	1,726,222	2,546,747
-	764,265	1,199,456	-
-	540,000	540,000	-
-	-	6,255,000	-
<u>496,621</u>	<u>4,982,965</u>	<u>33,057,533</u>	<u>7,404,783</u>
-	7,488,824	7,488,824	-
-	2,545,415	2,545,415	-
-	-	-	14,958,593
-	166,970	3,406,757	217,995
-	-	9,065,220	-
-	-	210,195,246	-
-	10,201,209	232,701,462	15,176,588
<u>496,621</u>	<u>15,184,174</u>	<u>265,758,995</u>	<u>22,581,371</u>
-	54,961,854	405,806,107	5,597,815
-	8,213,726	8,213,726	-
3,936,287	(7,003,770)	420,723,349	(6,813,590)
<u>\$ 3,936,287</u>	<u>\$ 56,171,810</u>	<u>834,743,182</u>	<u>\$ (1,215,775)</u>
		(413,312)	
		<u>\$ 834,329,870</u>	

**CITY OF SANTA CLARA  
PROPRIETARY FUNDS  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
For the year ended June 30, 2011**

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
Operating revenues:			
Charges for services	\$ 277,769,365	\$ 25,595,085	\$ 19,958,113
Rents and royalties	-	-	-
Insurance refunds and other	-	-	-
Other	-	813	-
<b>Total operating revenues</b>	<u>277,769,365</u>	<u>25,595,898</u>	<u>19,958,113</u>
Operating expenses:			
Salaries and benefits	20,039,713	4,292,823	2,004,172
Materials, services and supplies	226,211,142	17,736,424	13,808,260
General and administrative	-	-	-
Amortization	653,242	40,764	26,805
Depreciation	17,954,939	1,014,827	460,338
<b>Total operating expenses</b>	<u>264,859,036</u>	<u>23,084,838</u>	<u>16,299,575</u>
<b>Operating income (loss)</b>	<u>12,910,329</u>	<u>2,511,060</u>	<u>3,658,538</u>
Nonoperating revenues (expenses):			
Interest revenue	6,806,090	446,255	533,055
Net (increase) in the fair value of investments	(4,745,404)	(217,345)	(395,750)
Rents and royalties	2,262,579	80,265	-
Joint project contribution	-	-	-
Other revenue	21,269,280	85,888	618,986
Interest expense	(9,312,713)	-	-
Other expense	(7,252,291)	-	-
Equity in income (losses) of joint ventures	5,002,296	-	1,802,973
Gain (loss) on retirement of assets	(16,398)	-	-
Wholesale power sales	50,123,510	-	-
Wholesale power purchases	(50,753,685)	-	-
<b>Total nonoperating revenues</b>	<u>13,383,264</u>	<u>395,063</u>	<u>2,559,264</u>
<b>Income (loss) before contributions and transfers</b>	<u>26,293,593</u>	<u>2,906,123</u>	<u>6,217,802</u>
Contributions	-	-	-
Co-op Agreements Activities (Note 6C)	-	-	-
Transfers in (Note 9A)	-	700,000	-
Transfers (out) (Note 9A)	(631,316)	(159,194)	(104,244)
<b>Change in net assets</b>	<u>25,662,277</u>	<u>3,446,929</u>	<u>6,113,558</u>
<b>Total net assets - beginning</b>	<u>574,201,471</u>	<u>47,237,062</u>	<u>117,973,788</u>
<b>Total net assets - ending</b>	<u>\$ 599,863,748</u>	<u>\$ 50,683,991</u>	<u>\$ 124,087,346</u>

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

Change in net assets of business-type activities

1. May not foot due to rounding

**CITY OF SANTA CLARA  
 PROPRIETARY FUNDS  
 STATEMENTS OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 For the year ended June 30, 2011**

<u>Business-type Activities-Enterprise Funds</u>			
<u>Water Recycling Utility</u>	<u>Non-Major Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 1,928,521	\$ 25,522,468	\$ 350,773,552	\$ 10,997,286
-	1,415,328	1,415,328	-
-	-	-	35,251
-	279,183	279,996	-
<u>1,928,521</u>	<u>27,216,979</u>	<u>352,468,876</u>	<u>11,032,537</u>
221,834	1,533,652	28,092,194	2,463,918
1,047,071	22,529,487	281,332,384	1,932,711
-	-	-	6,190,529
-	27,709	748,520	-
-	3,581,857	23,011,961 <sup>1</sup>	1,662,498
<u>1,268,905</u>	<u>27,672,705</u>	<u>333,185,059</u>	<u>12,249,656</u>
<u>659,616</u>	<u>(455,726)</u>	<u>19,283,817</u>	<u>(1,217,119)</u>
65,933	78,621	7,929,954	-
23,907	-	(5,334,592)	-
-	30,911	2,373,755	-
6,985,533	-	6,985,533	-
4,969	-	21,979,123	141,921
-	-	(9,312,713)	-
(7,034,946)	-	(14,287,237)	-
-	-	6,805,269	-
-	-	(16,398)	(33,539)
-	-	50,123,510	-
-	-	(50,753,685)	-
<u>45,396</u>	<u>109,532</u>	<u>16,492,519</u>	<u>108,382</u>
705,012	(346,194)	35,776,336	(1,108,737)
-	647,020	647,020	-
-	8,297,231	8,297,231	-
-	1,701,174	2,401,174	1,218,000
(701,865)	(4,046,449)	(5,643,068)	(20,474)
<u>3,147</u>	<u>6,252,782</u>	<u>41,478,693</u>	<u>88,789</u>
<u>3,933,140</u>	<u>49,919,028</u>	<u>97,637</u>	<u>(1,304,564)</u>
<u>\$ 3,936,287</u>	<u>\$ 56,171,810</u>	<u>\$ 41,576,330</u>	<u>\$ (1,215,775)</u>
		<u>97,637</u>	
		<u>\$ 41,576,330</u>	

**CITY OF SANTA CLARA  
PROPRIETARY FUNDS  
STATEMENTS OF CASH FLOWS  
For the year ended June 30, 2011**

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 277,452,047	\$ 25,510,403	\$ 19,637,325
Payments to suppliers	(223,711,514)	(17,670,974)	(13,793,026)
Payments to employees	(20,214,145)	(4,458,928)	(1,974,829)
Internal activity - payments to other funds	-	-	-
Claims paid	-	-	-
Prepaid Expense	-	-	-
Other receipts	13,352,198	85,888	618,986
Net cash provided (used) by operating activities	<u>46,878,586</u>	<u>3,466,389</u>	<u>4,488,456</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Wholesale resource sales	50,123,510	-	-
Wholesale resource purchases	(50,753,685)	-	-
Provision for disputed SCS charges	(58,587)	-	-
Charges for Joint project contribution	-	-	(3,752,156)
Expenses for joint project	-	-	-
Increase (decrease) in due from other funds	(222,537)	(3,400)	109,268
(Increase) decrease in due to other funds	-	(102,602)	-
Advances from other funds	-	-	-
Co-op Agreements Activities (Note 6C)	-	-	-
Transfers in	-	700,000	-
Transfers (out)	(631,316)	(159,194)	(104,244)
Cash Flows from Noncapital Financing Activities	<u>(1,542,615)</u>	<u>434,804</u>	<u>(3,747,132)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets, net	(29,759,877)	(307,439)	(568,241)
Landfill closure expenses	-	-	-
Cost of issuance	-	-	-
Principal payments on capital debt	750,000	-	-
Interest paid on capital debt	(9,561,956)	-	-
Cash Flows from Capital and Related Financing Activities	<u>(38,571,833)</u>	<u>(307,439)</u>	<u>(568,241)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Rents and royalties received	2,710,814	87,698	-
Net increase in the fair value of investments	(4,745,404)	(217,345)	(395,750)
Interest and dividends	6,619,259	423,056	526,452
Payments made by fiscal agent	58,758,596	-	-
Deposits made with fiscal agent	(65,695,025)	-	-
Cash Flows from Investing Activities	<u>(2,351,760)</u>	<u>293,409</u>	<u>130,702</u>
Net increase (decrease) in cash and cash equivalents	4,412,378	3,887,163	303,785
Cash and cash equivalents at beginning of period	229,346,225	12,558,235	19,250,656
Cash and cash equivalents at end of period	<u>\$ 233,758,603</u>	<u>\$ 16,445,398</u>	<u>\$ 19,554,441</u>
<b>Cash and cash equivalents:</b>			
Pooled cash and investments	\$ 233,758,603	\$ 16,142,308	\$ 18,046,888
Cash designated for construction	-	303,090	1,507,553
Total cash and cash equivalents	<u>\$ 233,758,603</u>	<u>\$ 16,445,398</u>	<u>\$ 19,554,441</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 12,910,329	\$ 2,511,060	\$ 3,658,538
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Amortization	653,242	40,764	26,805
Depreciation	17,954,939	1,014,827	460,338
Change in assets and liabilities:			
Receivables, net	8,679,542	(90,391)	(320,788)
Inventory	1,673,659	68,140	-
Accrued liabilities	(9,081,386)	(46,100)	(17,012)
Long-term portion estimated claims	-	-	-
Compensated absences	71,272	(117,799)	61,589
Deferred revenue	-	-	-
Other receipts	21,269,280	85,888	618,986
Other expenses	(7,252,291)	-	-
Net cash provided (used) by operating activities	<u>\$ 46,878,586</u>	<u>\$ 3,466,389</u>	<u>\$ 4,488,456</u>
<b>NONCASH TRANSACTIONS:</b>			
Joint Ventures			
Nonoperating income (loss)	<u>\$ 5,002,296</u>	<u>\$ -</u>	<u>\$ 1,802,973</u>
Capital Contribution	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SANTA CLARA  
PROPRIETARY FUNDS  
STATEMENTS OF CASH FLOWS  
For the year ended June 30, 2011**

<u>Business-type Activities-Enterprise Funds</u>			
<u>Water Recycling Utility</u>	<u>Non-Major Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 778,313	\$ 26,885,187	\$ 350,263,275	\$ 10,859,229
(1,001,793)	(22,793,551)	(278,970,858)	(2,121,571)
(223,930)	(1,518,667)	(28,390,499)	(2,471,611)
-	-	-	(138,865)
-	-	-	(5,449,579)
-	(3,901,798)	(3,901,798)	-
4,969	292,427	14,354,468	141,921
<u>(442,441)</u>	<u>(1,036,402)</u>	<u>53,354,588</u>	<u>819,524</u>
-	-	50,123,510	-
-	-	(50,753,685)	-
-	-	(58,587)	-
6,985,533	-	3,233,377	-
(7,084,406)	-	(7,084,406)	-
-	(11,982)	(128,651)	91,067
-	192,243	89,641	142,377
-	560,001	560,001	-
-	8,297,231	8,297,231	-
-	1,701,174	2,401,174	1,218,000
<u>(701,865)</u>	<u>(4,046,449)</u>	<u>(5,643,068)</u>	<u>(20,474)</u>
<u>(800,738)</u>	<u>6,692,218</u>	<u>1,036,537</u>	<u>1,430,970</u>
-	(148,881)	(30,784,438)	(1,174,679)
-	(436,676)	(436,676)	-
-	-	-	-
-	-	750,000	-
-	-	(9,561,956)	-
<u>-</u>	<u>(585,557)</u>	<u>(40,033,070)</u>	<u>(1,174,679)</u>
-	30,911	2,829,423	-
23,907	-	(5,334,592)	-
69,423	78,621	7,716,811	-
-	-	58,758,596	-
-	-	(65,695,025)	-
<u>93,330</u>	<u>109,532</u>	<u>(1,724,787)</u>	<u>-</u>
(1,149,849)	5,179,791	12,633,268	1,075,815
3,287,070	4,612,953	269,055,139	13,700,890
<u>\$ 2,137,221</u>	<u>\$ 9,792,744</u>	<u>\$ 281,688,407</u>	<u>\$ 14,776,705</u>
\$ 2,137,221	\$ 6,383,956	\$ 276,468,976	\$ 14,776,705
-	3,408,788	5,219,431	-
<u>\$ 2,137,221</u>	<u>\$ 9,792,744</u>	<u>\$ 281,688,407</u>	<u>\$ 14,776,705</u>
\$ 659,616	\$ (455,726)	\$ 19,283,817	\$ (1,217,119)
-	27,709	748,520	-
-	3,581,857	23,011,961	1,662,498
(1,150,209)	(310,301)	6,807,853	(138,057)
-	(3,995,057)	(2,253,258)	(37,294)
43,183	(181,091)	(9,282,406)	(50,298)
-	-	-	465,566
-	24,039	39,101	(7,693)
-	258,924	258,924	-
4,969	13,244	21,992,367	141,921
-	-	(7,252,291)	-
<u>\$ (442,441)</u>	<u>\$ (1,036,402)</u>	<u>\$ 53,354,588</u>	<u>\$ 819,524</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,805,269</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 647,020</u>	<u>\$ 647,020</u>	<u>\$ -</u>

See accompanying notes to basic financial statements

This Page Intentionally Left Blank

**CITY OF SANTA CLARA  
FIDUCIARY FUNDS**

**FIDUCIARY FUNDS**

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

**CITY OF SANTA CLARA  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2011**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Pooled cash and investments (Note 8)	\$ 16,750,386
Investments with fiscal agents (Note 8)	<u>211,984</u>
Total Assets	<u>\$ 16,962,370</u>
<b>LIABILITIES</b>	
Due to bondholders	\$ 3,628,916
Accrued liabilities	8,726,739
Refundable deposits	<u>4,606,715</u>
Total Liabilities	<u>\$ 16,962,370</u>

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

The City is located in the County of Santa Clara, California, approximately 45 miles southeast of San Francisco and three miles north of downtown San Jose. It is situated in the northern part of the County and occupies approximately 19.3 square miles. The City's population of 118,169 accounts for 6.6% of the total Santa Clara County estimated population of 1.8 million.

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

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

**A. The Redevelopment Agency of the City of Santa Clara**

The Redevelopment Agency of the City of Santa Clara (Agency) was established by the City Council in 1957 with the authority and responsibility for developing and upgrading blighted areas of the City. The members of the City Council are also members of the Agency's Board of Directors and, as such, are authorized to transact business and exercise power to plan, engineer, and implement projects of the Redevelopment Plan. The City performs all accounting and administrative functions of the Agency. The financial activities of the Agency have been reported in the accompanying basic financial statements in the Redevelopment Agency Fund. Separate financial statements have been issued for the Agency and are available at Santa Clara City Hall in the City Clerk's Office. See Note 22 for information regarding the dissolution of the Agency.

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

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

**D. Santa Clara Housing Authority**

On February 22, 2011, the city established the Santa Clara Housing Authority (SCHA) in accordance with Housing Authorities Law. On March 8, 2011 the City, Agency and the SCHA executed an assignment and assumption agreement whereby the SCHA assumed responsibility for housing projects with funding coming from the Agency.

**E. Santa Clara Stadium Authority**

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

On February 22, 2011, the Agency entered into a Joint Powers Agreement (JPA) with the City of Santa Clara to create the Santa Clara Stadium Authority (SCSA). The purpose of the SCSA is to construct and operate a stadium facility that will reduce physical and economic blight in the Bayshore North Project Area. The SCSA will own, develop, construct, operate and maintain the Stadium Project. The Agency is obligated to commit up to \$40 million of available property tax increment revenues to the Stadium Project and \$1.6 million for its share of the development fees. See Note 6C for additional information.

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

**A. Basic Financial Statements**

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

The significant accounting policies are described below:

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

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

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental, proprietary, and fiduciary*—are presented. The emphasis of fund 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, liabilities, revenues or expenditures/expenses equal to ten percent of corresponding totals for all governmental or enterprise funds and at least five percent of the aggregate amount to all governmental and enterprise fund for the same item. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

**Redevelopment Agency Fund** – This fund accounts for financial activities of the Agency associated with eliminating blight in its project areas, all of which are in the City, while ensuring an adequate stock of low and moderate income housing. The Agency's operations are funded primarily by property tax increments generated by assessed valuation increases in its redevelopment project areas.

**Santa Clara Housing Authority (SCHA) Fund** – This special revenue fund was created on February 22, 2011 in accordance with Housing Authorities Law. On March 8, 2011 the City, Redevelopment Agency, and SCHA executed an assignment and assumption agreement whereby the SCHA assumed responsibility for housing projects. The funding for housing projects is primarily from the Redevelopment Agency.

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

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

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

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

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

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

The City also reports the following fund types:

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**C. Basis of Accounting**

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

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

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

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

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

During fiscal year 2010-11 the City implemented the GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" which requires governments to classify fund balances into five components: Nonspendable, Restricted, Committed, Assigned and Unassigned. For additional information concerning this implementation please see Note 19. GASB Statements No. 55 – 59 had no effect on 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. 60 "*Accounting and Financial Reporting for Service Concession Arrangements*" which relates to the disclosure about the general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. This statement becomes effective for periods beginning after December 15, 2011. The City does not have any service concession arrangements, therefore this statement will not have an impact on the City's financial statements.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

The GASB issued Statement No. 61 "*The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*" which modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units as if they were part of the primary government in certain circumstances, and clarifies the reporting of equity interests in legally separate organizations. This statement becomes effective for periods beginning after June 15, 2012. The City does not anticipate a material financial impact with the adoption of this standard.

The GASB issued Statement No. 62 "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*". The objective of the statement is to incorporate certain FASB and AICPA pronouncements into the GASB authoritative literature on or before November 30, 1989. This statement becomes effective for periods beginning after December 15, 2011. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The objective of the statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. This statement becomes effective for periods beginning after December 15, 2011. The City does not anticipate a material financial impact with the adoption of this standard.

The GASB issued Statement No. 64 "*Derivative Instruments: Application of Hedge Accounting Termination Provisions-An Amendment of GASB Statement No. 53*". This statement clarifies when the effective hedging relationship continues when either a swap counterparty, or swap counterparty's credit support providers change. The City does not anticipate a material financial impact with the adoption of this standard.

**D. Cash and Investments**

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

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**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 Authority, through execution of an assignment and assumption agreement with the City and the Redevelopment Agency 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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

contributed. The City's policy is to capitalize equipment with costs exceeding \$5,000 and buildings, improvements and infrastructure with costs exceeding \$20,000.

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

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

	Useful Lives Years	Capitalization Threshold
Buildings	20-50	\$ 20,000
Improvements	20-50	\$ 20,000
Equipment	3-25	\$ 5,000
Infrastructure	10-50	\$ 20,000

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

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

**J. Joint Ventures**

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

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

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

**K. Compensated Absences**

Amounts of vested or accumulated vacation leave and certain benefits that are not expected to be liquidated with expendable available financial resources are reported in the Governmental Activities portion of the government-wide financial statements only. Vested or accumulated vacation leave and benefits of proprietary funds are recorded as an expense and liability of those

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

funds as the benefits accrue to employees. Vacation time is earned based on length of service in amounts ranging between 10 and 24 days per year. City employees are allowed to carry over unused vacation earned. The maximum amount of time that can be carried over varies, depending on the employee's rate of accrual, with an upper limit of 400 hours for most all employees. Employees are paid for unused vacation and certain benefits upon termination of employment.

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

That portion of compensated absences that is unused reimbursable leave still outstanding following an employee's resignation or retirement at year end, is an expense and current liability of the General Fund. Estimated sick leave payments of proprietary funds are recorded as an expense and liability of those funds.

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

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$ 13,647,280	\$ 3,635,719	\$ 17,282,999
Additions	1,770,813	255,529	2,026,342
Payments	1,760,759	216,428	1,977,187
Ending Balance	<u>\$ 13,657,334</u>	<u>\$ 3,674,820</u>	<u>\$ 17,332,154</u>
Current Portions	<u>\$ 1,001,533</u>	<u>\$ 268,063</u>	<u>\$ 1,269,596</u>

**L. Risk Management**

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

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

**M. Long-Term Obligations**

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

**N. Accounting for Encumbrances**

The City utilizes an encumbrance system of accounting wherein encumbrances outstanding at year end, for which the goods or services have not been received, are not reported as expenditures, but are reported as a 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).

**O. Contributed Assets**

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

**P. Net Assets and Fund Balance Equity**

The City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions as of June 30, 2011. Fund balances and net assets 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 assets to have been spent first when an expenditure is incurred, followed by unrestricted net assets. The

**CITY OF SANTA CLARA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2011**

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

implementation of this statement has resulted in the Community Activities Special Revenue fund to be included in the General Fund for CAFR reporting. The General Fund beginning fund balance was restated to reflect this (see Note 19B).

**Q. Bond Discounts/Issuance Costs**

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

**R. Property Taxes**

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

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

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

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

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

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

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

The City's net assessed valuation for the year ended June 30, 2011, was \$23.6 billion, a decrease of 3.95% compared to the previous year. The average tax rate was 1.11% per \$100 of assessed valuation.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

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

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

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

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

**U. Income Taxes**

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

**V. Lease Agreements**

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

**W. Arbitrage Rebate Liability**

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

**X. Revenue Recognition**

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

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

**Y. Non-exchange Transactions**

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**Z. Financial Instruments**

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

**AA. Conditional Grants**

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

**AB. Use of Estimates**

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

**NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING**

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

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

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

From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the applicable governmental funds. The City Council may amend the

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

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

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

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

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

On March 8, 2011, the City and the Agency adopted resolutions authorizing the execution of property conveyance agreements for the conveyance of certain real property owned by the RDA. The agreements conveyed the properties and assigned leasehold interest in the properties to the City. Properties included California's Great America Theme Park, TECHMART, Hyatt Regency, and Hilton Hotel. For fiscal year ended June 30, 2011, lease revenue is reflected in the Agency prior to the assignment, and in the City after the assignment of leases.

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

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

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

The initial term of the Ground Lease expired on December 31, 2009. The Ground Lease has an option to extend for 3 additional terms of (10) years each. Cedar Fair exercised the first ten (10) year renewal option by letter notification to the Agency received in December 2007. In the event of a termination or expiration of the Ground Lease, the City has an option to repurchase the assets of the Theme Park.

The basic rent under the Ground Lease is \$5.3 million annually, payable in quarterly installments of \$1.325 million, plus additional rent equal to the sum of 5% of the annual gross revenues of the Theme Park in excess of \$56 million up to \$100 million plus 7.5% of the annual gross revenues in excess of \$100 million. For fiscal year ended June 30, 2011, Cedar Fair had no additional rent to pay.

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

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

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 5,300,000
2013	5,300,000
2014	5,300,000
2015	5,300,000
2016	5,300,000
Thereafter	18,550,000
Total	<u>\$ 45,050,000</u>

Cooperation Agreement Pertaining to Theme Park Parking

Prior to March 8, 2011, the Agency was a party to a Cooperation Agreement with the City whereby the City leased land adjacent to the Theme Park to the Agency to be used in accordance with the Agency's redevelopment plan. The land is currently being used as parking lots for the Theme Park. Under the Cooperation Agreement and related lease agreement, the Agency is required to

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

remit parking lease payments to the City's General Fund and Electric Utility (Silicon Valley Power). Lease payments remitted to the City for the year ended June 30, 2011, totaled \$134,694.

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

Fiscal Year	Amount
2012	\$ 134,694
2013	134,694
2014	134,694
2015	134,694
2016	134,694
Thereafter	2,143,796
Total	\$ 2,817,266

**B. TECHMART Office Building Ground Lease**

First Amended Cooperation Agreement

The First Amended Cooperation Agreement, between the City and the Agency conveyed approximately 30 acres of land in the Bayshore North Project Area to the Agency. The Agency agreed to purchase a portion of this property (Conference Center Area) for \$4,730,000 payable at 10% interest in 35 annual installments and to construct a convention center on this portion of the land. In addition, the Agency agreed to make certain public improvements and provide for the development of the remaining portion of the property (Development Area) in accordance with the Bayshore North Redevelopment Plan by entering into long-term leases with private developers for the development of a trade center (see TECHMART Ground Lease), hotel (see Hyatt Regency Hotel Ground Lease Note 3C), and common parking. In exchange for the conveyance of the land by the City, the Agency agreed to pay to the City all funds actually received from the aforementioned leases. Lease payments remitted to the City for the fiscal year ended June 30, 2011 totaled \$2,591,029.

TECHMART Ground Lease

In May 1998, the Agency 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 Agency received \$1 million annual rent for each of the first ten years of the lease. Rent increases are scheduled as follows: 10% in the eleventh year and every five years thereafter during the initial term and 15% in the first and sixth year of each option term. Under the terms of the lease, CarrAmerica assumed responsibility for all taxes and assessments levied against the TECHMART parcel and the Lessor's interest in the ground lease is unsubordinated to any other financing. For the fiscal year ended June 30, 2011, Lessee paid rent of \$1.1 million.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

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

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

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 1,100,000
2013	1,109,167
2014	1,210,000
2015	1,210,000
2016	1,210,000
Thereafter	65,456,287
	<u>\$ 71,295,454</u>

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

In April, 1985, the Agency entered into a long-term ground lease with SCCC Associates (Lessee) for the development of a certain portion of that piece of land – the Bayshore North Redevelopment Project Area, and eventual operation of a high quality hotel and related facilities, amenities and improvements including one of the Ballrooms in the Convention Center. The lease is for an initial term of 50 years. The Lessee has options to renew the lease for four additional periods of ten years each and one additional period of nine years. In 2005, SHC New Santa Clara, L.L.C., the successor-in-interest to SCCC Associates at that time, sold the interest to Hyatt Equities, L.L.C. Under the terms of the lease, the Agency is entitled to receive a specified amount of minimum rent subject to adjustment at times specified in the lease. Lessee may also have an obligation for additional rent calculated as a predetermined percentage of the hotel gross revenues which exceed the amount specified in the lease. For fiscal year ended June 30, 2011, Lessee paid \$1.1 million in minimum and percentage rents for the Ground lease.

The minimum rent of the Ballroom lease is adjusted every three years according to the agreement. The minimum rent for fiscal year 2010-11 was adjusted to \$339 thousand from \$269 thousand effective July 1, 2008. For fiscal year ended June 30, 2011, Lessee paid \$346 thousand in minimum and percentage rents for the Ballroom lease.

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

Fiscal Year	Ground Lease Amount	Ballroom Lease Amount	Total
2012	\$ 400,000	\$ 300,780	\$ 700,780
2013	400,000	300,780	700,780
2014	400,000	300,780	700,780
2015	400,000	300,780	700,780
2016	400,000	300,780	700,780
Thereafter	7,533,333	5,664,690	13,198,023
	<u>\$ 9,533,333</u>	<u>\$ 7,168,590</u>	<u>\$ 16,701,923</u>

**D. Hilton Hotel Ground Lease**

In July 1999, the Agency entered into a long-term ground lease with Santa Clara Hotel, LLC (Lessee) for the development of a certain portion of that piece of land – the North Parcel, and eventual operation of a high quality hotel and related facilities, amenities and improvements (Hilton Hotel). The lease is for an initial term of 55 years. The Lessee has options to renew the lease for three additional periods of ten years. Under the terms of the lease, the Agency is entitled to receive a specified amount of minimum rent subject to adjustment at times specified in the lease. Beginning with the third lease year, the Agency is also entitled to receive additional rent at an amount equal to a specified percentage of the gross revenues if the hotel exceeds the total amount of minimum rent for the applicable lease year. For fiscal year ended June 30, 2011, Lessee paid to the Agency \$551 thousand in minimum and percentage rents. Lessee has agreed to pay any impositions, including but not limited to taxes and assessments levied against the parcel.

Previously, the Agency paid all lease revenues received from this lease to the City’s Electric Utility Fund. This arrangement terminated on July 11, 2006, when the City Council approved the sale of the City’s Electric Utility interest in the ground lease revenues to the Agency.

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 400,000
2013	400,000
2014	400,000
2015	400,000
2016	400,000
Thereafter	15,233,333
	<u>\$ 17,233,333</u>

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

On March 8, 2011, the City and the Agency adopted resolutions authorizing the execution of property conveyance agreements for the conveyance of certain real property owned by the Agency. The agreements conveyed the properties and assigned leasehold interest in the properties to the City. Properties conveyed included this Santa Clara Gateway site. For fiscal year ended June 30, 2011, lease revenue is reflected in the Agency prior to the assignment, and in the City after the assignment. The value of the properties conveyed to the City reduced the outstanding balance on the Santa Clara Gateway Cooperation Agreement to \$16.2 million. Future payments on this cooperation agreement will be made from the Agency's net tax increment proceeds after fulfilling all other Agency obligations.

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

In April 2000, the Agency entered into a Disposition and Development Agreement (DDA) with Ground Lease with The Irvine Company (Developer) for development of the site as an office/R&D complex. The site will be subdivided into three parcels to accommodate the phased development of the project. The Agency and Developer identified certain improvements (conditions precedent) to be completed to prepare the site for development. The Agency and Developer also identified responsibilities for certain costs of the conditions precedent. As of June 30, 2011, the Agency has appropriated \$16.7 million and expended \$14.8 million (for its share of these costs) for the following projects: Golf Course Fairways Relocation and Perimeter Drainage, Wetland Mitigation – Yerba Buena Parcels, Yerba Buena Owl Mitigation, Landfill Cut-off Wall, Yerba Buena Way Site Remediation, and Yerba Buena Site Development Fees. All conditions precedent have been completed. There is a minor amount of ongoing review and maintenance required for certain of the conditions precedent and that work continues.

Under the DDA, the Agency has leased out to the Developer Parcel 2, effective February 16, 2001. Rent on Parcel 2 began 28 months and 3 days from the effective date. The term of the lease shall be at least 75 years but no more than 80 years from the effective date of the lease. The Agency will receive a specified amount of minimum rent subject to inflationary adjustments at times specified in the lease. For the fiscal year ended June 30, 2011, Lessee paid rent of \$3.8 million.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

In March 2006, the DDA and the Ground Lease were amended to update the status of conditions precedent; amend the schedule of performance; clarify terms and conditions relating to Parcel 1 and Parcel 3; amend the Parcel 2 lease to reflect a new schedule of performance and extend the maximum term from thirteen (13) years to seventeen (17) years, setting an outside term date of November 1, 2018 subject to five (5) one-year extensions; and provide the Developer the right to terminate the Agreement and Lease with respect to Parcel 2 between October 1, 2018 and October 1, 2022.

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

Fiscal Year	Amount
2012	\$ 4,031,481
2013	4,031,481
2014	4,031,481
2015	4,031,481
2016	4,031,481
Thereafter	240,377,047
	\$ 260,534,452

**B. Santa Clara Gateway Cooperation Agreement**

In April 2000, the Agency entered into a Cooperation Agreement (Agreement) with the City, whereby the Agency acquired from the City a 42-acre site (site) bounded by Great America Parkway, Highway 237, Lafayette Street and the City’s Golf Course. The Agency agreed to pay consideration to the City for the site in an amount equal to all rent that the Agency will receive from the eventual lease of the site. The Cooperation Agreement was amended in June 2005 to expand the sources of funds from which the Agency makes payments on the site to the City. The Agency agreed to make payments from any source of funds when and as available and not reasonably needed for other redevelopment purposes. The Agency identified the lease payments on the ground leases of the Theme Park and the Santa Clara Hilton Hotel as additional sources for payment of the site. The amended Agreement also provided for payment of interest by the Agency at the highest rate allowable by law on the \$101 million agreed upon valuation of the site. As highlighted above, the value of the properties conveyed to the City reduced the outstanding balance on the Santa Clara Gateway Cooperation Agreement to \$16.2 million.

**NOTE 6 - OTHER 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, 2011, the City paid the Chamber \$1.46 million under this contract. The second management agreement between the City and the Chamber is for the management of the operations of the Santa Clara Conference and Convention Center (Convention Center). Under the terms of this agreement, the Chamber will receive for its services an annual

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 6 – OTHER AGREEMENTS (continued)**

management fee identified in the Convention Center budget and approved by the City Council. In fiscal year ended June 30, 2011, the Convention Center paid the Chamber \$45 thousand. Each agreement is extendible for an additional year at the end of each year. Either party may terminate the agreements by providing 180 days written notice.

**B. American Golf Corporation**

In May 1987, SOSA entered into a management agreement with American Golf Corporation (AGC) to manage the operations of the Santa Clara Golf and Tennis Club (SCG&TC). On June 4, 2002, SOSA approved an additional extension of the management agreement to June 30, 2007. The terms of the extended management agreement are essentially the same as the original agreement. On March 20, 2007, the management agreement was extended to June 30, 2012 under terms that are essentially the same as the original agreement. Under the current agreement, AGC is entitled to receive an annual management fee equal to a fixed amount (currently \$151 thousand per year) plus 3% of the gross revenues derived from the operation of SCG&TC. The fixed portion of the management fee is adjusted annually for changes in the consumer price index. In addition, AGC receives an annual administration fee of an amount not to exceed \$55 thousand. In fiscal year 2011, the City paid a total of \$291 thousand under this contract.

**C. Santa Clara Stadium Authority**

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

On February 22, 2011, the Agency entered into a Joint Powers Agreement (JPA) with the City of Santa Clara to create the Santa Clara Stadium Authority (SCSA). The purpose of the SCSA is to construct and operate a stadium facility that will reduce physical and economic blight in the Bayshore North Project Area. The SCSA will own, develop, construct, operate and maintain the Stadium Project. The Agency is obligated to commit up to \$40 million of available property tax increment revenues to the Stadium Project after all Agency obligations. As of June 30, 2011 the Agency had transferred \$8,297,231 to the SCSA.

**D. Santa Clara Housing Authority**

On February 22, 2011, the City established the Santa Clara Housing Authority (SCHA) in accordance with Housing Authorities Law. On March 8, 2011 the City, Agency, and SCHA executed an assignment and assumption agreement whereby the SCHA assumed responsibility for housing projects with funding coming from the Agency.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

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

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

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

**B. Agreement to Amend Ground Lease**

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

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

Under the Sublease, the Agency is entitled to a minimum rent of \$1,200 per net acre monthly, or \$27,054 per month. The minimum rent is subject to adjustment at amounts calculated at times specified in the Amended Sublease. The minimum rent was adjusted to \$41,805 per month starting July 2003, following the refinancing of the sublessee's interest in June 2003. The Agency is also entitled to additional rent calculated at a specified percentage of net operating income, operating cash flow, and as applicable, refinancing or sales proceeds. In fiscal year 2011, the Agency received \$502 thousand, \$117 thousand and \$0 in minimum, percentage and participation rents, respectively. All amounts received by the Agency under the agreement are paid to SOSA.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

The Sublease provides for a maximum term of 75 years from August 15, 1996, including two ten-year option terms.

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

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

Under the terms of subleases, the Agency is entitled to a minimum rent payment of \$1,200 per net acre per month or \$11,945 per month for Nantucket Apartments (Parcel R-3) and \$12,970 per month for The Carlyle (Parcel R-4). In addition, the Agency receives percentage and participation rents calculated in accordance with formulas specified in the subleases. Commencing with the rent payment of September 2005, the minimum rent for Parcel R-3 was adjusted to \$17,462 per month as a result of the refinancing of the Sublessee's interest in Nantucket Apartments in August 2005. Likewise, effective with the rent payment of May 2006, the minimum rent for Parcel R-4 was adjusted to \$21,355 as a result of the refinancing of the sublessee's interest in The Carlyle in April 2006. In fiscal year 2011, the Agency received from Parcel R-3 sublease \$210 thousand, \$77 thousand and \$0 in minimum, percentage and participation rents, respectively, and from Parcel R-4 sublease, \$256 thousand, \$136 thousand and \$63 thousand in minimum, percentage and participation rents, respectively. All amounts received by the Agency under the foregoing agreements are paid to SOSA.

**D. SOSA Future Lease Revenues**

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

Fiscal Year	Fairway Glen Development Project			David's Restaurant	Total
	R-1 Bella Vista	R-3 Nantucket	R-4 Carlyle		
2012	\$ 501,660	\$ 209,544	\$ 256,260	\$ 54,000	\$ 1,021,464
2013	501,660	209,544	256,260	18,000	985,464
2014	501,660	209,544	256,260	-	967,464
2015	501,660	209,544	256,260	-	967,464
2016	501,660	209,544	256,260	-	967,464
Thereafter	17,641,710	7,438,812	9,673,815	-	34,754,337
Total	<u>\$ 20,150,010</u>	<u>\$ 8,486,532</u>	<u>\$ 10,955,115</u>	<u>\$ 72,000</u>	<u>\$ 39,663,657</u>

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 8 – CASH AND INVESTMENTS**

**A. Pooled Cash and Investment**

The City pools cash from all sources and all funds except restricted cash and investments with fiscal agent. Allocable portions of the pooled portfolio for each fund type are reported under the captions "Pooled cash and investments" and "Cash designated for construction." Interest income 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 \$612.5 million as of June 30, 2011. This amount includes the City's cash and cash equivalents of \$568.6 million, and cash and investments with fiscal agents of \$43.9 million.

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

Pooled cash and investments	\$	456,651,234
Cash designated for construction		88,462,818
Deposits		6,559,569
<b>Total cash and investments</b>		<b>551,673,621</b>
Investments with fiscal agent - current		11,732,279
Investments with fiscal agent - noncurrent		32,153,719
<b>Total cash with fiscal agent</b>		<b>43,885,998</b>
<b>Total Cash in the Statement of Net Assets</b>		<b>595,559,619</b>
Cash in Fiduciary Funds		16,962,370
<b>Total Cash</b>	<b>\$</b>	<b>612,521,989</b>

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

	Governmental Funds	Proprietary Funds	Internal Service Funds	Fiduciary Funds	Total
Pooled cash and investments	\$ 165,405,553	\$ 276,468,976	\$ 14,776,705	\$ -	\$ 456,651,234
Investments with fiscal agent - current	3,426,265	8,306,014	-	-	11,732,279
Cash designated for construction	83,243,387	5,219,431	-	-	88,462,818
Investments with fiscal agent - noncurrent	18,056,744	14,096,975	-	-	32,153,719
Deposits	-	6,559,569	-	-	6,559,569
Trust	-	-	-	16,962,370	16,962,370
<b>Total cash and investments</b>	<b>\$ 270,131,949</b>	<b>\$ 310,650,965</b>	<b>\$ 14,776,705</b>	<b>\$ 16,962,370</b>	<b>\$ 612,521,989</b>

**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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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:

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**C. Investments with Fiscal Agents**

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

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

Description	Invested Amount	Nature of Funds	Invested with	Maturity	Credit Rating
Agency Tax Allocation Bonds Series 2003	\$ 5,480,972	Bond Proceeds	Dreyfus Family of Funds	None	AAAm
Agency Tax Allocation Bonds Series 1999	\$ 49,077,687	Bond Proceeds	Fidelity Investment	None	AAAm

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

**D. Interest Rate and Credit Risks**

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

The average maturity of the City's pooled investment portfolio at June 30, 2011 was approximately 1.67 years and the City has the ability to and generally intends to hold all investments to maturity. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or call date, whichever is earlier.

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

rating organization. Presented on the next page is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of June 30, 2011 for each investment type:

Type of Investment	Credit Rating	Maturity					Carrying Value
		Under 180 Days	181 - 365 Days	1 - 3 Years	3 - 5 Years	Over 5 Years	
<b>Pooled investments:</b>							
Cash	N/A	\$ 15,913,192	\$ -	\$ -	\$ -	\$ -	\$ 15,913,192
Federal Farm Credit Banks	AAA	3,001,435	6,011,532	24,149,604	30,098,090	-	63,260,661
Federal Home Loan Banks	AAA	49,315,977	42,165,394	76,587,464	36,457,849	-	204,526,683
Federal National Mortgage Association	AAA	2,802,193	-	6,098,115	15,068,250	-	23,968,558
Federal Home Loan Mortgage Corporation	AAA	3,003,834	3,022,288	5,999,361	24,184,873	-	36,210,356
Corporate notes	AAA	-	15,118,934	3,015,813	-	-	18,134,747
Corporate notes	AA	-	-	23,110,431	-	-	23,110,431
Mutual fund - Fidelity	AAAm	46,216,553	-	-	-	-	46,216,553
Mutual fund - Dreyfus	AAAm	2,173,416	-	-	-	-	2,173,416
State Investment Pool (LAIF)	Not Rated	49,144,247	-	-	-	-	49,144,247
Total pooled investments in the City Treasury		<u>171,570,847</u>	<u>66,318,148</u>	<u>138,960,788</u>	<u>105,809,062</u>	<u>-</u>	<u>482,658,844</u>
<b>Debt &amp; Other investments:</b>							
Federal Farm Credit Banks	AAA	-	-	-	249,922	85,000	334,922
Federal Home Loan Banks	AAA	-	-	4,291,251	199,925	403,862	4,895,038
Corporate notes (Bentzien Trust)	AAA	100,455	200,950	358,603	-	149,460	809,468
Corporate stock (Bentzien Trust)	A&B	727,129	-	-	-	-	727,129
Corporate stock (Bentzien Trust)	A	51,230	-	-	-	-	51,230
Mutual fund - Dreyfus (Bond Proceeds)	AAA	8,990,175	-	-	-	-	8,990,175
Mutual fund - Fidelity (Bond Proceeds)	AAA	49,077,687	-	-	-	-	49,077,687
Mutual fund - Bank of New York (Debt Fund)	AAA	62,083,664	-	-	-	-	62,083,664
Mutual fund - Federated Prime (Bentzien Trust)	N/R	245,509	-	-	-	-	245,509
Mutual fund - U S Bank	N/R	211,981	-	-	-	-	211,981
State Investment Pool (LAIF)	Not Rated	2,436,342	-	-	-	-	2,436,342
Total non-city pooled investments		<u>123,924,172</u>	<u>200,950</u>	<u>4,649,854</u>	<u>449,847</u>	<u>638,322</u>	<u>123,823,717</u>
Total investments		<u>\$ 295,495,019</u>	<u>\$ 66,519,098</u>	<u>\$ 143,610,642</u>	<u>\$ 106,258,909</u>	<u>\$ 638,322</u>	<u>\$ 606,482,561</u>

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

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

The City accounts for investments in accordance with the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, which requires governmental entities to report certain investments at fair value based on quoted market information obtained from recognized sources. The City has reported its investments at fair value with the exception of its share of external investment pools and mutual funds, the carrying value of which approximates fair value. In determining the change in fair value of its investments, the City used an aggregate method of calculation. The entire portfolio was valued at the beginning and end of the year and the change in fair value, net of purchases and maturities during the year, was reported as a \$28.7 million.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**E. Concentration of Credit Risk**

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

Issuer	Bond-rating	Fair Value	Expiration	% of Holding
Federal Farm Credit Banks	AAA	\$ 64,722,963	N/A	10.6%
Federal Home Loan Banks	AAA	\$ 208,231,534	N/A	34.0%
Federal Home Loan Mortgage Corporation	AAA	\$ 36,750,137	N/A	6.0%
Local Agency Investment Fund	N/A	\$ 51,580,589	N/A	8.4%
Fidelity Mutual Fund	AAA	\$ 95,294,240	N/A	15.6%
Bank of New York	AAA	\$ 62,083,664	N/A	10.1%

**F. Custodial Credit Risk**

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

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

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

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

**H. Local Agency Investment Fund**

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 9 – INTERFUND TRANSACTIONS AND BALANCES**

**A. Interfund Transfers**

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

Transfers between funds during the fiscal year ended June 30, 2011 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
<b>General Fund</b>	Non-Major Governmental	\$ 2,898,142 A
	Redevelopment Agency	6,373,648 B
	Sports and Open Space Authority	2,473,080 C
	Santa Clara Convention Center	431,463 D
<b>Redevelopment Project Area CIP</b>	Redevelopment Agency	205,589 E
<b>Non-Major Governmental</b>	General Fund	9,257,194 F
	Non-Major Governmental	482,000 G
	Electric Utility	40,000 H
	Electric Utility	422,200 I
	Water Utility	116,368 I
	Sewer Utility	89,304 I
	Solid Waste	72,128 I
<b>Worker's Comp Insurance Claims</b>	General Fund	956,753 J
	Electric Utility	169,116 J
	Water Utility	42,826 J
	Sewer	14,940 J
	Water Recycling Utility	1,865 J
	Solid Waste	7,474 J
	Cemetery	4,552 J
	Communication Technical Services	4,182 J
	Automotive Services	16,292 J
<b>Water Utility</b>	Water Recycling Utility	700,000 K
<b>Solid Waste</b>	General Fund	614,650 L
<b>Cemetery</b>	Non-Major Governmental	28,772 M
<b>Housing Authority</b>	Redevelopment Agency	2,844,081 N
<b>Sports and Open Space Authority</b>	Santa Clara Golf and Tennis Club	1,057,752 O
<b>Interfund Transfers</b>		<u>\$ 29,324,371</u>

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

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

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

**CITY OF SANTA CLARA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2011**

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

**B. Current Interfund Balances**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of interfund balances as of June 30, 2011.

Receivable Fund	Payable Fund	Amount
<b>General Fund</b>	Santa Clara Convention Center	\$ 1,658,817
	Non-Major Governmental	154,959
<b>Non-Major Governmental</b>	Internal Service Funds	<u>20,282</u>
	Receivable by Governmental Funds	<u>\$ 1,834,058</u>
<b>Electric Utility</b>	Internal Service Funds	\$ 1,801,359
<b>Water Utility</b>	Internal Service Funds	69,732
<b>Sewer</b>	Internal Service Funds	246,595
<b>Cemetery</b>	Internal Service Funds	<u>191,517</u>
	Receivable by Enterprise Funds	<u>\$ 2,309,203</u>
<b>Internal Service Funds (Various)</b>	Internal Service Funds (Various)	\$ 217,262
	Water Utility	<u>67,405</u>
	Receivable by Internal Service Funds	<u>\$ 284,667</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**  
June 30, 2011

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

**C. Long-Term Interfund Advances**

At June 30, 2011, the funds below had made advances which were not expected to be repaid within the next year.

Fund Receiving Advance/Commitment	Fund Making Advance/Commitment	Amount of Advance/ Commitment
Redevelopment Agency	General Fund	\$ 6,655,325
Cemetery	General Fund	3,389,690
Santa Clara Golf & Tennis Club	General Fund	4,099,134
Total Advances		\$ 14,144,149
Redevelopment Agency	General Fund	\$ 16,179,464
Total Commitment		\$ 16,179,464
Total Advances and Commitment		\$ 30,323,613

**Redevelopment Agency Fund** has a \$6,655,325 advance that bears interest which is based on the City's portfolio rate, and will be repaid to General Fund in annual installments after fulfilling the Agency's debt service, Capital projects and 20% housing set-aside transfer obligations.

**Cemetery Fund** has a \$3,389,690 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 \$4,099,134 advance which does not bear interest, and will be repaid in annual installments after completion of capital improvements from income generated by these capital improvements.

**Redevelopment Agency Fund** has a \$16,179,464 interfund commitment that bears interest at 11% and will be repaid to the General Fund from any available net tax increment monies after all other Agency obligations.

**D. Internal Balances**

Internal balances represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 10 - CAPITAL ASSETS**

**A. Capital Assets Summary**

Capital Assets at June 30, 2011 are comprised of:

	Balance June 30, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
<b>Governmental Activities</b>					
Non Depreciable Assets:					
Land	\$ 112,705,027	\$ 53,373	\$ (829,000)	\$ (20,594)	\$ 111,908,806
Construction in progress	9,164,608	13,763,082	-	(18,167,681)	4,760,009
Total Non Depreciable Assets	<u>121,869,635</u>	<u>13,816,455</u>	<u>(829,000)</u>	<u>(18,188,275)</u>	<u>116,668,815</u>
Capital assets being depreciated:					
Land improvements	18,938,947	-	-	418,975	19,357,922
Buildings	158,138,755	-	-	5,417,195	163,555,950
Infrastructure	432,099,752	956,291	-	11,091,511	444,147,554
Machinery & equipment	69,190,535	2,718,815	(790,333)	667,174	71,786,191
Total Capital assets being depreciated	<u>678,367,989</u>	<u>3,675,106</u>	<u>(790,333)</u>	<u>17,594,855</u>	<u>698,847,617</u>
Less accumulated depreciation for:					
Land improvements	(6,869,072)	(847,720)	-	-	(7,716,792)
Buildings	(30,793,264)	(3,346,309)	-	-	(34,139,573)
Infrastructure	(175,393,539)	(11,701,833)	-	-	(187,095,372)
Machinery & equipment	(49,102,664)	(4,942,596)	741,973	-	(53,303,287)
Total accumulated depreciation	<u>(262,158,539)</u>	<u>(20,838,458)</u>	<u>741,973</u>	<u>-</u>	<u>(282,255,024)</u>
Net Depreciable Assets	<u>416,209,450</u>	<u>(17,163,352)</u>	<u>(48,360)</u>	<u>17,594,855</u>	<u>416,592,593</u>
Governmental Activity Net Capital Assets	<u>\$ 538,079,085</u>	<u>\$ (3,346,897)</u>	<u>\$ (877,360)</u>	<u>\$ (593,420)</u>	<u>\$ 533,261,408</u>
<b>Business-Type Activities</b>					
Non Depreciable Assets:					
Land	\$ 19,965,908	\$ -	\$ -	\$ 845,565	\$ 20,811,473
Construction in progress	35,295,069	32,651,113	-	(46,814,184)	21,131,998
Total Non Depreciable Assets	<u>55,260,977</u>	<u>32,651,113</u>	<u>-</u>	<u>(45,968,619)</u>	<u>41,943,471</u>
Capital Assets being depreciated:					
Land Improvements	23,883,604	-	-	34,114	23,917,718
Buildings	89,849,116	53,600	-	481,300	90,384,016
Infrastructure	794,161,029	-	-	43,491,160	837,652,189
Machinery & equipment	17,502,632	104,959	(678,383)	2,555,465	19,484,673
Total Capital Assets being depreciated	<u>925,396,381</u>	<u>158,559</u>	<u>(678,383)</u>	<u>46,562,039</u>	<u>971,438,596</u>
Less accumulated depreciation for:					
Land Improvements	(16,051,411)	(795,273)	-	-	(16,846,684)
Buildings & improvements	(39,848,749)	(2,847,431)	-	-	(42,696,180)
Infrastructure	(321,900,947)	(18,203,400)	-	-	(340,104,347)
Machinery & equipment	(13,377,619)	(1,165,858)	661,985	-	(13,881,492)
Total accumulated depreciation	<u>(391,178,726)</u>	<u>(23,011,962)</u>	<u>661,985</u>	<u>-</u>	<u>(413,528,703)</u>
Net Depreciable Assets	<u>534,217,655</u>	<u>(22,853,403)</u>	<u>(16,398)</u>	<u>46,562,039</u>	<u>557,909,893</u>
Enterprise Activity Net Capital Assets	<u>\$ 589,478,632</u>	<u>\$ 9,797,710</u>	<u>\$ (16,398)</u>	<u>\$ 593,420</u>	<u>\$ 599,853,364</u>

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**B. Construction in Progress Summary**

Construction in Progress for governmental activities as of June 30, 2011 consisted of the following projects:

<u>Governmental Projects</u>	<u>Authorized</u>	<u>Expended</u>	<u>Future Commitments</u>
Transportation Improvements	\$ 9,071,046	\$ 475,563	\$ 8,595,483
Technology Application & Implementation Projects	3,540,641	588,603	2,952,038
Redevelopment Agency Projects	90,584,291	3,105,817	87,478,474
City Building Improvements	1,158,914	240,391	918,523
Parks and Recreation Facilities Improvement	1,888,595	349,635	1,538,960
	<u>\$ 106,243,487</u>	<u>\$ 4,760,009</u>	<u>\$ 101,483,478</u>

Construction in Progress for business-type activities as of June 30, 2011 consisted of the following:

<u>Enterprise Fund Projects</u>	<u>Authorized</u>	<u>Expended</u>	<u>Future Commitments</u>
Electric Projects	\$ 43,616,300	\$ 20,518,283	\$ 23,098,017
Water and Sewer Projects	3,508,774	515,513	2,993,261
Stadium Authority Projects	41,600,000	98,202	41,501,798
	<u>\$ 88,725,074</u>	<u>\$ 21,131,998</u>	<u>\$ 67,593,076</u>

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**C. Depreciation Allocation**

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

Governmental Activities:

General Administration	\$ 2,291,031
City Clerk	948
City Attorney	423
Human Resources	1,464
Finance	111,959
Public Works	12,313,781
Parks and Recreation	1,501,449
Public Safety	
Police	1,242,919
Fire	592,718
Planning & Inspection	35,579
Library	1,083,689
	<u>19,175,960</u>

Capital assets held by the City's Internal Service  
Funds are charged to the various functions  
based on their usage of the assets

1,662,498

Total Governmental Activities

\$ 20,838,458

Business-Type Activities:

Utility Funds:

Electric Utility	\$ 17,954,939
Water Utility	1,014,827
Sewer Utility	460,338
Solid Waste	2,547
Cemetery	36,587
Santa Clara Golf and Tennis Club	807,651
Santa Clara Convention Center	2,735,073
	<u>2,735,073</u>

Total Business-Type Activities

\$ 23,011,962

**CITY OF SANTA CLARA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

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

As of June 30, 2011, outstanding long-term obligations consisted of the following:

<u>Type of Indebtedness</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rates</u>
Governmental Activity Debt:			
General Long Term Debt:			
Special Assessment Bond With City Commitment	12/1/1998	9/2/2011	5.00-5.20
1997 Certificates of Participation	7/1/1997	8/1/2022	4.5-5.375
2002A Certificates of Participation	11/14/2002	2/1/2032	3.00-5.00
2002B Certificates of Participation	11/14/2002	2/1/2014	3.00-4.50
Lease Agreement between the City and the PFFC	7/13/2010	8/1/2022	3.65
Redevelopment Agency Obligations:			
Bayshore North Project 1992 TA and Refunding Bonds	10/22/1992	7/1/2014	7.0
Bayshore North Project-1999 TA Bonds Series A	8/1/1999	6/1/2023	5.25-5.50
Bayshore North Project-1999 TA Bonds Series B	8/1/1999	6/1/2017	5.25-5.50
Bayshore North Project-2002 TA Refunding Bonds	6/6/2002	6/1/2014	4.00-5.50
Bayshore North Project-2003 TA Bonds	5/14/2003	6/1/2023	5.00
Bayshore North Project-2011 TA Bonds	5/18/2011	6/1/2026	2.00-7.86
Unamortized Premium/Discount			
Subtotal Government Activity Debt			
Business Type Activity Debt:			
Enterprise Long Term Debt:			
Electric Utility:			
1998 Series A Revenue Bonds	3/1/1998	7/1/2011	5.00
2003 Series A Revenue Bonds	10/9/2003	7/1/2028	2.50-5.25
2008 Series A Revenue Bonds	4/23/2008	7/1/2034	Variable
2008 Series B Revenue Bonds	5/29/2008	7/1/2027	Variable
2011 Series A Revenue Bonds	3/22/2011	7/1/2032	5.00-6.00
Unamortized Premium/Discount			
Total of Electric Utility Revenue Bonds			
Total Long-Term Debt Obligations			

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

<u>Authorized and Issued</u>	<u>Outstanding as of June 30, 2010</u>	<u>Debt Retired</u>	<u>Additions and Amortization of Discounts</u>	<u>Outstanding as of June 30, 2011</u>	<u>Current Portion</u>
\$ 10,325,000	\$ 2,155,000	\$ 2,155,000	\$ -	\$ -	\$ -
16,050,000	11,250,000	11,250,000	-	-	-
25,025,000	21,685,000	590,000	-	21,095,000	615,000
33,505,000	15,685,000	2,815,000	-	12,870,000	2,935,000
10,207,000	-	350,000	10,207,000	9,857,000	744,000
74,240,000	6,065,000	6,065,000	-	-	-
31,550,000	31,550,000	-	-	31,550,000	-
16,905,000	16,905,000	1,530,000	-	15,375,000	1,630,000
33,910,000	21,180,000	4,965,000	-	16,215,000	5,170,000
43,960,000	43,960,000	-	-	43,960,000	-
31,411,295	-	-	31,411,295	31,411,295	125,000
-	-	-	(167,709)	(167,709)	-
<u>327,088,295</u>	<u>170,435,000</u>	<u>29,720,000</u>	<u>41,450,586</u>	<u>182,165,586</u>	<u>11,219,000</u>
89,275,000	980,000	980,000	-	-	-
100,000,000	86,375,000	2,985,000	-	83,390,000	3,095,000
49,655,000	49,655,000	49,655,000	-	-	-
86,600,000	86,160,000	460,000	-	85,700,000	3,160,000
54,830,000	-	-	54,830,000	54,830,000	-
-	(7,046,957)	-	(422,797)	(7,469,754)	-
<u>380,360,000</u>	<u>216,123,043</u>	<u>54,080,000</u>	<u>54,407,203</u>	<u>216,450,246</u>	<u>6,255,000</u>
<u>\$ 707,448,295</u>	<u>\$ 386,558,043</u>	<u>\$ 83,800,000</u>	<u>\$ 95,857,789</u>	<u>\$ 398,615,832</u>	<u>\$ 17,474,000</u>

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

Special Assessment Bonds with City Commitment

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

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

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

1997 Police Administration Building Project Certificates of Participation

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

2002 Certificates of Participation, Series A Bonds

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

2002 Certificates of Participation, Series B Bonds

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

2010 City of Santa Clara Lease Agreement

On July 13, 2010, the City entered into a new agreement with the Public Facilities Financing Corporation 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.

Compliance

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

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

Bayshore North Project 1992 Tax Allocation Refunding Bonds

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

Bayshore North Project 1999 Tax Allocation Bonds, Series A

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

and 2023 and optional redemption was available beginning June 1, 2009. Debt service of the RDA 1999A Bonds is funded by the Agency's tax increment revenues.

Bayshore North Project 1999 Tax Allocation Bonds, Series B

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

Bayshore North Project 2002 Tax Allocation Bonds

On June 6, 2002, the Agency issued \$33.91 million of Bayshore North Project 2002 Tax Allocation Bonds (2002 Bonds), with an effective interest rate ranging from 2.0% to 5.5% for a term of 12 years. The proceeds of the 2002 Bonds were used to retire a portion of 1992 Bonds. Debt service for the bonds is funded from property taxes levied against the property owners.

Bayshore North Project 2003 Tax Allocation Bonds

On May 14, 2003, the Agency issued \$43.96 million of Bayshore North Project 2003 Tax Allocation Bonds (RDA 2003 Bonds) to fund various Agency projects. The RDA 2003 Bonds mature serially in years 2015 through 2023, and bear interest at 5.0%. The Bonds are insured by the MBIA Insurance Corporation. Debt service of the RDA 2003 Bonds is funded by the Agency's tax increment revenues.

Bayshore North Project 2011 Tax Allocation Bonds

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

Compliance

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**D. Enterprise Funds**

**Electric Utility**

Subordinated Electric Revenue Refunding Bonds, 1998 Series A

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

Subordinated Electric Revenue Refunding Bonds, 2003 Series A

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

Subordinated Electric Revenue Refunding Bonds, 2008 Series A

On April 23, 2008, Silicon Valley Power issued \$49.66 million of the Subordinated Electric Revenue Bonds, Series 2008A (Electric 2008A Bonds) to refinance the Electric 2003B Bonds on April 28, 2008. The Electric 2008A Bonds matured annually in serial amounts from July 1, 2028 to July 1, 2034. The Electric 2008A Bonds were multi-modal bonds that were authorized to be issued in variable mode. Initially, the Electric 2008A Bonds were issued in the Daily Mode. Payment of the principal of, and interest on, and purchase price of, the Electric 2008A Bonds were made from proceeds of draws on the Letter of Credit provided by Bank of America, N.A. Debt service on the 2008A Bonds is secured by a pledge of net revenues of the Electric Utility Enterprise Fund. The Electric 2008A Bonds were refunded on March 22, 2011 by the Electric 2011A Bonds described below and were redeemed in full on April 22, 2011. The difference between cash flow required to service 2008A bond and service 2011A bond is \$16.3 million. The present value saving of the refunding at the effective interest rate is \$12.5 million.

Electric Revenue Refunding Bonds, 2008 Series B

On May 29, 2008, Silicon Valley Power issued \$86.6 million of the Subordinated Electric Revenue Bonds, Series 2008B (Electric 2008B Bonds) to refinance \$80.53 million of the Electric 1998A Bonds on July 1, 2008. The Electric 2008B Bonds mature annually in serial amounts from July 1, 2009 to July 1, 2027. The Electric 2008B Bonds are multi-modal bonds that are authorized to be issued in variable mode. Initially, the Electric 2008B Bonds were issued in the Weekly Mode. Payment of the principal of and interest on, and purchase price of, the Electric 2008B Bonds are made from proceeds of draws on the Letter of Credit provided by Dexia Credit Local. On May 11, 2011, the Letter of Credit provided by Dexia was replaced by a Letter of Credit provided by Bank of America, N.A. In connection therewith, the name of the bonds was redesignated from

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

“Subordinated Electric Revenue Refunding Bonds” to “Electric Revenue Refunding Bonds” to reflect that all senior electric revenue bonds of Silicon Valley Power have been retired. Debt service on the 2008B Bonds is secured by a pledge of net revenues of the Electric Utility Enterprise Fund.

Electric Revenue Refunding Bonds, 2011 A Series

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

**E. Derivative Instruments**

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

Interest Rate Swap Agreements-2008 Series B Bonds

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

	Notional Amount (000's)	City Pays Fixed Rate to Counterparty	City Receives Floating Rate From Counterparty 06/30/11	City Pays Variable Rate on Bond 06/30/11
2008 Series B	\$ 82,575	3.47%	Weekly Mode - 65% of LIBOR=0.12061%	Weekly Mode - SIFMA=0.09%

The swap is classified as a debt instrument and had a negative fair market value of \$9,065,220 as of June 30, 2011, a deferred inflow change of \$1,802,615 from June 30, 2010. The swap is classified as a deferred inflow of resources and derivative financial instrument on the statement of net assets. The fair market value was based on MID-MARKET LEVELS as of the close of business

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

date on June 30, 2011. The value was estimated from proprietary models based upon well recognized financial principles and reasonable estimates about relevant future market conditions.

**Rollover Risk**

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

**Interest Rate Risk/Basis Risk**

SVP is exposed to interest rate risk on its swap agreement. The SVP's net payment on the SWAP increased as the LIBOR swap index decreases. With respect to basis risk, under the swap, the City receives 65% of LIBOR and pays the Securities Industry and Financial Markets Association (SIFMA) rate to bondholders of the City's 2008B bonds. The basis risk is the difference between the two rates. As of June 30, 2011, 65% of LIBOR was 0.12061% and the SIFMA rate was 0.09%.

Using rates as of June 30, 2011, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year ending <u>June 30</u>	Variable-Rate Bond		Interest Rate	Total
	Principal	Interest	Swaps, Net	
2012	\$ 3,160,000	\$ 77,130	\$ 2,870,429	\$ 6,107,559
2013	3,350,000	74,286	2,764,589	6,188,875
2014	3,550,000	71,271	2,652,384	6,273,655
2015	3,760,000	68,076	2,533,480	6,361,556
2016	3,975,000	64,692	2,407,543	6,447,235
2017-2021	23,485,000	265,581	9,883,722	33,634,303
2022-2026	30,405,000	147,704	5,496,856	36,049,559
2027-2028	14,015,000	19,049	708,899	14,742,947
	<u>\$ 85,700,000</u>	<u>\$ 787,788</u>	<u>\$ 29,317,902</u>	<u>\$ 115,805,690</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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

Notional Amounts and Fair Values

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

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

SVP had the following future derivative instruments outstanding at June 30, 2011 with Bache Commodities to hedge cash flows on CAISO NP15 power purchases:

Objective	Notional Amount (MWh)	Trade Date	Effective Date	Maturity Date	Terms	Classification	Fair Value		Change in Fair Value		
							Amount	Classification	Amount	Amount	
Hedge cash flows on NP15 power purchases	31,600	May-11	Jul-11	Sep-11	Pay \$28.50/Mwh; settle on CAISO NP15	Derivative Instrument	\$ 530,500	Purchased Power Expense		\$ 530,500	
Hedge cash flows on NP15 power purchases	41,600	May-11	Aug-11	Sep-11	Pay \$41.00/Mwh; settle on CAISO NP15	Derivative Instrument	180,400	Purchased Power Expense		180,400	
Hedge cash flows on NP15 power purchases	4,000	Jun-11	Jul-11	Jul-11	Pay \$42.00/Mwh; settle on CAISO NP15	Derivative Instrument	8,000	Purchased Power Expense		8,000	
Total											
							<u>\$ 718,900</u>			<u>\$ 718,900</u>	

Credit risk

Credit risk is the risk of loss due to a counterparty defaulting on its obligations. SVP is exposed to credit risk if hedging instruments are in asset positions. As of June 30, 2011, SVP was exposed to credit risk because certain open derivative contracts were in asset positions. However, should interest rates change and the fair market value of the swap become negative, the City would not be exposed to credit risk in the amount of the fair market values. The swap and open contract counterparties were rated AA- and BBB, respectively, by S&P at June 30, 2011.

SVP's policy for requiring collateral on hedging instruments varies based on individual contracts and counterparty credit ratings. Under the interest rate swap agreement, collateral is required based on the counterparty rating and dollar threshold on the mark-to-market value of swap. Under

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

the trading agreements with Merrill Lynch, Pierce, Fenner & Smith, Inc. and Bache Commodities, the trading accounts are prefunded by SVP. If the account value falls below zero, margin calls are invoked. At June 30, 2011 SVP had posted collateral of \$4,968,014 on the interest rate swap and \$1,591,555 was deposited with Merrill Lynch, Pierce, Fenner & Smith, Inc. and Bache Commodities for wholesale trading. At June 30, 2011, 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, 2011 SVP had 3 derivative instrument purchase contracts with Bache Commodities.

Termination Risk

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

Price Risk

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**F. Repayment Requirements**

As of June 30, 2011, the debt service requirements to maturity for the City's and the Agency's long-term obligations and the funds from which payment will be made are as follows:

For the Year Ending June 30	Government Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 11,219,000	\$ 8,195,009	\$ 6,255,000	\$ 6,329,131
2013	11,547,000	7,675,455	6,560,000	6,873,836
2014	16,837,311	7,241,461	6,885,000	6,747,946
2015	10,440,716	6,574,031	7,250,000	6,590,801
2016	10,809,651	6,183,417	7,620,000	6,429,545
2017-2021	62,281,353	25,139,125	44,495,000	29,305,500
2022-2026	50,883,264	26,308,162	57,360,000	23,098,235
2027-2031	6,755,000	1,436,250	61,265,000	14,291,989
2032-2036	1,560,000	78,000	26,230,000	1,444,294
	<u>\$ 182,333,295</u>	<u>\$ 88,830,910</u>	<u>\$ 223,920,000</u>	<u>\$ 101,111,278</u>

**Reconciliation of Long-term Obligations**

Principal outstanding as reported above	\$ 406,253,295
Deduct Unamortized discount - Electric Revenue Bonds	(7,637,463)
Total Long-term Obligations	<u>\$ 398,615,832</u>

**G. Defeasances**

As of June 30, 2011, there is no remaining principal balance of defeased debt for the City.

**H. Debt Limitations and Restrictions**

The amounts of the City's legal debt limit and debt margin (as defined by Section 1309 of the City Charter) as of June 30, 2011, are \$3.65 billion and \$3.65 billion respectively. There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations, covenants and restrictions.

**I. Arbitrage**

According to the regulations set forth by the U. S. Treasury Department, for bond issues subject to arbitrage rebate, earnings in excess of the stated bond rate must be rebated to the federal government every five years. As of June 30, 2011, the City has thirteen outstanding bond issues that are subject to the arbitrage rebate regulations. The City monitors the earnings on each of these issues and records any accrued rebate liability at the end of each individual bond year.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

Special assessment districts have been established in various parts of the City to provide improvements to properties located in those districts. Properties are assessed for the cost of the improvements; these assessments are payable solely by the property owners over the term of the debt issued to finance the improvements. With the exception of the Santa Clara Convention Center Improvement Project No. 186, the City is not legally obligated to pay these debts or be the purchaser of last resort of foreclosed properties in the special assessment districts. Nor is it obligated to advance available City funds to repay this debt in the event of default by any of these districts. At June 30, 2011, the balance of these districts' outstanding debt was as follows:

Issue	Fiscal Year Issued	Interest Rate	Principal Maturities		Outstanding 6/30/11
			Annual Amount	Fiscal Years Ended	
Mill Creek - District No. 1	1995	7.01%-7.12%	265,000-365,000	1998-2012	\$ 365,000
Traffic Mitigation District 1988-1 Division No. 2	1996	5.90%	285,000-380,000	1998-2012	740,000
Mission College/Mercado No. 187	1998	7.00%	490,000-600,000	1999-2012	600,000
					<u>\$ 1,705,000</u>

**NOTE 12 - SOLID WASTE LANDFILL CLOSURE**

At June 30, 2011, the balance of the Solid Waste Landfill Postclosure Obligation was as follows:

Type of Indebtedness	Outstanding as of June 30, 2010	Reduction	Outstanding as of June 30, 2011	Current Portion
Solid Waste Landfill Postclosure Obligation	\$ 3,522,092	\$ 436,677	\$ 3,085,415	\$ 540,000

The City of Santa Clara All Purpose Landfill (Landfill) was closed in September 1993. Federal and state laws and regulations require closure activities such as removal of landfill structures, decommissioning of environmental control systems, site security, and final cover construction and postclosure care such as ongoing monitoring of environmental impact. The City's postclosure plan (Plan) accepted by the California Integrated Waste Management Board (CIWMB) addresses all the attendant issues. Based on the Plan and pertaining laws and regulations, an estimated Landfill Postclosure Care Cost Obligation is recorded and updated annually. The postclosure care liability is accrued in the Solid Waste Enterprise Fund in accordance with GASB Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs. As of June 30, 2011, the estimated liability totaled \$3.09 million. This obligation is payable from solid waste user fees and any related subsidy from the General Fund.

The City also has a Pledge of Revenue Agreement establishing financial assurance for postclosure maintenance of the Landfill with the CIWMB. As of June 30, 2011, the total pledge amount is \$712 thousand. This amount is reviewed annually and updated for the increase in the San Francisco Bay Region Consumer Price Index.

**CITY OF SANTA CLARA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 13 – PARTICIPATION IN JOINT VENTURES**

**A. Investments in Joint Venture**

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

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

	NCPA	TANC	SJSC	MSR EA	MSR PPA	SVACA
Date of latest audited financial statement	6/30/2010	6/30/2010	6/30/2010	12/31/2010	12/31/2010	6/30/2010
Participant's address	651 Commerce Dr. Roseville, CA 95678	P.O. Box 15129 Sacramento, CA 95851	200 E. Santa Clara St. San Jose, CA 95113	P.O. Box 4060 Modesto, CA 95352	P.O. Box 4060 Modesto, CA 95352	3370 Thomas Road Santa Clara, CA 95051

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

	NCPA				TANC	SJSC*	MSR EA	MSR PPA	SVACA
	Geothermal	Hydroelectric	Combustion Turbine	Lodi Energy Center					
Participating percentage	44.39%	37.02%	25.00%	25.75%	20.47%	17.18%	33.40%	35.00%	73.59%
Investment		\$30,384,743			\$2,165,712	\$90,728,643	-	-	\$5,467,419
Method of accounting		Equity			Equity	Equity	Suspended	Suspended	Equity

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**B. Contingent Liability**

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

	Total Debt	Participating Share	Contingent Liability
NCPA	\$ 908,349	31.94%	\$ 290,083
TANC	421,440	20.84%	87,830
SJSC	92,778	17.18%	15,939
MSR PPA	362,570	35.00%	126,900
MSR EA	901,620	55.48%	500,200
Total	<u>\$ 2,686,757</u>		<u>\$ 1,020,952</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, 2010 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 - Combustion Turbine Project #1 (NCT1)	July-2011	25.0000%	25.0000%
NCPA - Lodi Energy Center (NLEC)	June-2040	25.7500%	29.5923%
TANC - CA-OR Transmission Project (COTP)	May-2024	20.4745%	20.7030%
MSR PPA - San Juan Plant	July-2022	35.0000%	35.0000%

\* The SVP's entitlement share in Debt services in FY2010-2011 for NCT1 increased to 41.667%.

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

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, 2010 is as follows (latest information available):

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

Fiscal Year	NGP	NHP	NCT1	NLEC	COTP	MSR PPA	Total
2011	\$ 13,472,201	\$ 12,351,693	\$1,065,823	\$ -	\$ 8,887,953	\$ 14,822,850	\$ 50,600,520
2012	1,602,325	11,981,053	88,813	7,212,576	8,887,831	14,039,900	43,812,498
2013	1,603,302	14,314,629	-	8,521,532	8,887,919	14,043,050	47,370,432
2014	1,607,386	15,154,589	-	9,800,392	8,888,500	13,932,450	49,383,317
2015	1,607,829	14,695,895	-	9,800,000	8,888,585	14,436,100	49,428,409
2016-2020	8,064,783	72,453,882	-	49,007,528	41,625,565	64,504,300	235,656,058
2021-2025	8,110,705	73,516,385	-	49,004,027	30,879,412	34,251,700	195,762,229
2026-2030	-	41,472,524	-	48,393,949	-	-	89,866,473
2031-2035	-	24,822,767	-	45,639,630	-	-	70,462,397
2036-2040	-	-	-	42,034,748	-	-	42,034,748
2041-2045	-	-	-	7,253,558	-	-	7,253,558
Total	<u>\$ 36,068,531</u>	<u>\$ 280,763,417</u>	<u>\$1,154,636</u>	<u>\$276,667,940</u>	<u>\$ 116,945,765</u>	<u>\$ 170,030,350</u>	<u>\$ 881,630,639</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**  
**June 30, 2011**

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

Geothermal Project

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

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

Combustion Turbine Project No. 1

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

Lodi Energy Center

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

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

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

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

California-Oregon Transmission Project

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

The Project was declared commercially operable on March 24, 1993, with a rated transfer capability of 1,600 megawatts and provides a third transmission path between the electric systems of the Pacific Northwest and those in California. The Project has successfully met and completed the major environmental requirements. As of June 30, 2010, the most recent data available, TANC's investment in the Project was \$509.0 million, less accumulated depreciation and amortization of \$181 million.

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

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

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

In 1959, the City and the City of San Jose entered into an agreement to construct and operate the Plant. Under the terms of the agreement, the cities own an undivided interest in the Plant and share in the capital and operating costs on a pro rata basis, determined by the ratio of each city's assessed valuation to the sum of both cities assessed valuations. Such percentages are determined annually and applied to the capital and operating costs of the Plant, determined on an accrual basis. For the fiscal year ended June 30, 2010, the City's portion was approximately 17.18%, which is also its interest in the net assets of the Plant.

South Bay Water Recycling Program

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

contaminates discharged to the San Francisco Bay and provides a reliable source of water to offset potable water demands.

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

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

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

**F. MSR Public Power Agency**

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

The City's equity in MSR PPA's net losses exceeds its investment and, therefore, the equity method of accounting for the investment has been suspended. As of December 31, 2010, the date of the latest available audited financial statements, the City's unrecognized share of member's deficit of MSR PPA was \$52.7 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, 2010, the City made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in the Electric Utility Enterprise Fund expenses.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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 firm, shaped, and delivered to the California-Oregon Border (COB) for a twenty-year period. Deliveries of energy under this project began October 1, 2006. The participation in this project is as follows: Modesto Irrigation District – 12.5%; City of Santa Clara – 52.5%; and City of Redding – 35%.

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

The City's equity in MSR EA's net losses exceeds its investment and, therefore, the equity method of accounting for the investment has been suspended. As of December 31, 2010, 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 33.3% of MSR EA's operating cost, to the extent such funding is necessary. During the year ended June 30, 2010, the City made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in the Electric Utility Enterprise Fund expenses.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

**H. Silicon Valley Animal Control Authority**

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

During the fiscal year ended June 30, 2011, the City of Santa Clara contributed \$964,052 to SVACA. The City's equity interest in SVACA was \$5,467,419 at June 30, 2010 (the most recent audited information available). Audited financial statements are available from SVACA, located at 3370 Thomas Road, Santa Clara, CA 95051.

**NOTE 14 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN**

**A. Plan Description**

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

The City's two defined benefit pension plans (Miscellaneous Plan and Safety Plan) with CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

plan members and beneficiaries. All permanent (full-time and part-time) and eligible “as-needed” hourly City employees are required to participate in CalPERS.

**B. Pension Plan Benefits**

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

**Miscellaneous Plan**

Participants in this plan are eligible for service retirement and receive graduated benefits upon attaining the age of 50 and with at least five years of credited service with a CalPERS employer. The service retirement benefit is a monthly allowance equal to the product of the benefit factor (2.7% at 55), years of service, and final compensation (monthly average of member’s highest 12 consecutive months’ full-time equivalent monthly pay). The service retirement benefit for this group is not capped.

**Safety Plan**

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

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

**C. Funding Policy**

Permanent employees are required to make contributions to their account. For employees who are covered by formulas modified to coordinate with Social Security, a rate of zero is charged for the first \$133.33 per month. The member employees’ contribution rates are set by State statute and only change with significant contract amendments. The rates at the end of fiscal year 2010-11 were:

<u>Category</u>	<b>Member Rates As A</b>	
	<b>Percentage Of Wages</b>	<b>Member Paid Contributions</b>
Miscellaneous Plan Members	8.00%	\$ 4,501,581
Safety Plan:		
Fire Public Safety Members	9.00%	\$ 1,751,309
Police Public Safety Members	11.25%	\$ 2,065,705

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

The City is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the Board of Administration (the employer rate). The City's payroll for employees covered by CalPERS for fiscal year ended June 30, 2011 was \$95,149,660 (consisting of \$57,328,855 for Miscellaneous Plan employees and \$37,820,805 for Public Safety Plan employees), out of the total payroll for the City of \$114,994,999. The CalPERS employer rate and annual costs are described below.

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

The required contribution for the year ended June 30, 2011 was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The Entry Age Normal Actuarial Cost Method is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future, as well as those already accrued.

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

The significant actuarial assumptions used to compute the actuarially determined contribution requirement for the year ended June 30, 2011 include the following:

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**APC FOR MISCELLANEOUS EMPLOYEES**

Fiscal Year Ending	Required Contribution Rates for Miscellaneous	Annual Pension Cost (APC) for Miscellaneous Employees	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	16.983%	\$9,063,999	100%	-
6/30/2010	17.015%	\$9,946,814	100%	-
6/30/2011	17.774%	\$10,189,631	100%	-

**APC FOR SAFETY EMPLOYEES**

Fiscal Year Ending	Required Contribution Rates for Safety	Annual Pension Cost (APC) for Safety Employees	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	26.690%	\$10,466,841	100%	-
6/30/2010	26.121%	\$10,310,940	100%	-
6/30/2011	27.223%	\$10,295,959	100%	-

**E. Funded Status**

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

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

**CITY OF SANTA CLARA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2011**

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

Funded Status of Miscellaneous Plan:

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded / (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded / (Overfunded) As a % Of Payroll
6/30/2008	\$400,573,785	\$329,060,386	\$71,513,399	82.20%	\$51,236,934	139.60%
6/30/2009	\$451,521,919	\$342,041,141	\$109,480,778	75.80%	\$56,413,334	194.07%
6/30/2010	\$481,425,499	\$357,508,407	\$123,917,092	74.20%	\$60,099,191	206.35%

Funded Status of Safety Plan:

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded / (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded / (Overfunded) As a % Of Payroll
6/30/2008	\$464,723,806	\$393,471,006	\$71,252,800	84.70%	\$36,570,408	194.80%
6/30/2009	\$501,232,341	\$408,340,849	\$92,891,492	81.50%	\$38,994,256	238.22%
6/30/2010	\$522,236,433	\$422,485,578	\$99,750,855	80.90%	\$39,493,694	252.57%

**NOTE 15 – RETIREMENT PLAN - DEFINED CONTRIBUTION PLAN**

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

**NOTE 16 – DEFERRED COMPENSATION PLAN**

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 17 – OTHER POST EMPLOYMENT BENEFITS**

**A. Plan Description**

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

**B. Funding Policy**

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

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

Based upon the valuation dated June 30, 2010, the most recent valuation available, the actuarially required ARC for fiscal year 2010-11 was \$2.149 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 2011 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, 2009	\$ 2,795,000	100%	\$ -
June 30, 2010	\$ 2,081,000	100%	\$ -
June 30, 2011	\$ 2,149,000	100%	\$ -

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**C. Plan Funded Status Information**

As of June 30, 2010, the latest valuation date, the funded status of the plan, was as follows:

Actuarial accrued liability (AAL)	\$ 30,886,000
Actuarial value of plan assets	\$ 7,031,000
Unfunded actuarial accrued liability(UAAL)	\$ 23,855,000
Funded ratio (actuarial value of plan assets/AAL)	22.8%
Covered payroll (active plan members)	\$ 101,739,000
UAAL as a percentage of covered payroll	23.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

**D. Actuarial Methods and Assumptions**

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

In the June 30, 2010 actuarial valuation, the entry age normal actuarial cost method was used with a thirty (30) year closed amortization period and level percentage of pay. The actuarial assumptions are as follows:

- A discount rate of 5.75% was used.
- The demographics for terminations, mortality, disability and retirements were based upon the CalPERS 1997-2007 Experience Study Rates.
- Healthcare costs trends utilized actual rates for 2011 and a 9.5% increase for HMO and PPO non-Medicare plans. Future years were reduced by decrements of approximately of .56% per year to an ultimate rate of 5.0% for HMO and PPO plans by year 2020. For Medicare plans, 10.0% increase for HMO and PPO plans trends were utilized. Future years were reduced by decrements of approximately .63% per year to an ultimate rate of 5.0% for both HMO and PPO plans by year 2020.
- The increase on caps were linked to healthcare premium trends and 3% for reimbursement plans.
- The CPI was assumed to be constant at 3% per year.
- Aggregate benefit increases assumed to be 3.25% per year.
- Age for females assumed to be three years younger than males.
- Safety and Miscellaneous employees were assumed to be 90% and 85 % married respectively.
- Participation in the plan was assumed to be 80%.
- Medical coverage at retirement was assumed to be at 75%.
- Valuation assets projected to June 30, 2011, using assumed 5.75%
- Asset gains/losses recognized over 5 years
- Shorter period but same method as CalPERS Pension
- Corridor between 80% to 120% of market value

These assumptions are reviewed on a biennial basis.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

**A. Long-term Power Purchase Contracts**

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

**B. Restructuring of the California Electric Industry**

Deregulation Legislation and Direct Access

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

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

However, in 2000 and 2001, the price of electricity at the Cal PX became extremely high, and investor-owned utilities were unable to pay for the energy that they needed from the Cal PX. These conditions caused the passage of AB1X by the California legislature, pursuant to which investor owned utilities' energy procurement function was assigned to the California Department of Water Resources. AB1X also suspended direct access for investor-owned utilities, essentially until 2013. Based on this development, the City has deferred implementation of its direct access program.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

Other Effects of Restructuring

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

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 \$50.1 million and \$50.8 million, respectively, for the fiscal year ended June 30, 2011 have been separately reported on the statement of revenues, expenses and changes in net assets. Associated receivables representing delivered but unbilled energy, and corresponding payable amounts totaling \$8,469 and \$57,629, respectively, have been reported in the proprietary funds statement of net assets.

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

Credit Arrangements

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**C. Electric Utility Rate Increase**

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

**NOTE 19 – NET ASSETS/FUND BALANCE EQUITY**

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

**A. Government-Wide Financial Statements - Net Assets**

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

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

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

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

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

The City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions in the current year. 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:

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**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 state or federal 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 Council action, ordinance or resolution. These committed amounts cannot be used for any other purpose unless the Council removes or changes the specific uses through the same type of formal action taken to establish the commitment. These Council actions must occur prior to June 30th of the applicable fiscal year.

**Assigned Fund Balance**

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

**Unassigned Fund Balance**

These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories in the General Fund, or negative balances in all other funds. The Unassigned Fund Balance includes the Working Capital (Emergency) and Capital Projects Reserves, and the interest earned on the non-spendable Land Sale fund balance. The balances in these accounts are \$4.1 million, \$6.4 million, and \$3.3 million, respectively. Additional information is described in the Stabilization Arrangement section of this note.

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

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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

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

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

Under GASB Statement No. 54, Special Revenue funds are more strictly defined. The City's Community Activities Fund is no longer considered a special revenue fund for CAFR reporting. As a result, beginning fund balances have been restated as follows:

	General Fund	Non-Major Governmental Fund
Beginning Fund Balance	\$ 50,715,909	\$ 68,158,204
Adjust for:		
Community Activities Beginning Fund Balance	983,626	(983,626)
Restated Beginning Fund Balance	<u>\$ 51,699,535</u>	<u>\$ 67,174,578</u>

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**Fund Balance Classification**

	Major Funds				Non-Major Governmental Funds	Fund Balance June 30, 2011
	General Fund	Redevelopment Agency	Housing Authority	Redevelopment Area CIP		
<b>Nonspendable:</b>						
Land held for redevelopment	\$ -	\$ -	\$ 7,103,770	\$ -	\$ -	\$ 7,103,770
Receivables, inventory & prepaid	2,028,535	-	-	-	-	2,028,535
Land sale	13,662,503	-	-	-	-	13,662,503
Permanent fund corpus	-	-	-	-	4,018,680	4,018,680
Advances to other Funds	30,323,613	-	-	-	-	30,323,613
<b>Total Nonspendable</b>	<b>46,014,651</b>	<b>-</b>	<b>7,103,770</b>	<b>-</b>	<b>4,018,680</b>	<b>57,137,101</b>
<b>Restricted For:</b>						
Gas tax programs	-	-	-	-	10,105,854	10,105,854
Operating grants	-	-	-	-	481,515	481,515
Housing & Community Development	-	-	44,571,851	-	1,104,687	45,676,538
Maintenance districts	-	-	-	-	345,893	345,893
Building inspection	2,586,402	-	-	-	-	2,586,402
Public safety	193,765	-	-	-	-	193,765
Debt service	-	13,370,721	-	-	5,916,077	19,286,798
Special assessments	-	-	-	-	1,032,553	1,032,553
Streets and highway	-	-	-	-	18,990,265	18,990,265
Endowments & charitable trusts	-	-	-	-	154,508	154,508
Parks and recreation	-	-	-	-	-	-
Donations	263,286	-	-	-	-	263,286
Library	627,121	-	-	-	-	627,121
Redevelopment projects	-	-	-	92,509,709	-	92,509,709
<b>Total Restricted</b>	<b>3,670,574</b>	<b>13,370,721</b>	<b>44,571,851</b>	<b>92,509,709</b>	<b>38,131,352</b>	<b>192,254,207</b>
<b>Committed to:</b>						
Housing programs	-	-	18,077,661	-	435,919	18,513,580
Employee computer loan	59,016	-	-	-	-	59,016
Historical preservation	77,276	-	-	-	-	77,276
Streets and highway	-	-	-	-	320,000	320,000
Public safety	288,779	-	-	-	203,090	491,869
Parks & recreation	-	-	-	-	1,769,787	1,769,787
Redevelopment activities	-	433,330	-	-	-	433,330
Debt service	-	-	-	-	-	-
Storm drain	-	-	-	-	1,368,551	1,368,551
Library	-	-	-	-	550,003	550,003
Public facilities	1,249,907	-	-	-	11,447,060	12,696,967
Streets beautification	-	-	-	-	189,117	189,117
<b>Total committed</b>	<b>1,674,978</b>	<b>433,330</b>	<b>18,077,661</b>	<b>-</b>	<b>16,283,527</b>	<b>36,469,496</b>
<b>Assigned to:</b>						
Streets & highway	-	-	-	-	-	-
Library	-	-	-	-	-	-
General government	230,484	-	-	-	986,337	1,216,821
Community activities	683,555	-	-	-	-	683,555
Public facilities	-	-	-	-	431,522	431,522
Other purposes	242,765	-	-	-	-	242,765
<b>Total Assigned</b>	<b>1,156,804</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,417,859</b>	<b>2,574,663</b>
<b>Unassigned:</b>						
	21,138,340	(22,834,789)	-	-	-	(1,696,449)
<b>Total unassigned</b>	<b>21,138,340</b>	<b>(22,834,789)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,696,449)</b>
<b>Total Fund Balances</b>	<b>\$ 73,655,347</b>	<b>\$ (9,030,738)</b>	<b>\$ 69,753,282</b>	<b>\$ 92,509,709</b>	<b>\$ 59,851,418</b>	<b>\$ 286,739,018</b>

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

The funds listed below had an accumulated deficit as of June 30, 2011:

Fund Name	Accumulated Deficit
Enterprise Funds:	
Cemetery	\$ 1,806,210
Internal Service Funds:	
Workers' Compensation Insurance Claims	\$ 14,577,688
Redevelopment Agency	\$ 9,030,738

The City's long term plans include construction of additional facilities that will help bring the Cemetery Enterprise Fund closer towards recovery. The Workers Compensation Insurance Claims' Internal Service Fund accumulated deficit is expected to be offset by future charges to the General Fund and the proprietary funds. See Note 22 for Redevelopment Agency information.

**NOTE 20 – RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts, errors and omissions, general liability, injuries to employees and unemployment claims. The City currently reports all of its risk management activities in its Internal Service Funds. Claims, expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated using actuarial methods or other estimating techniques. These losses include an estimate of claims that have been incurred but not reported. As of June 30, 2011, the amount of these liabilities was \$19,745,780.

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

Changes in the reported liability since June 30, 2011 resulted from the following:

	<b>Special Liability</b>	<b>Workers' Compensation</b>	<b>Total</b>
Liability as of June 30, 2009	\$ 723,125	\$ 17,812,011	\$ 18,535,136
Claims and changes in estimates during fiscal 2010	2,356,801	3,277,002	5,633,803
Claim payments	(1,699,560)	(3,459,801)	(5,159,361)
Liability as of June 30, 2010	\$ 1,380,366	\$ 17,629,212	\$ 19,009,578
Claims and changes in estimates during fiscal 2011	2,632,867	3,581,094	6,213,961
Claim payments	(1,685,368)	(3,792,391)	(5,477,759)
Liability as of June 30, 2011	<u>\$ 2,327,865</u>	<u>\$ 17,417,915</u>	<u>\$ 19,745,780</u>
Current Claims Payable	\$ 1,303,604	\$ 3,483,583	\$ 4,787,187
Long Term Claims Payable	1,024,261	13,934,332	14,958,593
Liability as of June 30, 2011	<u>\$ 2,327,865</u>	<u>\$ 17,417,915</u>	<u>\$ 19,745,780</u>

With respect to the Special Liability accrual of \$2,327,865, the City has numerous unsettled lawsuits filed or claims asserted against it as of June 30, 2011. The City has reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the City and to arrive at an estimate of the amount or ranges of potential loss to the City. As a result of such review, the City has categorized the various claims and lawsuits as “probable,” “reasonably possible,” and “remote” loss contingencies, as currently defined by current accounting standards.

The City has determined that the City’s probable loss contingencies, which are accrued for as the estimated liability for claims and lawsuits as of June 30, 2011, are approximately \$2,327,865. The final outcome of claims and lawsuits, which have been categorized as reasonably possible loss contingencies, is not presently determinable and any associated potential loss cannot be estimated. Accordingly, no provision has been made in the accompanying basic financial statements relative to the potential outcome of such claims and lawsuits. However, the ultimate resolution of such claims and lawsuits is not expected to have a material effect on the accompanying basic financial statements.

**NOTE 21 – COMMITMENTS AND CONTINGENCIES**

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**B. Stadium**

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

**C. Electricity Purchase Contracts**

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

**D. Grant Programs**

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

**NOTE 22 – SUBSEQUENT EVENTS**

On November 10, 2011, the California Supreme Court heard oral arguments in *California Redevelopment Agency v. Matosantos* filed in the California Supreme Court by the League, the California Redevelopment Association, and the cities of San Jose and Union City, challenging the constitutionality of AB x1 26 and AB x1 27. The League and the other petitioners argued that these two budget bills directly violate Proposition 1A (2004), Proposition 22 and article 16 section 16 of the California Constitution. On December 29, 2011 the California Supreme Court ruled on the case upholding AB x1 26, the redevelopment elimination bill, and striking down AB x1 27, the bill which would have allowed redevelopment agencies to remain in operation as long as they made payments to the State. As it currently stands, redevelopment agencies will be dissolved on February 1, 2012. The details of this outcome are not yet known. However, management believes that the successor agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame is subject to the details of AB x1 26.

On December 13, 2011 the City and Stadium Authority held a joint meeting and approved a Development and Disposition Agreement and the preliminary financing plan to allow the Stadium Project to proceed toward construction. See Note 6C.

This Page Intentionally Left Blank

***Required Supplementary  
Information***

This Page Intentionally Left Blank

**CITY OF SANTA CLARA**  
**SCHEDULE OF FUNDING PROGRESS – OTHER POST RETIREMENT BENEFIT PLAN**  
**June 30, 2011**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
	(a)	(b)	(b - a)	(a/b)	(c)	((b - a) / c)
06/30/2005	\$ -	\$ 30,589,000	\$30,589,000	0.0%	\$ 83,091,000	36.8%
06/30/2008	\$ 4,502,000	\$ 27,902,000	\$23,400,000	16.1%	\$ 87,943,000	26.6%
06/30/2010	\$ 7,031,000	\$ 30,886,000	\$23,855,000	22.8%	\$101,739,000	23.4%

**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, 2011**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Sales	\$ 32,232,000	\$ 33,132,000	\$ 35,567,422	\$ 2,435,422
Ad valorem	29,110,000	29,110,000	27,945,684	(1,164,316)
Transient occupancy	8,514,000	8,514,000	9,805,926	1,291,926
Other	3,623,000	3,623,000	3,689,952	66,952
Licenses, permits, fines and penalties	4,106,430	4,109,810	5,686,897	1,577,087
Intergovernmental	1,002,684	1,244,859	1,037,791	(207,068)
Charges for services	23,650,642	23,738,946	26,576,434	2,837,488
Contributions in-lieu of taxes	14,527,000	14,527,000	14,912,599	385,599
Interest and rents	7,423,000	7,490,457	12,167,554	4,677,097
Other	255,000	255,800	879,312	623,512
<b>Total Revenues</b>	<b>124,443,756</b>	<b>125,745,872</b>	<b>138,269,571</b>	<b>12,523,699</b>
<b>EXPENDITURES</b>				
Current:				
General government:				
General Administration:				
Salary & benefits	(4,355,348)	2,456,180	2,455,121	1,059
Material, service & supplies	9,911,686	9,566,197	9,550,460	15,737
Internal service fund charges	155,884	155,884	155,884	-
Capital outlay	-	-	-	-
<b>Total General Administration</b>	<b>5,712,222</b>	<b>12,178,261</b>	<b>12,161,465</b>	<b>16,796</b>
City Clerk:				
Salary & benefits	601,096	592,096	591,173	923
Material, service & supplies	256,746	176,746	176,665	81
Internal service fund charges	14,073	14,073	14,073	-
<b>Total City Clerk</b>	<b>871,915</b>	<b>782,915</b>	<b>781,911</b>	<b>1,004</b>
City Attorney:				
Salary & benefits	1,197,612	886,812	886,765	47
Material, service & supplies	70,060	293,844	293,801	43
Internal service fund charges	29,959	29,959	29,959	-
Capital outlay	-	-	-	-
<b>Total City Attorney</b>	<b>1,297,631</b>	<b>1,210,615</b>	<b>1,210,525</b>	<b>90</b>
Human Resources:				
Salary & benefits	1,724,703	1,604,703	1,599,982	4,721
Material, service & supplies	256,332	336,332	336,312	20
Internal service fund charges	45,876	45,876	45,876	-
Capital outlay	-	-	-	-
<b>Total Human Resources</b>	<b>2,026,911</b>	<b>1,986,911</b>	<b>1,982,170</b>	<b>4,741</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, 2011  
(continued)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Finance:</b>				
Salary & benefits	6,854,950	6,341,852	6,340,913	939
Material, service & supplies	627,085	660,585	660,543	42
Internal service fund charges	265,459	265,459	265,459	-
Capital outlay	-	-	-	-
<b>Total Finance</b>	<b>7,747,494</b>	<b>7,267,896</b>	<b>7,266,915</b>	<b>981</b>
<b>Total General Government</b>	<b>17,656,173</b>	<b>23,426,598</b>	<b>23,402,986</b>	<b>23,612</b>
<b>Public Works:</b>				
Salary & benefits	12,248,399	11,614,868	11,614,818	50
Material, service & supplies	2,088,813	1,980,821	1,979,044	1,777
Internal service fund charges	1,303,922	1,303,922	1,303,922	-
Capital outlay	10,035	10,064	10,064	-
<b>Total Public Works</b>	<b>15,651,169</b>	<b>14,909,675</b>	<b>14,907,848</b>	<b>1,827</b>
<b>Parks and Recreation:</b>				
Salary & benefits	10,265,990	9,755,169	9,755,125	44
Material, service & supplies	2,123,533	2,423,533	2,423,178	355
Internal service fund charges	671,574	671,574	671,574	-
Capital outlay	-	-	-	-
<b>Total Parks and Recreation</b>	<b>13,061,097</b>	<b>12,850,276</b>	<b>12,849,877</b>	<b>399</b>
<b>Public Safety:</b>				
<b>Police:</b>				
Salary & benefits	39,352,108	37,633,360	37,632,685	675
Material, service & supplies	2,194,300	1,932,712	1,932,196	516
Internal service fund charges	2,881,967	2,881,967	2,881,967	-
Capital outlay	-	-	-	-
<b>Total Police</b>	<b>44,428,375</b>	<b>42,448,039</b>	<b>42,446,848</b>	<b>1,191</b>
<b>Fire:</b>				
Salary & benefits	30,736,605	29,328,123	29,328,079	44
Material, service & supplies	653,690	660,658	656,846	3,812
Internal service fund charges	2,259,985	2,259,985	2,259,985	-
Capital outlay	3,000	3,458	1,643	1,815
<b>Total Fire</b>	<b>33,653,280</b>	<b>32,252,224</b>	<b>32,246,553</b>	<b>5,671</b>
<b>Total Public Safety</b>	<b>78,081,655</b>	<b>74,700,263</b>	<b>74,693,401</b>	<b>6,862</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, 2011  
(continued)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Planning & Inspection:				
Salary & benefits	5,437,447	5,020,650	5,020,006	644
Material, service & supplies	484,924	480,134	479,172	962
Internal service fund charges	195,735	195,735	195,735	-
Total Planning & Inspection	6,118,106	5,696,519	5,694,913	1,606
Library:				
Salary & benefits	5,391,810	5,271,434	5,270,209	1,225
Material, service & supplies	1,293,478	1,301,178	1,301,145	33
Internal service fund charges	162,567	162,567	162,567	-
Total Library	6,847,855	6,735,179	6,733,921	1,258
Total Expenditures	137,416,055	138,318,510	138,282,946	35,564
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,972,299)	(12,572,638)	(13,375)	12,559,263
OTHER FINANCING SOURCES (USES)				
Transfers in	13,737,748	16,372,835	12,176,333	(4,196,502)
Transfers (out)	(16,963,590)	(17,962,000)	(10,828,597)	7,133,403
Sale of capital assets	5,480,000	5,480,000	5,480,000	-
Total Other Financing Sources (Uses)	2,254,158	3,890,835	6,827,736	2,936,901
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(10,718,141)	(8,681,803)	6,814,361	\$ 15,496,164
ADJUSTMENTS TO BUDGETARY BASIS:				
Prior year encumbrances recognized on the GAAP basis			2,261,332	
Current year encumbrances recognized on the budgetary basis			(2,107,740)	
Net change in receivables recognized on the GAAP basis			14,187,421	
Net change in accrued liabilities recognized on the GAAP basis			635,731	
Net change in other nonmajor funds for GAAP Basis previously classified as special revenue			1,148,333	
Beginning Fund balance	50,715,909	50,715,909	50,715,909	
Ending Fund balance	\$ 39,997,768	\$ 42,034,106	\$ 73,655,347	

CITY OF SANTA CLARA  
SPECIAL REVENUE SANTA CLARA HOUSING AUTHORITY FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)  
For the period of March 8, 2011 to June 30, 2011

	Budgeted Amounts		Actual Amount Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Interest and rents	\$ -	\$ -	\$ 634,949	\$ 634,949
Other	-	-	60,340	60,340
Total Revenues	-	-	695,289	695,289
<b>EXPENDITURES:</b>				
Current:				
General Administration				
Salary and Benefits	382,795	382,795	45,935	336,860
Materials, Services, supplies	23,890,645	23,890,645	221,153	23,669,492
Grants	2,252,998	2,252,998	127,090	2,125,908
Loans	31,690,339	31,690,339	939,615	30,750,724
Total General Administration	58,216,777	58,216,777	1,333,793	56,882,984
Total Expenditures	58,216,777	58,216,777	1,333,793	56,882,984
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(58,216,777)	(58,216,777)	(638,504)	57,578,273
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer of assets from Agency (Note 2B)	67,711,924	67,711,924	67,711,924	-
Operating transfers in	-	-	2,844,081	2,844,081
Total Other Financing Sources (Uses)	67,711,924	67,711,924	70,556,005	2,844,081
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	9,495,147	9,495,147	69,917,501	\$ 60,422,354
<b>ADJUSTMENT TO BUDGETARY BASIS:</b>				
Current year encumbrances recognized on the budgetary basis			82,400	
Net change in receivables recognized on the GAAP basis			(201,318)	
Net change in accrued liabilities recognized on the GAAP basis			(45,301)	
Fund Balance - March 8	-	-	-	
Fund Balance - June 30	\$ 9,495,147	\$ 9,495,147	\$ 69,753,282	

**CITY OF SANTA CLARA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2011**

**NOTE 1 – REQUIRED SUPPLEMENTARY INFORMATION**

**A. BUDGETS AND BUDGETARY ACCOUNTING**

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

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

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

## ***Supplementary Information***

This Page Intentionally Left Blank

**CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

**GAS TAX**

The fund accounts for revenues and expenditures received from the State under Street and Highways Codes Sections 2105 (Gas Tax 2105), 2106 (Collier-Unruh) and 2107 (Special Gas Tax). The allocations must be spent for street maintenance or construction and a limited amount for engineering.

**HUD PROGRAMS**

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

**CITY AFFORDABLE HOUSING**

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

**MAINTENANCE**

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

**OPERATING GRANTS FUND**

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

DEBT SERVICE FUNDS

**SPECIAL ASSESSMENTS**

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

**PUBLIC FACILITIES FINANCING CORPORATION**

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

**GENERAL GOVERNMENT**

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

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

CAPITAL PROJECTS FUNDS

**PARKS AND RECREATION FACILITIES**

This fund was established to account for revenues, contributions and reimbursements received and costs incurred in connection with the acquisition and construction of the City Parks.

**STREETS AND HIGHWAYS IMPROVEMENT**

This fund is used to account for revenues and expenditures related to road construction and traffic improvements.

**STORM DRAIN IMPROVEMENT**

This fund is used to account for revenues and expenditures related to the construction or modification of the City's storm drainage system.

**FIRE DEPARTMENT IMPROVEMENT**

This fund is used to account for revenues and expenditures related to the construction or modification of City fire stations.

**LIBRARY DEPARTMENT IMPROVEMENT**

This fund is used to account for revenues and expenditures related to the construction or modification of the City library facilities.

**PUBLIC FACILITIES**

This fund is used to account for revenues and expenditures related to the construction, acquisition or modification of public improvements not accounted for in another Capital Projects Fund.

**STREET BEAUTIFICATION**

This fund is used to account for revenues and expenditures related to the landscaping of City streets.

**SPECIAL ASSESSMENTS**

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

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

PERMANENT FUNDS

PERPETUAL CARE AND ENDOWMENT FUND

These funds account for cemetery maintenance funded by plot owners.

CHARITABLE TRUST FUND

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

**CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
June 30, 2011**

	SPECIAL REVENUE FUNDS		
	Gas Tax	HUD Programs	City Affordable Housing
<b>ASSETS</b>			
Cash and investments:			
Pooled cash and investments	\$ 9,769,661	\$ 915,785	\$ 435,919
Investments with fiscal agent - current	-	-	-
Cash designated for construction	-	-	-
Receivables (net of allowance for uncollectibles):			
Accounts	-	-	-
Interest	-	-	-
Loans	-	12,357,987	9,304,012
Intergovernmental	350,130	3,331,800	-
Due from other funds	-	-	-
Investments with fiscal agent - noncurrent	-	-	-
Other	-	-	-
	<b>\$ 10,119,791</b>	<b>\$ 16,605,572</b>	<b>\$ 9,739,931</b>
<b>LIABILITIES</b>			
Accrued liabilities	\$ 13,937	\$ 27,022	\$ -
Due to other funds	-	154,959	-
Deferred revenue	-	15,318,904	9,304,012
	<b>13,937</b>	<b>15,500,885</b>	<b>9,304,012</b>
<b>FUND EQUITY</b>			
Nonspendable	-	-	-
Restricted	10,105,854	1,104,687	-
Committed	-	-	435,919
Assigned	-	-	-
	<b>10,105,854</b>	<b>1,104,687</b>	<b>435,919</b>
Total Liabilities and Fund Balances	<b>\$ 10,119,791</b>	<b>\$ 16,605,572</b>	<b>\$ 9,739,931</b>

CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
June 30, 2011

DEBT SERVICE FUNDS

Maintenance	Operating Grants Fund	Special Assessments	Public Facilities Financing Corp.	General Government
\$ 150,152	\$ 290,220	\$ 9,366	\$ 272,621	\$ 986,337
-	-	-	295,166	-
175,459	-	-	-	-
-	-	-	-	-
-	-	12,526	158,901	-
-	215,695	-	-	-
20,282	-	-	-	-
-	-	-	1,641,419	3,979,492
-	400	-	-	-
<u>\$ 345,893</u>	<u>\$ 506,315</u>	<u>\$ 21,892</u>	<u>\$ 2,368,107</u>	<u>\$ 4,965,829</u>
\$ -	\$ 24,800	\$ 21,892	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	24,800	21,892	-	-
-	-	-	-	-
345,893	481,515	-	1,936,585	3,979,492
-	-	-	-	-
-	-	-	431,522	986,337
<u>345,893</u>	<u>481,515</u>	<u>-</u>	<u>2,368,107</u>	<u>4,965,829</u>
<u>\$ 345,893</u>	<u>\$ 506,315</u>	<u>\$ 21,892</u>	<u>\$ 2,368,107</u>	<u>\$ 4,965,829</u>

**CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
June 30, 2011 (continued)**

	CAPITAL PROJECTS FUNDS				
	Parks and Recreation Facilities	Streets and Highways Improvement	Storm Drain Improvement	Fire Department Improvement	Library Department Improvement
<b>ASSETS</b>					
Cash and investments:					
Pooled cash and investments	\$ 1,771,302	\$ 16,299,810	\$ 1,369,996	\$ 182,655	\$ 550,003
Investments with fiscal agent - current	-	-	-	-	-
Cash designated for construction	-	3,509,203	-	-	-
Receivables (net of allowance for uncollectibles):					
Accounts	-	-	1,927	20,435	-
Interest	-	-	-	-	-
Loans	-	-	-	-	-
Intergovernmental	-	79,566	-	-	-
Due from other funds	-	-	-	-	-
Investments with fiscal agent - noncurrent	-	-	-	-	-
Other	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 1,771,302</b>	<b>\$ 19,888,579</b>	<b>\$ 1,371,923</b>	<b>\$ 203,090</b>	<b>\$ 550,003</b>
<b>LIABILITIES</b>					
Accrued liabilities	\$ 1,515	\$ 528,453	\$ 3,372	\$ -	\$ -
Due to other funds	-	-	-	-	-
Deferred revenue	-	49,861	-	-	-
<b>Total Liabilities</b>	<b>1,515</b>	<b>578,314</b>	<b>3,372</b>	<b>-</b>	<b>-</b>
<b>FUND EQUITY</b>					
Nonspendable	-	-	-	-	-
Restricted	-	18,990,265	-	-	-
Committed	1,769,787	320,000	1,368,551	203,090	550,003
Assigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>1,769,787</b>	<b>19,310,265</b>	<b>1,368,551</b>	<b>203,090</b>	<b>550,003</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,771,302</b>	<b>\$ 19,888,579</b>	<b>\$ 1,371,923</b>	<b>\$ 203,090</b>	<b>\$ 550,003</b>

**CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
June 30, 2011 (continued)**

PERMANENT FUNDS						Total Non-Major Governmental Funds
Public Facilities	Street Beautification	Special Assessments	Perpetual Care	Endowment Fund	Charitable Trust	
\$ 11,568,655	\$ 189,117	\$ 1,032,553	\$ 38,244	\$ 1,010,011	\$ 336,476	\$ 47,178,883
-	-	-	-	-	-	295,166
-	-	-	-	-	-	3,684,662
64,749	-	-	-	-	-	87,111
-	-	-	-	-	16,412	187,839
-	-	-	-	-	-	21,661,999
-	-	-	-	-	-	3,977,191
-	-	-	-	-	-	20,282
-	-	-	-	-	2,772,045	8,392,956
-	-	-	-	-	-	400
<u>\$ 11,633,404</u>	<u>\$ 189,117</u>	<u>\$ 1,032,553</u>	<u>\$ 38,244</u>	<u>\$ 1,010,011</u>	<u>\$ 3,124,933</u>	<u>\$ 85,486,489</u>
\$ 186,344	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 807,335
-	-	-	-	-	-	154,959
-	-	-	-	-	-	24,672,777
<u>186,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,635,071</u>
-	-	-	38,244	1,010,011	2,970,425	4,018,680
-	-	1,032,553	-	-	154,508	38,131,352
11,447,060	189,117	-	-	-	-	16,283,527
-	-	-	-	-	-	1,417,859
<u>11,447,060</u>	<u>189,117</u>	<u>1,032,553</u>	<u>38,244</u>	<u>1,010,011</u>	<u>3,124,933</u>	<u>59,851,418</u>
<u>\$ 11,633,404</u>	<u>\$ 189,117</u>	<u>\$ 1,032,553</u>	<u>\$ 38,244</u>	<u>\$ 1,010,011</u>	<u>\$ 3,124,933</u>	<u>\$ 85,486,489</u>

CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the year ended June 30, 2011

	SPECIAL REVENUE FUNDS			
	Gas Tax	Community Activities	HUD Programs	City Affordable Housing
<b>REVENUES</b>				
Taxes:				
Other	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,956,933	-	2,160,953	-
Charges for services	-	-	-	-
Interest and rents	232,895	-	21	10,613
Net increase (decrease) in the fair value of investments	-	-	-	-
Other	-	-	386,190	94,000
<b>Total Revenues</b>	<b>3,189,828</b>	<b>-</b>	<b>2,547,164</b>	<b>104,613</b>
<b>EXPENDITURES</b>				
Current				
General Administration	-	-	1,562,906	-
Public Works	286,638	-	-	-
Parks and Recreation	-	-	-	-
Public Safety:				
Police	-	-	-	-
Fire	-	-	-	-
Library	-	-	-	-
Capital outlay	423,598	-	158,465	-
Debt service				
Principal payments	-	-	-	-
Interest and fiscal fees	-	-	-	-
Bond cost expense	-	-	-	-
<b>Total Expenditures</b>	<b>710,236</b>	<b>-</b>	<b>1,721,371</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,479,592</b>	<b>-</b>	<b>825,793</b>	<b>104,613</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Bond Issuance	-	-	-	-
Transfers in	-	-	21,890	-
Transfers (out)	(571,000)	-	(458,435)	(110,458)
<b>Total Other Financing Sources (Uses)</b>	<b>(571,000)</b>	<b>-</b>	<b>(436,545)</b>	<b>(110,458)</b>
<b>Net change in fund balances</b>	<b>1,908,592</b>	<b>-</b>	<b>389,248</b>	<b>(5,845)</b>
Fund balances at the beginning of period	8,197,262	983,626	715,439	441,764
GASB 54 Implementation Adjustment	-	(983,626)	-	-
<b>Adjusted fund balances at beginning of period (Note 19B)</b>	<b>8,197,262</b>	<b>-</b>	<b>715,439</b>	<b>441,764</b>
<b>FUND BALANCES AT END OF PERIOD</b>	<b>\$ 10,105,854</b>	<b>\$ -</b>	<b>\$ 1,104,687</b>	<b>\$ 435,919</b>

CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the year ended June 30, 2011

DEBT SERVICE FUNDS				
Maintenance	Operating Grants Fund	Special Assessments	Public Facilities Financing Corp.	General Government
\$ -	\$ -	\$ -	\$ -	\$ -
-	960,191	12,526	-	-
702,465	135,187	-	-	-
13,073	1,991	3,177	158,547	(410)
-	-	-	-	-
-	-	-	-	344,576
<u>715,538</u>	<u>1,097,369</u>	<u>15,703</u>	<u>158,547</u>	<u>344,166</u>
-	-	-	-	-
1,417,654	24,803	-	-	-
-	127,778	-	-	-
-	395,147	-	-	-
-	142,908	-	-	-
-	164,111	-	-	-
-	609,927	-	-	-
-	-	2,155,000	12,190,000	2,815,000
-	-	55,768	1,547,710	680,010
-	-	332,661	153,490	3,446
<u>1,417,654</u>	<u>1,464,674</u>	<u>2,543,429</u>	<u>13,891,200</u>	<u>3,498,456</u>
<u>(702,116)</u>	<u>(367,305)</u>	<u>(2,527,726)</u>	<u>(13,732,653)</u>	<u>(3,154,290)</u>
-	-	-	10,207,000	-
751,469	50,538	-	2,292,159	3,141,818
-	(2,432)	-	-	-
<u>751,469</u>	<u>48,106</u>	<u>-</u>	<u>12,499,159</u>	<u>3,141,818</u>
49,353	(319,199)	(2,527,726)	(1,233,494)	(12,472)
296,540	800,714	2,527,726	3,601,601	4,978,301
-	-	-	-	-
<u>296,540</u>	<u>800,714</u>	<u>2,527,726</u>	<u>3,601,601</u>	<u>4,978,301</u>
<u>\$ 345,893</u>	<u>\$ 481,515</u>	<u>\$ -</u>	<u>\$ 2,368,107</u>	<u>\$ 4,965,829</u>

**CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the year ended June 30, 2011 (continued)**

	CAPITAL PROJECTS FUNDS				
	Parks and Recreation Facilities	Streets and Highways Improvement	Storm Drain Improvement	Fire Department Improvement	Library Department Improvement
<b>REVENUES</b>					
Taxes:					
Other	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	282,430	372,977	-	20,435	-
Charges for services	-	21,584	172,306	-	-
Interest and rents	-	323,144	16,314	-	-
Net increase (decrease) in the fair value of investments	-	-	-	-	-
Other	14,658	46,241	-	51,000	-
<b>Total Revenues</b>	<b>297,088</b>	<b>763,946</b>	<b>188,620</b>	<b>71,435</b>	<b>-</b>
<b>EXPENDITURES</b>					
Current					
General Administration	-	-	-	-	-
Public Works	-	128,509	461,061	-	-
Parks and Recreation	133,974	-	-	-	-
Public Safety:					
Police	-	-	-	-	-
Fire	-	-	-	196,929	-
Library	-	-	-	-	910
Capital outlay	315,702	4,063,624	216,400	46,186	112,244
Debt service					
Principal payments	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond cost expense	-	-	-	-	-
<b>Total Expenditures</b>	<b>449,676</b>	<b>4,192,133</b>	<b>677,461</b>	<b>243,115</b>	<b>113,154</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(152,588)</b>	<b>(3,428,187)</b>	<b>(488,841)</b>	<b>(171,680)</b>	<b>(113,154)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Bond Issuance	-	-	-	-	-
Transfers in	230,000	432,000	295,000	239,000	60,000
Transfers (out)	(52,786)	(381,589)	(310,273)	(36,453)	-
<b>Total Other Financing Sources (Uses)</b>	<b>177,214</b>	<b>50,411</b>	<b>(15,273)</b>	<b>202,547</b>	<b>60,000</b>
<b>Net change in fund balances</b>	<b>24,626</b>	<b>(3,377,776)</b>	<b>(504,114)</b>	<b>30,867</b>	<b>(53,154)</b>
Fund balances at the beginning of period	1,745,161	22,688,041	1,872,665	172,223	603,157
GASB 54 Implementation Adjustment	-	-	-	-	-
Adjusted fund balances at beginning of period (Note 19B)	1,745,161	22,688,041	1,872,665	172,223	603,157
<b>FUND BALANCES AT END OF PERIOD</b>	<b>\$ 1,769,787</b>	<b>\$ 19,310,265</b>	<b>\$ 1,368,551</b>	<b>\$ 203,090</b>	<b>\$ 550,003</b>

CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the year ended June 30, 2011 (continued)

PERMANENT FUNDS						Total Non-Major Governmental Funds
Public Facilities	Street Beautification	Special Assessments	Perpetual Care	Endowment Fund	Charitable Trust	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
55,493	-	-	-	-	-	6,821,938
-	-	-	-	16,567	-	1,048,109
-	-	13,728	1,057	27,715	87,722	889,587
-	-	-	-	-	164,265	164,265
320,897	22,378	-	-	-	156	1,280,096
376,390	22,378	13,728	1,057	44,282	252,143	10,203,995
2,585,036	-	-	-	-	71,913	4,219,855
-	-	-	-	-	-	2,318,665
-	-	-	-	-	-	261,752
-	-	-	-	-	-	395,147
-	-	-	-	-	-	339,837
-	-	-	-	-	-	165,021
1,219,469	5,458	-	-	-	-	7,171,073
-	-	-	-	-	-	17,160,000
-	-	-	-	-	-	2,283,488
-	-	-	-	-	-	489,597
3,804,505	5,458	-	-	-	71,913	34,804,435
(3,428,115)	16,920	13,728	1,057	44,282	180,230	(24,600,440)
-	-	-	-	-	-	10,207,000
2,895,320	70,000	-	-	-	-	10,479,194
(1,451,113)	(5,603)	-	(1,057)	(27,715)	-	(3,408,914)
1,444,207	64,397	-	(1,057)	(27,715)	-	17,277,280
(1,983,908)	81,317	13,728	-	16,567	180,230	(7,323,160)
13,430,968	107,800	1,018,825	38,244	993,444	2,944,703	68,158,204
-	-	-	-	-	-	(983,626)
13,430,968	107,800	1,018,825	38,244	993,444	2,944,703	67,174,578
\$ 11,447,060	\$ 189,117	\$ 1,032,553	\$ 38,244	\$ 1,010,011	\$ 3,124,933	\$ 59,851,418

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, 2011

	<u>Budget</u>	<u>Actual Amount Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Charges for services	\$ 702,465	\$ 702,465	\$ -
Interest and rents	-	13,073	13,073
	<u>702,465</u>	<u>715,538</u>	<u>13,073</u>
<b>EXPENDITURES</b>			
Current:			
Public works			
Salary & benefits	129,022	121,449	7,573
Material, service & supplies	1,354,695	1,249,679	105,016
Internal service fund charges	58,357	31,229	27,128
	<u>1,542,074</u>	<u>1,402,357</u>	<u>139,717</u>
Total Public Works	<u>1,542,074</u>	<u>1,402,357</u>	<u>139,717</u>
Total Expenditures	<u>1,542,074</u>	<u>1,402,357</u>	<u>139,717</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(839,609)</u>	<u>(686,819)</u>	<u>152,790</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>751,469</u>	<u>751,469</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>751,469</u>	<u>751,469</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(88,140)	64,650	<u>\$ 152,790</u>
<b>ADJUSTMENTS TO BUDGETARY BASIS:</b>			
Expenditures of prior year encumbrances recognized on the GAAP basis		(54,655)	
Current year encumbrances recognized on the budgetary basis		800	
Net change in accrued liabilities recognized on the GAAP basis		38,558	
Beginning Fund balance	<u>296,540</u>	<u>296,540</u>	
Ending Fund balance	<u>\$ 208,400</u>	<u>\$ 345,893</u>	

**CITY OF SANTA CLARA  
NON-MAJOR ENTERPRISE FUNDS**

Non-Major Enterprise Funds are used to finance and account for operations and activities performed by designated departments in the City or through third party agreements.

**SOLID WASTE FUND**

This fund accounts for the administration of the City's garbage and rubbish collection service.

**CEMETERY FUND**

This fund accounts for the activities of the Mission City Memorial Park.

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

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

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

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

**SANTA CLARA CONVENTION CENTER FUND**

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

**SANTA CLARA STADIUM AUTHORITY FUND**

The Santa Clara Stadium Authority Fund was established in 2011 to provide for development and operation of the proposed stadium.

**CITY OF SANTA CLARA  
NON-MAJOR ENTERPRISE FUNDS  
STATEMENTS OF NET ASSETS  
June 30, 2011**

	<u>Solid Waste</u>	<u>Cemetery</u>	<u>Sports and Open Space Authority</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments (Note 8):			
Pooled cash and investments	\$ 2,384,234	\$ 90,300	\$ 191,523
Receivables (net of allowance for uncollectibles):			
Accounts	1,672,702	-	-
Due from other funds (Note 9B)	-	191,517	-
Materials, supplies and prepaids	-	-	-
Total current assets	<u>4,056,936</u>	<u>281,817</u>	<u>191,523</u>
Noncurrent assets:			
Cash designated for construction (Note 8)	711,551	-	-
Capital assets (Note 10):			
Land and land improvements	-	1,247,346	3,883,046
Buildings and infrastructure	127,362	1,096,627	-
Equipment	233,120	230,341	-
Construction in progress	-	-	-
	<u>360,482</u>	<u>2,574,314</u>	<u>3,883,046</u>
Accumulated depreciation	<u>254,771</u>	<u>1,152,045</u>	<u>-</u>
	<u>105,711</u>	<u>1,422,269</u>	<u>3,883,046</u>
Other assets	<u>46,932</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>864,194</u>	<u>1,422,269</u>	<u>3,883,046</u>
Total assets	<u>4,921,130</u>	<u>1,704,086</u>	<u>4,074,569</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accrued liabilities	1,333,709	22,933	13,244
Accrued compensated absences (Note 2K)	5,652	6,289	-
Due to other funds (Note 9B)	-	-	-
Deferred revenue	1,200	32	85,122
Current portion of landfill closure liability (Note 12)	<u>540,000</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>1,880,561</u>	<u>29,254</u>	<u>98,366</u>
Noncurrent liabilities:			
Advance from other funds (Note 9C)	-	3,389,690	-
Landfill closure liability (Note 12)	2,545,415	-	-
Long-term Comp Absences (Note 2K)	75,618	91,352	-
Total noncurrent liabilities	<u>2,621,033</u>	<u>3,481,042</u>	<u>-</u>
Total liabilities	<u>4,501,594</u>	<u>3,510,296</u>	<u>98,366</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	105,711	1,422,269	3,883,046
Restricted for capital projects	-	-	-
Unrestricted	<u>313,825</u>	<u>(3,228,479)</u>	<u>93,157</u>
Total net assets	<u>\$ 419,536</u>	<u>\$ (1,806,210)</u>	<u>\$ 3,976,203</u>

**CITY OF SANTA CLARA  
NON-MAJOR ENTERPRISE FUNDS  
STATEMENTS OF NET ASSETS  
June 30, 2011**

Santa Clara Golf and Tennis Club	Santa Clara Convention Center	Santa Clara Stadium Authority	TOTAL Non-Major Enterprise Funds
\$ 100,495	\$ 2,002,713	\$ 1,614,691	\$ 6,383,956
-	626,739	-	2,299,441
-	-	-	191,517
68,439	-	3,995,057	4,063,496
<u>168,934</u>	<u>2,629,452</u>	<u>5,609,748</u>	<u>12,938,410</u>
-	-	2,697,237	3,408,788
23,832,610	-	-	28,963,002
-	77,800,998	-	79,024,987
623,404	1,799,922	-	2,886,787
-	-	98,202	98,202
<u>24,456,014</u>	<u>79,600,920</u>	<u>98,202</u>	<u>110,972,978</u>
<u>17,368,039</u>	<u>37,236,269</u>	<u>-</u>	<u>56,011,124</u>
<u>7,087,975</u>	<u>42,364,651</u>	<u>98,202</u>	<u>54,961,854</u>
-	-	-	46,932
<u>7,087,975</u>	<u>42,364,651</u>	<u>2,795,439</u>	<u>58,417,574</u>
<u>7,256,909</u>	<u>44,994,103</u>	<u>8,405,187</u>	<u>71,355,984</u>
252,073	292,724	93,259	2,007,942
-	-	-	11,941
-	1,658,817	-	1,658,817
-	677,911	-	764,265
-	-	-	540,000
<u>252,073</u>	<u>2,629,452</u>	<u>93,259</u>	<u>4,982,965</u>
4,099,134	-	-	7,488,824
-	-	-	2,545,415
-	-	-	166,970
<u>4,099,134</u>	<u>-</u>	<u>-</u>	<u>10,201,209</u>
<u>4,351,207</u>	<u>2,629,452</u>	<u>93,259</u>	<u>15,184,174</u>
7,087,975	42,364,651	98,202	54,961,854
-	-	8,213,726	8,213,726
(4,182,273)	-	-	(7,003,770)
<u>\$ 2,905,702</u>	<u>\$ 42,364,651</u>	<u>\$ 8,311,928</u>	<u>\$ 56,171,810</u>

**CITY OF SANTA CLARA  
NON-MAJOR ENTERPRISE FUNDS  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
For the year ended June 30, 2011**

	<u>Solid Waste</u>	<u>Cemetery</u>	<u>Sports and Open Space Authority</u>
Operating revenues:			
Charges for services	\$ 16,952,890	\$ 426,380	\$ -
Rents and royalties	-	-	1,415,328
Other	188,646	-	-
Total operating revenues	<u>17,141,536</u>	<u>426,380</u>	<u>1,415,328</u>
Operating expenses:			
Salaries and benefits	948,060	585,592	-
Materials, services and supplies	15,217,134	315,137	48,527
Amortization	27,709	-	-
Depreciation	2,547	36,587	-
Total operating expenses	<u>16,195,450</u>	<u>937,316</u>	<u>48,527</u>
Operating income (loss)	<u>946,086</u>	<u>(510,936)</u>	<u>1,366,801</u>
Nonoperating revenues (expenses):			
Interest revenue	-	-	20,990
Rents and royalties	30,911	-	-
Total nonoperating revenues	<u>30,911</u>	<u>-</u>	<u>20,990</u>
Income (loss) before contributions and transfers	976,997	(510,936)	1,387,791
Contributions	-	-	-
Co-op Agreements Activities (Note 6C)	-	-	-
Transfers in (Note 9A)	614,650	28,772	1,057,752
Transfers (out) (Note 9A)	(79,602)	(4,552)	(2,473,080)
Change in net assets	1,512,045	(486,716)	(27,537)
Total net assets - beginning	<u>(1,092,509)</u>	<u>(1,319,494)</u>	<u>4,003,740</u>
Total net assets - ending	<u>\$ 419,536</u>	<u>\$ (1,806,210)</u>	<u>\$ 3,976,203</u>

CITY OF SANTA CLARA  
NON-MAJOR ENTERPRISE FUNDS  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
For the year ended June 30, 2011

Santa Clara Golf and Tennis Club	Santa Clara Convention Center	Santa Clara Stadium Authority	TOTAL Non-Major Enterprise Funds
\$ 2,704,090	\$ 5,439,108	\$ -	\$ 25,522,468
-	-	-	1,415,328
90,537	-	-	279,183
<u>2,794,627</u>	<u>5,439,108</u>	<u>-</u>	<u>27,216,979</u>
-	-	-	1,533,652
1,898,110	5,050,579	-	22,529,487
-	-	-	27,709
807,650	2,735,073	-	3,581,857
<u>2,705,760</u>	<u>7,785,652</u>	<u>-</u>	<u>27,672,705</u>
88,867	(2,346,544)	-	(455,726)
-	42,934	14,697	78,621
-	-	-	30,911
<u>-</u>	<u>42,934</u>	<u>14,697</u>	<u>109,532</u>
88,867	(2,303,610)	14,697	(346,194)
-	647,020	-	647,020
-	-	8,297,231	8,297,231
-	-	-	1,701,174
(1,057,752)	(431,463)	-	(4,046,449)
(968,885)	(2,088,053)	8,311,928	6,252,782
<u>3,874,587</u>	<u>44,452,704</u>	<u>-</u>	<u>49,919,028</u>
<u>\$ 2,905,702</u>	<u>\$ 42,364,651</u>	<u>\$ 8,311,928</u>	<u>\$ 56,171,810</u>

**CITY OF SANTA CLARA  
NON-MAJOR ENTERPRISE FUNDS  
STATEMENTS OF CASH FLOWS  
For the year ended June 30, 2011**

	Solid Waste	Cemetery	Sports and Open Space Authority
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 16,857,076	\$ 426,380	\$ 1,495,950
Payments to suppliers	(15,477,003)	(298,394)	(48,527)
Payments to employees	(937,085)	(581,582)	-
Prepaid Expenses	-	-	-
Other receipts (payments)	188,646	-	13,244
Net cash provided (used) by operating activities	<u>631,634</u>	<u>(453,596)</u>	<u>1,460,667</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Increase (decrease) in due from other funds	-	(11,982)	-
(Increase) decrease in due to other funds	-	-	-
Advances from other funds	-	485,001	-
Co-op Agreements Activities (Note 6C)	-	-	-
Transfers in	614,650	28,772	1,057,752
Transfers (out)	(79,602)	(4,552)	(2,473,080)
Cash Flows from Noncapital Financing Activities	<u>535,048</u>	<u>497,239</u>	<u>(1,415,328)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets, net	-	(50,679)	-
Landfill closure expenses	(436,676)	-	-
Cash Flows from Capital and Related Financing Activities	<u>(436,676)</u>	<u>(50,679)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Rents and royalties received	30,911	-	-
Interest and dividends	-	-	20,990
Cash Flows from Investing Activities	<u>30,911</u>	<u>-</u>	<u>20,990</u>
Net increase (decrease) in cash and cash equivalents	760,917	(7,036)	66,329
Cash and cash equivalents at beginning of period	<u>2,334,868</u>	<u>97,336</u>	<u>125,194</u>
Cash and cash equivalents at end of period	<u>\$ 3,095,785</u>	<u>\$ 90,300</u>	<u>\$ 191,523</u>
Cash and cash equivalents:			
Pooled cash and investments	\$ 2,384,234	\$ 90,300	\$ 191,523
Cash designated for construction	711,551	-	-
Total cash and cash equivalents	<u>\$ 3,095,785</u>	<u>\$ 90,300</u>	<u>\$ 191,523</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 946,086	\$ (510,936)	\$ 1,366,801
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Amortization	27,709	-	-
Depreciation	2,547	36,587	-
Change in assets and liabilities:			
Receivables, net	(95,814)	-	-
Inventory	-	-	-
Accrued liabilities	(270,123)	16,711	-
Compensated absences	20,029	4,010	-
Deferred revenue	1,200	32	80,622
Other receipts	-	-	13,244
Net cash provided (used) by operating activities	<u>\$ 631,634</u>	<u>\$ (453,596)</u>	<u>\$ 1,460,667</u>
Capital Contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SANTA CLARA  
NON-MAJOR ENTERPRISE FUNDS  
STATEMENTS OF CASH FLOWS  
For the year ended June 30, 2011**

Santa Clara Golf and Tennis Club	Santa Clara Convention Center	Santa Clara Stadium Authority	TOTAL Non-Major Enterprise Funds
\$ 2,704,090	\$ 5,401,691	\$ -	\$ 26,885,187
(1,858,571)	(5,111,056)	-	(22,793,551)
-	-	-	(1,518,667)
-	-	(3,901,798)	(3,901,798)
90,537	-	-	292,427
<u>936,056</u>	<u>290,635</u>	<u>(3,901,798)</u>	<u>(1,036,402)</u>
-	-	-	(11,982)
-	192,243	-	192,243
75,000	-	-	560,001
-	-	8,297,231	8,297,231
-	-	-	1,701,174
(1,057,752)	(431,463)	-	(4,046,449)
<u>(982,752)</u>	<u>(239,220)</u>	<u>8,297,231</u>	<u>6,692,218</u>
-	-	(98,202)	(148,881)
-	-	-	(436,676)
-	-	(98,202)	(585,557)
-	-	-	30,911
-	42,934	14,697	78,621
-	42,934	14,697	109,532
(46,696)	94,349	4,311,928	5,179,791
147,191	1,908,364	-	4,612,953
<u>\$ 100,495</u>	<u>\$ 2,002,713</u>	<u>\$ 4,311,928</u>	<u>\$ 9,792,744</u>
\$ 100,495	\$ 2,002,713	\$ 1,614,691	\$ 6,383,956
-	-	2,697,237	3,408,788
<u>\$ 100,495</u>	<u>\$ 2,002,713</u>	<u>\$ 4,311,928</u>	<u>\$ 9,792,744</u>
\$ 88,867	\$ (2,346,544)	\$ -	\$ (455,726)
-	-	-	27,709
807,650	2,735,073	-	3,581,857
-	(214,487)	-	(310,301)
-	-	(3,995,057)	(3,995,057)
39,539	(60,477)	93,259	(181,091)
-	-	-	24,039
-	177,070	-	258,924
-	-	-	13,244
<u>\$ 936,056</u>	<u>\$ 290,635</u>	<u>\$ (3,901,798)</u>	<u>\$ (1,036,402)</u>
<u>\$ -</u>	<u>\$ 647,020</u>	<u>\$ -</u>	<u>\$ 647,020</u>

This Page Intentionally Left Blank

**CITY OF SANTA CLARA  
INTERNAL SERVICE FUNDS**

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues or expenses of each internal service fund are eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

**AUTOMOTIVE SERVICES**

This fund accounts for the maintenance and replacement of vehicles and equipment used by all City departments. The source of revenue for this fund is rental fees charged to the various departments.

**TECHNICAL EQUIPMENT SERVICES**

This fund accounts for the maintenance and replacement of communication and computer equipment used by City departments. The source of revenue for this fund is rental fees charged to the various departments.

**SPECIAL LIABILITY INSURANCE CLAIMS**

This fund was established to account for the cost of claims and administrative costs for the City's self-insured general liability program.

**WORKERS' COMPENSATION INSURANCE CLAIMS**

This fund is used to account for the cost of claims for service connected with injuries and illnesses sustained by members of the City's work force.

**CITY OF SANTA CLARA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF NET ASSETS  
June 30, 2011**

	Automotive Services	Technical Equipment Services	Special Liability Insurance Claims	Workers' Compensation Insurance Claims	TOTAL
<b>ASSETS</b>					
Current assets:					
Cash and investments (Note 8):					
Pooled cash and investments	\$ 6,404,222	\$ 950,506	\$ 4,888,416	\$ 2,533,561	\$ 14,776,705
Receivables (net of allowance for uncollectibles):					
Accounts	-	-	-	321,666	321,666
Due from other funds	196,427	88,240	-	-	284,667
Materials, supplies and prepaids	384,743	-	-	-	384,743
<b>Total current assets</b>	<b>6,985,392</b>	<b>1,038,746</b>	<b>4,888,416</b>	<b>2,855,227</b>	<b>15,767,781</b>
Noncurrent assets:					
Equipment	22,373,361	2,475,429	-	-	24,848,790
Less Accumulated depreciation	16,850,547	2,400,428	-	-	19,250,975
Net Capital Assets	5,522,814	75,001	-	-	5,597,815
<b>Total noncurrent assets</b>	<b>5,522,814</b>	<b>75,001</b>	<b>-</b>	<b>-</b>	<b>5,597,815</b>
<b>Total assets</b>	<b>12,508,206</b>	<b>1,113,747</b>	<b>4,888,416</b>	<b>2,855,227</b>	<b>21,365,596</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accrued liabilities	25,657	10,994	1,316,239	3,498,583	4,851,473
Accrued compensated absences	1,529	5,034	-	-	6,563
Due to other funds	2,206,128	340,619	-	-	2,546,747
<b>Total current liabilities</b>	<b>2,233,314</b>	<b>356,647</b>	<b>1,316,239</b>	<b>3,498,583</b>	<b>7,404,783</b>
Noncurrent liabilities:					
Long-term Portion Est. Claims	-	-	1,024,261	13,934,332	14,958,593
Long-term Comp Absences	168,813	49,182	-	-	217,995
<b>Total noncurrent liabilities</b>	<b>168,813</b>	<b>49,182</b>	<b>1,024,261</b>	<b>13,934,332</b>	<b>15,176,588</b>
<b>Total liabilities</b>	<b>2,402,127</b>	<b>405,829</b>	<b>2,340,500</b>	<b>17,432,915</b>	<b>22,581,371</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	5,522,814	75,001	-	-	5,597,815
Unrestricted	4,583,265	632,917	2,547,916	(14,577,688)	(6,813,590)
<b>Total net assets</b>	<b>\$ 10,106,079</b>	<b>\$ 707,918</b>	<b>\$ 2,547,916</b>	<b>\$ (14,577,688)</b>	<b>\$ (1,215,775)</b>

**CITY OF SANTA CLARA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
For the year ended June 30, 2011**

	<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	\$ 5,670,906	\$ 877,805	\$ 1,848,551	\$ 2,600,024	\$ 10,997,286
Insurance refunds and other	-	-	2,076	33,175	35,251
Total operating revenues	<u>5,670,906</u>	<u>877,805</u>	<u>1,850,627</u>	<u>2,633,199</u>	<u>11,032,537</u>
Operating expenses:					
Salaries and benefits	1,907,940	555,978	-	-	2,463,918
Materials, services and supplies	1,804,086	128,625	-	-	1,932,711
General and administrative	-	-	2,605,440	3,585,089	6,190,529
Depreciation and amortization	1,588,605	73,893	-	-	1,662,498
Total operating expenses	<u>5,300,631</u>	<u>758,496</u>	<u>2,605,440</u>	<u>3,585,089</u>	<u>12,249,656</u>
Operating income (loss)	<u>370,275</u>	<u>119,309</u>	<u>(754,813)</u>	<u>(951,890)</u>	<u>(1,217,119)</u>
Nonoperating revenues (expenses):					
Other revenue	141,921	-	-	-	141,921
Gain (loss) on retirement of assets	(33,539)	-	-	-	(33,539)
Total nonoperating revenues	<u>108,382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,382</u>
Income (loss) before transfers	478,657	119,309	(754,813)	(951,890)	(1,108,737)
Transfers in	-	-	-	1,218,000	1,218,000
Transfers (out)	(16,292)	(4,182)	-	-	(20,474)
Change in net assets	462,365	115,127	(754,813)	266,110	88,789
Total net assets - beginning	<u>9,643,714</u>	<u>592,791</u>	<u>3,302,729</u>	<u>(14,843,798)</u>	<u>(1,304,564)</u>
Total net assets - ending	<u>\$ 10,106,079</u>	<u>\$ 707,918</u>	<u>\$ 2,547,916</u>	<u>\$ (14,577,688)</u>	<u>\$ (1,215,775)</u>

**CITY OF SANTA CLARA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
For the year ended June 30, 2011**

	<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	\$ 5,670,906	\$ 877,805	\$ 1,848,551	\$ 2,461,967	\$10,859,229
Payments to suppliers	(2,017,375)	(104,196)	-	-	(2,121,571)
Payments to employees	(1,925,996)	(545,615)	-	-	(2,471,611)
Internal activity - payments to other funds	(118,523)	(20,342)	-	-	(138,865)
Claims paid	-	-	(1,685,368)	(3,764,211)	(5,449,579)
Other receipts (payments)	141,921	-	-	-	141,921
Net cash provided (used) by operating activities	<u>1,750,933</u>	<u>207,652</u>	<u>163,183</u>	<u>(1,302,244)</u>	<u>819,524</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Increase (decrease) in due from other funds	92,688	(1,621)	-	-	91,067
(Increase) decrease in due to other funds	124,452	17,925	-	-	142,377
Transfers in	-	-	-	1,218,000	1,218,000
Transfers (out)	(16,292)	(4,182)	-	-	(20,474)
Cash Flows from Noncapital Financing Activities	<u>200,848</u>	<u>12,122</u>	<u>-</u>	<u>1,218,000</u>	<u>1,430,970</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets, net	(1,174,679)	-	-	-	(1,174,679)
Cash Flows from Capital and Related Financing Activities	<u>(1,174,679)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,174,679)</u>
Net increase (decrease) in cash and cash equivalents	777,102	219,774	163,183	(84,244)	1,075,815
Cash and investments at beginning of period	5,627,120	730,732	4,725,233	2,617,805	13,700,890
Cash and investments at end of period	<u>\$ 6,404,222</u>	<u>\$ 950,506</u>	<u>\$ 4,888,416</u>	<u>\$ 2,533,561</u>	<u>\$14,776,705</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 370,275	\$ 119,309	\$ (754,813)	\$ (951,890)	\$ (1,217,119)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,588,605	73,893	-	-	1,662,498
Change in assets and liabilities:					
Receivables, net	-	-	-	(138,057)	(138,057)
Inventory	(37,294)	-	-	-	(37,294)
Accrued liabilities	(294,518)	4,087	459,685	(219,552)	(50,298)
Long-term portion estimated claims	-	-	458,311	7,255	465,566
Compensated absences	(18,056)	10,363	-	-	(7,693)
Other receipts	141,921	-	-	-	141,921
Net cash provided (used) by operating activities	<u>\$ 1,750,933</u>	<u>\$ 207,652</u>	<u>\$ 163,183</u>	<u>\$ (1,302,244)</u>	<u>\$ 819,524</u>

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

Agency Funds, the only fiduciary funds the City has, are presented separately from the Government-wide and Fund financial statements.

Agency Funds account for assets held by the City as an agent for individuals, governmental entities, and non-public organizations. These funds include the following:

**EMPLOYEE BENEFIT AND LIABILITY CLEARING**

This fund is used to account for monies collected and disbursed related to employee and retiree health, dental and other fringe benefits.

**SPECIAL ASSESSMENTS**

This fund accounts for monies collected and disbursed from special assessment districts where the City is not obligated for the outstanding debt payments.

**DEPOSITS**

This fund accounts for various deposits including leases, and subpoenas.

**CITY OF SANTA CLARA  
 AGENCY FUNDS  
 COMBINING STATEMENTS OF FIDUCIARY NET ASSETS  
 June 30, 2011**

	Employee Benefit & Liability Clearing	Special Assessments	Deposits	Total
<b>ASSETS</b>				
Pooled cash and investments	\$ 8,726,739	\$ 3,416,932	\$ 4,606,715	\$ 16,750,386
Cash and investments with fiscal agents	-	211,984	-	211,984
Total Assets	<u>\$ 8,726,739</u>	<u>\$ 3,628,916</u>	<u>\$ 4,606,715</u>	<u>\$ 16,962,370</u>
<b>LIABILITIES</b>				
Due to bondholders	\$ -	\$ 3,628,916	\$ -	\$ 3,628,916
Accrued liabilities	8,726,739	-	-	8,726,739
Refundable deposits	-	-	4,606,715	4,606,715
Total Liabilities	<u>\$ 8,726,739</u>	<u>\$ 3,628,916</u>	<u>\$ 4,606,715</u>	<u>\$ 16,962,370</u>

**CITY OF SANTA CLARA  
AGENCY FUNDS  
COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS  
For the year ended June 30, 2011**

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>
<u>Employee Benefit and Liability Clearing</u>				
Pooled cash and investments	<u>\$ 7,837,093</u>	<u>\$ 68,405,865</u>	<u>\$ 67,516,219</u>	<u>\$ 8,726,739</u>
Accrued liabilities	<u>\$ 7,837,093</u>	<u>\$ 68,405,865</u>	<u>\$ 67,516,219</u>	<u>\$ 8,726,739</u>
<u>Special Assessments</u>				
Pooled cash and investments	\$ 3,348,133	\$ 1,482,538	\$ 1,413,739	\$ 3,416,932
Cash and investments with fiscal agent	<u>211,984</u>	<u>-</u>	<u>-</u>	<u>211,984</u>
Total Assets	<u>\$ 3,560,117</u>	<u>\$ 1,482,538</u>	<u>\$ 1,413,739</u>	<u>\$ 3,628,916</u>
Due to bondholders	<u>\$ 3,560,117</u>	<u>\$ 1,482,538</u>	<u>\$ 1,413,739</u>	<u>\$ 3,628,916</u>
<u>Deposits</u>				
Pooled cash and investments	<u>\$ 4,319,277</u>	<u>\$ 1,124,716</u>	<u>\$ 837,278</u>	<u>\$ 4,606,715</u>
Refundable deposits	<u>\$ 4,319,277</u>	<u>\$ 1,124,716</u>	<u>\$ 837,278</u>	<u>\$ 4,606,715</u>
<u>Total Agency Funds</u>				
Pooled cash and investments	\$ 15,504,503	\$ 71,013,119	\$ 69,767,236	\$ 16,750,386
Cash and investments with fiscal agent	<u>211,984</u>	<u>-</u>	<u>-</u>	<u>211,984</u>
Total Assets	<u>\$ 15,716,487</u>	<u>\$ 71,013,119</u>	<u>\$ 69,767,236</u>	<u>\$ 16,962,370</u>
Due to bondholders	\$ 3,560,117	\$ 1,482,538	\$ 1,413,739	\$ 3,628,916
Accrued liabilities	7,837,093	68,405,865	67,516,219	8,726,739
Refundable deposits	<u>4,319,277</u>	<u>1,124,716</u>	<u>837,278</u>	<u>4,606,715</u>
Total Liabilities	<u>\$ 15,716,487</u>	<u>\$ 71,013,119</u>	<u>\$ 69,767,236</u>	<u>\$ 16,962,370</u>

This Page Intentionally Left Blank

# **Statistical Section (Unaudited)**



**CITY OF SANTA CLARA  
STATISTICAL SECTION**

This part of the City of Santa Clara's Comprehensive Annual Report provides detailed information to better understand the data presented within the financial statements, note disclosures, and required supplementary information.

TABLES

<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 - 8
<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.	9 - 13
<b>DEMOGRAPHIC AND ECONOMIC INFORMATION</b> Offers information to help the reader understand the environment within which the City's financial activities take place.	14 - 15
<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.	16 - 19

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

Table 1

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Governmental Activities:</b>										
Investment in Capital Assets, Net of Related Debt	\$ 351,410	\$ 432,534	\$ 438,198	\$ 457,789	\$ 458,933	\$ 442,141	\$ 407,174	\$ 397,364	\$ 339,694	\$ 298,345
Restricted	330,675	227,557	217,590	171,101	161,406	165,684	167,200	157,189	158,375	161,280
Unrestricted	<u>22,747</u>	<u>45,357</u>	<u>62,748</u>	<u>96,257</u>	<u>84,269</u>	<u>79,583</u>	<u>116,132</u>	<u>137,384</u>	<u>185,082</u>	<u>186,952</u>
<b>Total Governmental Activities Net Assets:</b>	<u>\$ 704,832</u>	<u>\$ 705,448</u>	<u>\$ 718,536</u>	<u>\$ 725,147</u>	<u>\$ 704,608</u>	<u>\$ 687,408</u>	<u>\$ 690,506</u>	<u>\$ 691,937</u>	<u>\$ 683,151</u>	<u>\$ 646,577</u>
<b>Business - Type Activities:</b>										
Investment in Capital, Net of Related Debt	\$ 405,806	\$ 388,822	\$ 381,345	\$ 334,006	\$ 313,110	\$ 309,902	\$ 311,767	\$ 328,025	\$ 343,791	\$ 201,959
Restricted	8,214	-	-	-	1,119	1,413	3,741	42,204	4,133	6,816
Unrestricted	<u>420,310</u>	<u>403,931</u>	<u>419,417</u>	<u>497,197</u>	<u>541,778</u>	<u>520,701</u>	<u>548,216</u>	<u>466,855</u>	<u>486,309</u>	<u>527,053</u>
<b>Total Business - Type Activities Net Assets</b>	<u>\$ 834,330</u>	<u>\$ 792,753</u>	<u>\$ 800,762</u>	<u>\$ 831,203</u>	<u>\$ 856,007</u>	<u>\$ 832,016</u>	<u>\$ 863,724</u>	<u>\$ 837,084</u>	<u>\$ 834,233</u>	<u>\$ 735,828</u>
<b>Primary Government</b>										
Investment in Capital, Net of Related Debt	\$ 757,216	\$ 821,356	\$ 819,543	\$ 791,795	\$ 772,043	\$ 752,043	\$ 718,941	\$ 725,389	\$ 683,485	\$ 500,304
Restricted	338,889	227,557	217,590	171,101	162,525	167,097	170,941	199,393	162,508	168,096
Unrestricted	<u>443,057</u>	<u>449,288</u>	<u>482,165</u>	<u>593,454</u>	<u>626,047</u>	<u>600,284</u>	<u>664,348</u>	<u>604,239</u>	<u>671,391</u>	<u>714,005</u>
<b>Total Primary Government Net Assets</b>	<u>\$ 1,539,162</u>	<u>\$ 1,498,201</u>	<u>\$ 1,519,298</u>	<u>\$ 1,556,350</u>	<u>\$ 1,560,615</u>	<u>\$ 1,519,424</u>	<u>\$ 1,554,230</u>	<u>\$ 1,529,021</u>	<u>\$ 1,517,384</u>	<u>\$ 1,382,405</u>

Source: Finance Department, City of Santa Clara.

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

Table 2

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
General Administration	\$ 3,936	\$ 3,470	\$ 18,166	\$ 15,563	\$ 9,869	\$ 11,851	\$ 17,332	\$ 10,050	\$ 8,866	\$ 8,336
City Clerk	790	674	776	698	720	566	691	553	558	474
City Attorney	1,187	1,310	1,142	1,065	1,079	1,159	1,079	1,250	1,252	1,152
Human Resources	1,978	1,815	1,962	1,711	1,745	1,722	1,730	1,657	1,737	1,719
Finance	6,713	7,685	7,565	7,943	6,211	6,284	6,172	6,109	7,271	8,141
Public Works	29,339	29,344	29,991	28,394	28,769	27,420	30,752	25,124	27,026	24,295
Parks and Recreation	15,410	15,572	14,910	14,269	12,828	11,925	10,806	10,735	11,043	10,387
Public Safety:										
Police	44,138	45,143	44,861	42,870	41,105	39,218	32,007	31,182	30,154	27,413
Fire	33,594	34,457	35,344	33,855	32,183	31,668	29,063	28,385	28,162	26,432
Communications	**	**	**	**	**	**	3,997	4,076	4,110	3,704
Planning & Inspection	5,779	5,918	5,616	5,353	5,083	5,699	5,471	5,197	4,960	5,150
Library	8,090	8,470	8,666	8,416	8,106	7,960	7,898	5,985	6,015	5,753
Community Development	5,206	6,447	8,207	-	-	-	-	-	-	-
Interest on long term debt	10,437	9,856	10,287	11,679	12,338	12,727	13,277	14,529	13,861	15,398
Supplemental Educational Revenue Augmentation Funds	2,025	9,834	-	-	-	-	-	-	-	-
<b>Total Governmental Activities Expenses (Net)</b>	<b>168,622</b>	<b>179,995</b>	<b>187,493</b>	<b>171,816</b>	<b>160,036</b>	<b>158,199</b>	<b>160,275</b>	<b>144,832</b>	<b>145,015</b>	<b>138,354</b>
<b>Business-Type Activities:</b>										
Utilities:										
Electric -										
Retail	281,342	280,512	316,523	293,619	269,659	250,476	194,382	202,611	204,746	220,655
Wholesale	50,754	73,727	110,879	177,973	197,076	249,500	165,790	207,975	227,284	395,336
Water	23,078	23,067	22,927	21,689	21,397	19,582	18,756	18,556	16,864	15,178
Sewer	16,296	14,222	13,469	12,538	12,181	15,124	9,047	11,902	12,027	20,923
Water Recycling	8,304	3,256	1,157	1,169	2,322	947	853	743	725	463
Solid Waste	16,192	15,842	16,226	15,689	15,508	15,589	14,343	14,563	14,424	15,164
Cemetery	935	960	721	736	709	770	769	788	814	748
Sports and Open Space Authority	48	18	7	39	20	36	26	20	21	22
Santa Clara Golf and Tennis Club	2,706	2,724	2,735	2,603	2,591	2,697	2,528	2,591	2,567	2,631
Santa Clara Convention Center	7,786	7,121	6,360	6,259	6,003	6,163	5,981	5,752	5,702	5,030
Santa Clara Stadium Authority	-	-	-	-	-	-	-	-	-	-
<b>Total Business-Type Activities Expenses</b>	<b>407,441</b>	<b>421,449</b>	<b>491,004</b>	<b>532,314</b>	<b>527,466</b>	<b>560,884</b>	<b>412,475</b>	<b>465,501</b>	<b>485,174</b>	<b>676,150</b>
<b>Total Primary Expenses</b>	<b>\$ 576,063</b>	<b>\$ 601,444</b>	<b>\$ 678,497</b>	<b>\$ 704,130</b>	<b>\$ 687,502</b>	<b>\$ 719,083</b>	<b>\$ 572,750</b>	<b>\$ 610,333</b>	<b>\$ 630,189</b>	<b>\$ 814,504</b>

Note: \*\* Now included in Police

Source: Finance Office, City of Santa Clara.

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

Table 2

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Program Revenues:</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
General Administration	\$ 6,611	\$ 9,596	\$ 9,625	\$ 9,848	\$ 9,340	\$ 9,888	\$ 9,129	\$ 64	\$ 44	\$ 35
Parks and Recreation	2,868	2,940	2,776	2,591	2,407	2,376	1,848	1,483	1,606	1,422
Planning and Inspection	5,307	3,549	3,576	5,340	4,114	4,778	4,353	3,023	3,513	3,697
Other Programs	9,508	6,956	7,792	6,833	5,943	5,699	6,396	4,815	4,741	5,668
Operating Grants and Contributions	4,028	4,105	5,650	6,485	4,732	5,418	5,465	4,601	3,849	5,810
Capital Gains and Contributions	4,467	5,775	5,412	13,285	5,095	3,762	4,530	7,613	5,800	3,983
<b>Total Governmental Activities Program Revenues</b>	<b>32,789</b>	<b>32,921</b>	<b>34,831</b>	<b>44,382</b>	<b>31,631</b>	<b>31,921</b>	<b>31,721</b>	<b>21,599</b>	<b>19,553</b>	<b>20,615</b>
<b>Business-Type Activities:</b>										
Utilities:										
Electric -										
Retail	304,024	270,834	256,872	249,079	251,332	211,111	193,492	188,229	188,222	194,244
Wholesale	50,124	67,840	102,480	172,404	204,723	255,188	170,165	219,798	227,454	424,379
Water	25,682	23,744	24,251	23,001	21,701	19,645	18,885	18,569	16,661	15,302
Sewer	22,380	9,443	9,287	8,330	23,178	12,948	12,065	12,017	12,532	11,920
Water Recycling	8,919	4,363	1,911	3,178	1,504	966	852	897	598	516
Solid Waste	17,142	15,843	15,619	16,185	15,624	14,688	14,405	13,527	12,296	11,795
Cemetery	426	454	356	465	564	511	525	470	468	457
Sports and Open Space Authority	1,415	1,506	1,745	1,605	1,317	1,287	1,317	1,436	1,672	2,569
Santa Clara Golf and Tennis Club	2,795	2,917	2,993	3,108	3,200	3,020	2,913	2,842	3,083	3,197
Santa Clara Convention Center	6,086	6,845	21,947	12,059	6,654	4,033	3,478	3,424	2,813	3,731
<b>Total Business-Type Activities Program Revenues</b>	<b>438,993</b>	<b>403,789</b>	<b>437,461</b>	<b>489,414</b>	<b>529,797</b>	<b>523,397</b>	<b>418,097</b>	<b>461,209</b>	<b>465,799</b>	<b>668,110</b>
<b>Total Primary Government Program Revenues</b>	<b>471,782</b>	<b>436,710</b>	<b>472,292</b>	<b>533,796</b>	<b>561,428</b>	<b>555,318</b>	<b>449,818</b>	<b>482,808</b>	<b>485,352</b>	<b>688,725</b>
<b>Net (Expense) Revenue:</b>										
Governmental Activities	(135,833)	(147,074)	(152,662)	(127,434)	(128,405)	(126,278)	(128,554)	(123,233)	(125,462)	(117,739)
Business-Type Activities	31,552	(17,660)	(53,543)	(42,900)	2,332	(37,048)	7,676	(3,350)	(12,983)	(6,496)
<b>Total Primary Government Net (Expense) Revenue</b>	<b>\$ (104,281)</b>	<b>\$ (164,734)</b>	<b>\$ (206,205)</b>	<b>\$ (170,334)</b>	<b>\$ (126,073)</b>	<b>\$ (163,326)</b>	<b>\$ (120,878)</b>	<b>\$ (126,583)</b>	<b>\$ (138,445)</b>	<b>\$ (124,235)</b>

Source: Finance Office, City of Santa Clara.

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

Table 2

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>General Revenue and other changes in Net Assets</b>										
<b>Governmental Activities:</b>										
Taxes:										
Sales	\$ 35,845	\$ 31,876	\$ 34,894	\$ 40,516	\$ 43,176	\$ 38,066	\$ 35,696	\$ 35,976	\$ 33,815	\$ 40,104
Ad Valorem Property	57,172	61,834	61,695	54,536	49,736	39,388	39,928	40,868	45,335	44,885
Transient occupancy	9,910	8,302	9,138	11,269	10,542	9,601	7,863	7,160	7,890	-
Other	3,731	3,049	3,931	4,504	4,731	4,856	6,173	5,853	4,953	15,584
Internal Governmental, unrestricted:										
Motor Vehicle in-lieu	539	345	394	507	684	668	2,489	5,267	6,033	5,840
Contribution in-lieu of taxes	14,913	13,448	15,150	14,732	14,722	12,860	11,993	11,905	11,865	11,817
Investment earnings	21,770	18,179	20,665	31,462	33,838	31,544	33,786	38,568	53,861	66,071
Net increase (decrease) in the fair value of investments	(8,905)	413	16,985	1,415	4,674	(16,596)	(1,290)	(25,380)	-	-
Equity in income (losses) of joint ventures	(225)	(1)	69	1,225	-	-	-	-	-	-
Rents and Royalties	2,851	3,274	3,383	2,850	2,474	5,001	5,852	13,734	12,095	10,100
Gain (loss) on retirement of assets	4,651	2	4	4	-	-	-	-	-	-
Other	2,989	2,917	2,845	3,049	2,687	3,803	3,292	4,437	272	4,040
<b>Total Primary Government General Revenue and Transfers</b>	<b>145,241</b>	<b>143,638</b>	<b>169,153</b>	<b>166,069</b>	<b>167,264</b>	<b>129,191</b>	<b>145,782</b>	<b>138,388</b>	<b>176,119</b>	<b>198,441</b>
<b>Change in Net Assets - Total Primary Government</b>	<b>40,960</b>	<b>(21,096)</b>	<b>(37,052)</b>	<b>(4,265)</b>	<b>41,191</b>	<b>(34,135)</b>	<b>24,904</b>	<b>11,805</b>	<b>37,674</b>	<b>74,206</b>
<b>Net Assets - Beginning of Year (Restated)</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>1,553,559</b>	<b>1,528,655</b>	<b>1,516,850</b>	<b>1,382,183</b>	<b>1,307,977</b>
<b>GASB 34 Implementation Adjustment</b>	<b>-</b>	<b>96,993</b>	<b>-</b>							
<b>Net Assets - End of Year - Total Primary Government</b>	<b>\$ 1,539,162</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>\$ 1,553,559</b>	<b>\$ 1,528,655</b>	<b>\$ 1,516,850</b>	<b>\$ 1,382,183</b>

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund:										
Nonspendable	\$ 46,015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,670	-	-	-	-	-	-	-	-	-
Committed	1,675	-	-	-	-	-	-	-	-	-
Assigned	1,157	-	-	-	-	-	-	-	-	-
Unassigned	21,138	-	-	-	-	-	-	-	-	-
Reserved	-	24,778	22,278	20,858	22,394	19,656	16,266	15,844	15,805	15,925
Unreserved:										
Designated	-	25,938	42,548	53,693	54,725	47,802	55,002	65,799	75,612	100,091
Undesignated	-	-	-	1,462	-	-	7,580	689	12,717	13,471
Total General Fund	<u>73,655</u>	<u>50,716</u>	<u>64,826</u>	<u>76,013</u>	<u>77,119</u>	<u>67,458</u>	<u>78,848</u>	<u>82,332</u>	<u>104,134</u>	<u>129,487</u>
All other Governmental Funds:										
Nonspendable	11,122	-	-	-	-	-	-	-	-	-
Restricted	188,584	-	-	-	-	-	-	-	-	-
Committed	34,794	-	-	-	-	-	-	-	-	-
Assigned	1,418	-	-	-	-	-	-	-	-	-
Unassigned	(22,834)	-	-	-	-	-	-	-	-	-
Reserved	-	93,119	99,361	108,510	78,343	71,167	84,364	78,214	94,091	96,992
Unreserved, reported in:										
Capital projects funds	-	113,632	115,740	115,401	136,414	153,503	154,759	170,963	179,398	118,555
Special revenue funds	-	602	426	409	7,033	7,771	11,483	11,119	9,235	1,093
Other purposes	-	19,305	16,770	13,195	10,712	8,299	-	-	-	-
Total All Other Governmental Funds	<u>213,084</u>	<u>226,658</u>	<u>232,297</u>	<u>237,515</u>	<u>232,502</u>	<u>240,740</u>	<u>250,606</u>	<u>260,296</u>	<u>282,724</u>	<u>216,640</u>
Total Governmental Funds	<u>\$ 286,739</u>	<u>\$ 277,374</u>	<u>\$ 297,123</u>	<u>\$ 313,528</u>	<u>\$ 309,621</u>	<u>\$ 308,198</u>	<u>\$ 329,454</u>	<u>\$ 342,628</u>	<u>\$ 386,858</u>	<u>\$ 346,127</u>

Source: Finance Office, City of Santa Clara.  
 The City implemented GASB 54 in Fiscal year 2010-2011.

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

Table 4

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>REVENUES:</b>										
Taxes:										
Sales	\$ 35,845	\$ 31,876	\$ 34,894	\$ 40,516	\$ 43,176	\$ 38,066	\$ 35,696	\$ 35,976	\$ 33,815	\$ 40,104
Ad valorem property	57,172	61,834	61,695	54,536	49,736	39,388	39,928	40,868	45,335	44,885
Transient occupancy	9,910	8,302	9,138	11,269	10,542	9,601	7,863	7,160	7,890	*
Other	3,731	4,099	4,931	5,459	5,636	5,716	5,005	5,070	4,184	16,308
Licenses, permits, fees and penalties	5,690	4,286	5,000	5,232	5,199	4,946	5,229	4,736	4,608	4,454
Internal governmental	8,017	9,359	8,142	9,760	9,685	8,202	8,744	12,947	11,181	15,012
Charges for Services	28,395	24,647	22,396	22,907	20,417	19,881	15,329	14,862	12,283	13,913
Contribution in-lieu of taxes	14,912	13,448	15,150	14,732	14,722	12,861	11,993	11,905	11,865	11,817
Interest and rents	25,220	25,477	25,878	30,547	29,955	28,253	30,394	31,287	36,939	40,121
Net (decrease) in the fair value of investments	(3,571)	449	6,409	258	1,553	(5,473)	(484)	(10,089)	**	**
Other	2,515	2,829	2,914	3,201	2,557	1,990	4,209	5,429	2,984	3,080
<b>TOTAL REVENUES</b>	<b>\$ 187,836</b>	<b>\$ 186,606</b>	<b>\$ 196,547</b>	<b>\$ 198,417</b>	<b>\$ 193,178</b>	<b>\$ 163,431</b>	<b>\$ 163,906</b>	<b>\$ 160,151</b>	<b>\$ 171,084</b>	<b>\$ 189,694</b>

Note: \* Included in Taxes - Other

\*\* Included in Interest and Rents

Source: Finance Office, City of Santa Clara.

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

Table 4

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>EXPENDITURES</b>										
<b>Current:</b>										
General Administration	\$ 26,623	\$ 25,078	\$ 24,826	\$ 27,341	\$ 29,253	\$ 27,084	\$ 29,631	\$ 23,230	\$ 23,277	\$ 23,607
City Clerk	777	662	768	691	755	554	676	541	532	449
City Attorney	1,172	1,314	1,136	1,049	1,230	1,137	1,071	1,280	1,234	1,126
Human Resources	1,947	1,804	1,960	1,682	1,752	1,724	1,722	1,664	1,722	1,690
Finance	7,170	7,535	7,458	7,726	6,224	6,206	6,034	6,023	7,064	7,939
Public Works	17,133	17,178	17,853	16,307	17,012	15,503	15,767	14,670	14,762	14,511
Parks and Recreation	13,844	13,906	13,389	12,732	11,486	10,686	10,249	10,657	10,809	10,064
Public Safety:										
Police	42,520	43,959	43,317	40,089	37,450	34,837	30,776	30,197	28,833	26,155
Fire	32,214	33,768	34,292	31,636	30,157	29,112	27,947	27,711	26,995	25,254
Communications	***	***	***	***	***	***	3,847	4,002	3,995	3,584
Planning & Inspection	5,680	5,726	5,402	5,112	4,814	5,410	5,344	5,200	4,860	5,021
Library	6,932	7,406	7,460	7,008	6,897	6,742	6,891	5,883	5,853	5,618
Community Development	5,206	6,446	8,207	-	-	-	-	-	-	-
Capital Outlay	15,361	13,022	27,169	24,991	26,912	29,354	19,242	50,435	48,559	28,920
Debt Service:										
Principal	29,720	10,555	10,000	9,470	8,985	5,918	13,351	12,148	11,423	9,795
Interest	10,335	10,128	10,720	11,294	11,811	12,182	12,984	14,125	13,103	10,944
Bond Cost Expense	490	8	-	-	-	-	-	-	-	-
Supplemental Education Revenue Augmentation Funds	2,025	9,834	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>219,149</b>	<b>208,329</b>	<b>213,957</b>	<b>197,128</b>	<b>194,738</b>	<b>186,449</b>	<b>185,532</b>	<b>207,766</b>	<b>203,021</b>	<b>174,677</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(31,313)</b>	<b>(21,723)</b>	<b>(17,410)</b>	<b>1,289</b>	<b>(1,560)</b>	<b>(23,018)</b>	<b>(21,626)</b>	<b>(47,615)</b>	<b>(31,937)</b>	<b>15,017</b>
<b>OTHER FINANCING SOURCES (USES):</b>										
Long-term Debt Issuance	-	-	-	-	-	-	-	-	102,490	33,910
Bond Premium	-	-	-	-	-	-	-	-	784	1,443
Payment to Bond Escrow Agent	-	-	-	-	-	-	-	-	(32,540)	(38,339)
Sale of Capital Assets	5,480	2	4	4	596	1,701	408	51	19	1
Co-op Agreements Activities	(8,297)	-	-	-	-	-	-	-	-	-
Proceeds from Bond Issuance	41,451	-	-	-	-	-	-	-	(32,540)	(38,339)
Transfers In	25,705	31,493	31,477	32,196	25,698	37,055	28,728	25,819	37,061	49,722
Transfers Out	(23,661)	(29,521)	(30,476)	(29,582)	(23,311)	(35,554)	(28,099)	(22,485)	(35,146)	(48,579)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>40,678</b>	<b>1,974</b>	<b>1,005</b>	<b>2,618</b>	<b>2,983</b>	<b>3,202</b>	<b>1,037</b>	<b>3,385</b>	<b>72,669</b>	<b>(1,841)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 9,365</b>	<b>\$ (19,749)</b>	<b>\$ (16,405)</b>	<b>\$ 3,907</b>	<b>\$ 1,423</b>	<b>\$ (19,816)</b>	<b>\$ (20,589)</b>	<b>\$ (44,230)</b>	<b>\$ 40,732</b>	<b>\$ 13,176</b>
<b>DEBT SERVICE AS A PERCENTAGE OF NON-CAPITAL EXPENDITURES</b>	<b>21%</b>	<b>16%</b>	<b>11%</b>	<b>12%</b>	<b>12%</b>	<b>12%</b>	<b>16%</b>	<b>17%</b>	<b>16%</b>	<b>14%</b>

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

Source: Finance Office, City of Santa Clara.

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

Table 5

Fiscal Year Ending June 30	Net Local Secured Roll	SBE (2)	Net Unsecured Roll	Net Assessed Valuation (1)	Estimated Actual Value	Ratio of Assessed Value To Estimated Value	% of Growth of Assessed Valuation	Total Direct Tax Rate
2001 / 02	\$ 13,744,409	2,554	\$ 4,477,383	\$18,224,346	\$18,335,454	99.39%	19.20%	1.08%
2002 / 03	15,110,520	2,861	4,207,133	19,320,514	19,429,970	99.44%	6.01%	1.07%
2003 / 04	15,283,368	2,803	3,639,274	18,925,445	19,033,631	99.43%	-2.04%	1.07%
2004 / 05	14,978,836	2,471	2,991,292	17,972,599	18,081,181	99.40%	-5.03%	1.08%
2005 / 06	15,663,135	1,756	3,037,319	18,702,210	18,813,195	99.41%	4.06%	1.15%
2006 / 07	17,458,047	1,605	2,905,729	20,365,381	20,478,830	99.45%	8.89%	1.14%
2007 / 08	19,148,464	909	2,976,265	22,125,638	22,241,709	99.48%	8.64%	1.08%
2008 / 09	20,545,808	3,689	3,812,579	24,362,076	24,479,723	99.52%	10.11%	1.12%
2009 / 10	20,707,612	3,689	3,844,940	24,556,241	24,674,410	99.52%	0.80%	1.13%
2010 / 11	19,949,252	3,689	3,634,484	23,587,425	23,704,433	99.51%	-3.95%	1.11%

Notes:

(1) Full cash value.

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

Source: Santa Clara County, Department of Finance

**CITY OF SANTA CLARA  
PROPERTY TAX RATES  
(Per \$100 Assessed Valuation)  
Direct and Overlapping Governments  
Last Ten Fiscal Years**

**Table 6**

Fiscal Year Ending June 30	Santa Clara County	School Districts	Special Districts	Total
2001 / 02	1.0364%	0.0366%	0.0062%	1.0792%
2002 / 03	1.0388%	0.0252%	0.0072%	1.0712%
2003 / 04	1.0388%	0.0263%	0.0087%	1.0738%
2004 / 05	1.0388%	0.0344%	0.0092%	1.0824%
2005 / 06	1.0388%	0.1001%	0.0078%	1.1467%
2006 / 07	1.0388%	0.0923%	0.0072%	1.1383%
2007 / 08	1.0388%	0.0389%	0.0071%	1.0848%
2008 / 09	1.0388%	0.0775%	0.0061%	1.1224%
2009 / 10	1.0388%	0.0841%	0.0074%	1.1303%
2010 / 11	1.0388%	0.0658%	0.0072%	1.1118%

Tax rate limit: A state constitutional amendment (Proposition 13) commencing with fiscal 1979 provided that the tax rate was limited to 1% of full cash value, levied only by the County and shared with all other jurisdictions. All jurisdictions may levy a tax rate for voter approved debt.

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

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

Collected by government unit: County of Santa Clara.

Basis upon which collections are distributed: Taxing jurisdictions assessed valuations and tax rates for voter approved debt to taxing jurisdictions, County rate (1% of full cash value) shared by all jurisdictions.

Compensation paid to collecting government unit: \$422,332

Note: Tax rates stated are the rates applicable to the tax rate area 7-000 as typical tax rate area within the City. Rates are based on \$100 assessed valuation.

Source: Santa Clara County, Department of Finance

**CITY OF SANTA CLARA  
PRINCIPAL PROPERTY TAX PAYERS  
2010-11 AND 2001-02 COMPARISON FOR GENERAL FUND  
(In Thousands)**

Table 7

Taxpayers	2010-11		2001-02	
	Assessed Value	Percentage of Total Assessed Valuation	Assessed Value	Percentage of Total Assessed Valuation
Intel Corporation	\$ 974,576	4.71%	\$ 1,630,210	10.32%
Sobrato Interests	308,442	1.49%	213,194	1.35%
Agilent Technologies, Inc.	306,451	1.48%	318,675	2.02%
Applied Materials, Inc.	238,795	1.16%	600,505	3.80%
Oracle America, Inc.	210,109	1.02%	225,011	1.42%
Marvell Technology Inc	200,350	0.97%		
Silicon Valley California LLC	194,215	0.94%		
Harvest 2400 LLC	177,420	0.86%		
Nvidia Corporation	170,066	0.82%		
National Semiconductor Corporation	168,780	0.82%	221,773	1.40%
Exodus Communications, Inc.			217,420	1.38%
BNP Leasing Corporation			199,342	1.26%
LSI Logic Corporation			144,045	0.91%
Siliconix Inc			129,202	0.82%
Top Ten Total	\$ 2,949,204	14.27%	\$ 3,899,377	24.68%
City Total	\$ 20,672,989		\$ 15,792,227	

Source: Santa Clara County Assessor 2010/11 Combined Tax Rolls through HdL Coren & Cone.

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

Table 8

Fiscal Year Ending June 30	Gross Tax Levy	Current Tax Collections	Percentage of Current Levy Collected	Delinquent Tax Collected	Total Collections	Percentage of Total Levy Collected
2001 / 02	\$ 15,848	\$ 15,795	99.67%	\$ 14	\$ 15,809	99.75%
2002 / 03	16,884	16,763	99.28%	22	16,785	99.41%
2003 / 04	16,182	16,106	99.53%	(3)	16,103	99.51%
2004 / 05	15,892	15,841	99.68%	0	15,841	99.68%
2005 / 06	16,624	16,565	99.65%	0	16,565	99.65%
2006 / 07	18,197	18,128	99.62%	0	18,128	99.62%
2007 / 08	19,720	19,669	99.74%	0	19,669	99.74%
2008 / 09	21,123	21,061	99.71%	0	21,061	99.71%
2009 / 10	21,674	21,631	99.80%	0	21,631	99.80%
2010 / 11	20,894	20,867	99.87%	0	20,867	99.87%

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

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

Table 9

Fiscal Year Ending June 30	Governmental Activities				Redevelopment Agency	Business Activities	Total Primary Government	Population	Debt per Capita	Total Personal Income (\$000)	Debt/Income Ratio
	Public Financing Authority				Tax Allocation Bonds	Revenue Bonds					
	Certificates of Participation	Insurance Funding Bonds	Assessment Bonds	Total Governmental Activities							
2002 / 03	\$ 72,895	\$ 20,000	\$ 8,240	\$ 101,135	\$ 159,727	\$ 132,646	\$ 393,508	104,306	\$ 3,773	\$ 2,818,661	13.96%
2003 / 04	70,010	20,000	7,490	97,500	151,214	280,609	529,323	105,831	5,002	2,677,383	19.77%
2004 / 05	66,725	20,000	6,700	93,425	141,938	275,360	510,723	107,200	4,764	2,720,598	18.77%
2005 / 06	63,345	20,000	5,875	89,220	140,225	269,883	499,328	109,106	4,577	2,765,258	18.06%
2006 / 07	59,850	20,000	5,015	84,865	135,325	258,015	478,205	110,771	4,317	3,831,569	12.48%
2007 / 08	56,240	-	4,110	60,350	130,640	230,970	421,960	115,503	3,653	4,121,147	10.24%
2008 / 09	52,500	-	3,155	55,655	125,335	227,390	408,380	117,242	3,483	4,225,531	9.66%
2009 / 10	48,620	-	2,155	50,775	119,660	223,170	393,605	118,830	3,312	4,291,695	9.17%
2010 / 11	43,822	-	-	43,822	138,511	223,920	406,253	118,169	3,438	4,727,907	8.59%

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

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

**CITY OF SANTA CLARA  
POPULATION AND ASSESSED VALUATION  
Last Ten Fiscal Years  
(In Thousands)**

**Table 10**

Fiscal Year Ending June 30	Population	Assessed Value (1)
2001 / 02	104.6	\$ 18,335,454
2002 / 03	104.3	19,429,970
2003 / 04	105.8	19,033,631
2004 / 05	107.2	18,081,181
2005 / 06	109.1	18,813,195
2006 / 07	110.8	20,478,830
2007 / 08	115.5	22,241,708
2008 / 09	117.2	24,479,723
2009 / 10	116.3	(2) 24,674,410
2010 / 11	118.2	23,704,433

Notes: (1) Assessed values are estimated actual value.

(2) Population was revised based on 2010 U.S. Census results

Sources: State of California, Department of Finance  
Santa Clara County, Department of Finance

**CITY OF SANTA CLARA  
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT  
June 30, 2011**

**Table 11**

Description	% Applicable	Debt
<b>Direct Debt:</b>		
Certificates of Participation Series 2002 A	100%	\$ 21,095,000
Certificates of Participation Series 2002 B	100%	12,870,000
2010 Lease Financing	100%	9,857,000
<b>Total Gross Direct Debt</b>		<b>43,822,000</b>
<b>Overlapping Debt:</b>		
Santa Clara County General Fund Obligations	7.89%	62,092,722
Santa Clara County Pension Fund Obligations	7.89%	30,457,358
Santa Clara Valley Water District Benefit Assessment District	7.89%	11,295,324
Santa Clara County Board of Education Certificates of Participation	7.89%	992,562
San Jose-Evergreen Community College District Pension Obligations	0.08%	39,291
West Valley-Mission Community College District Certificates of Participation	27.61%	15,493,610
Foothill DeAnza Community College District	1.44%	9,337,221
San Jose-Evergreen Community College District	0.08%	199,075
West Valley-Mission Community College District	27.61%	58,818,663
Fremont Union High School District	3.10%	8,242,569
Campbell Union High School District	1.62%	2,710,503
Campbell Union School District	3.60%	4,310,850
El Camino Hospital District	1.36%	1,958,624
San Jose Unified School District	0.24%	1,198,907
Cupertino Union School District	5.10%	6,272,816
Santa Clara Unified School District	79.83%	201,374,113
San Jose Unified School District Certificates of Participation	0.24%	258,621
Santa Clara County	7.89%	26,423,610
Santa Clara Valley Water District, Zone W-1	9.65%	39,087
Foothill DeAnza Community College District Certificates of Participation	1.44%	304,647
Santa Clara Unified School District Certificates of Participation	79.83%	10,361,674
Santa Clara County Vector Control District Certificates of Participation	7.89%	299,820
<b>Total Overlapping Debt</b>		<b>452,481,667</b>
<b>Total Gross Direct and Overlapping Bonded Debt</b>		<b>496,303,667 (1)</b>
<b>TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT</b>		<b>\$ 496,303,667</b>
2010 / 11 Assessed Value	\$ 20,932,878,961	(after deducting \$2,771,553,795 redevelopment incremental value).
<b>Ratios to Assessed Valuation:</b>		
Direct Debt	\$ (43,822,000)	0.209%
Total Gross Debt		2.371%
Total Net Debt		2.371%

Note: (1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds.

Source: California Municipal Statistics, Inc.

**CITY OF SANTA CLARA  
LEGAL DEBT MARGIN INFORMATION  
Last Ten Fiscal Years  
(In Thousands)**

Table 12

<b>Fiscal Year</b>					
<b>Ending June 30</b>	<b>Assessed Valuation</b>	<b>Debt Limit- 15% of Assessed Valuation*</b>	<b>Debt Applicable to Limit</b>	<b>Legal Debt Margin</b>	
2001 / 02	\$ 18,224,346	\$ 2,733,652	\$ 20,000	\$ 2,723,556	
2002 / 03	19,320,514	2,898,077	20,000	2,878,077	
2003 / 04	18,925,445	2,838,817	20,000	2,818,817	
2004 / 05	17,972,599	2,695,890	20,000	2,675,890	
2005 / 06	18,702,210	2,805,332	20,000	2,785,332	
2006 / 07	20,365,381	3,054,807	20,000	3,034,807	
2007 / 08	22,125,638	3,318,846	-	3,318,846	
2008 / 09	24,362,076	3,654,311	-	3,654,311	
2009 / 10	24,556,241	3,683,436	-	3,683,436	
2010 / 11	23,587,425	3,538,114	-	3,538,114	

Notes: \* Section 1309 of the City Charter of the City states: "Bonded Debt Limit.  
The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen percent (15%) of the total assessed valuation of property within the City, exclusive of revenue bonds or any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending, or maintaining municipally owned utilities for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to the provisions of the State Constitution and this Charter."

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

**CITY OF SANTA CLARA  
PLEGGED REVENUE COVERAGE  
ELECTRIC REVENUE BOND  
Last Nine Fiscal Years  
(In Thousands)**

Table 13

Fiscal Year Ending June 30		Gross Revenue (1)	Less Operating Expense (2)	Net Revenue Available For Debt Service	Principal	Interest	Letter Of Credit Fees	Total	Coverage (3)
2002 / 03	(4)	\$ 247,856	\$ 198,572	\$ 49,284	\$ 6,675	\$ 4,972	\$ 208	\$ 11,855	4.16
2003 / 04		208,042	178,600	29,442	5,160	8,432	262	13,854	2.13
2004 / 05		253,561	217,981	35,580	5,840	10,389	262	16,491	2.16
2005 / 06	(5)	283,611	251,676	31,935	11,080	11,216	266	22,562	1.42
2006 / 07		297,586	246,378	51,208	11,820	11,346	212	23,378	2.19
2007 / 08	(6)	318,895	283,206	35,689	12,370	11,295	2,423	26,088	1.37
2008 / 09		346,533	323,670	22,863	3,580	8,602	2,460	14,642	1.56
2009 / 10		296,833	276,402	20,431	4,220	7,235	838	12,293	1.66
2010 / 11		269,610	233,939	35,671	4,425	8,022	1,793	14,240	2.50

Notes: (1) Gross revenue includes operating and nonoperating revenues including amounts on deposit in other unrestricted funds of the Electric Utility approved by resolution plus capitalized interest earnings less interest earnings on collateralized escrow securities.

(2) Direct expense includes operating expenses less depreciation and amortization and contribution-in-lieu to the General Fund, uncapitalized interest expense (other than revenue bonds) and letter of credit fees.

(3) The required coverage is 1.25.

(4) In fiscal year 2002 / 03 Principal includes the cost of advanced refunding of the 1991 B Revenue Bonds for \$10.32 million.

(5) In fiscal year 2005 / 06 Gross Revenue also includes \$21.5 million fund transfer from Cost Reduction Fund to pay for the Enron settlement cost. Direct expense includes Enron's net settlement cost of \$21.5 million.

(6) In fiscal year 2007 / 08 Letter of Credit include \$1.611 million refunding premium for 1998A, \$302 thousand issuance cost for 2008B and \$315 thousand issuance cost for 2008A.

Source: City of Santa Clara

Until 10 years of data are available, only the available years will be presented.

**CITY OF SANTA CLARA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Calendar Years**

Table 14

Year	Population	Personal Income (\$000)	Per Capita Buying Income	Median Age	Public School Enrollment	County Unemployment Rate	City Unemployment Rate
2001 / 02	104,616	\$ 2,920,983	27,921	34.5	13,565	4.5%	4.2%
2002 / 03	104,306	2,818,661	27,023	34.2	13,321	8.4%	7.9%
2003 / 04	105,831	2,677,383	25,282	35.2	13,188	8.2%	7.7%
2004 / 05	107,200	2,720,598	26,465	35.7	13,839	6.2%	5.9%
2005 / 06	109,106	2,765,258	26,513	35.3	13,317	5.5%	4.8%
2006 / 07	110,771	3,831,569	34,590	-	13,366	5.0%	4.3%
2007 / 08	115,503	4,121,147	35,680	34.4	13,802	4.7%	4.3%
2008 / 09	117,242	4,225,531	36,738	34.4	14,729	11.8%	10.9%
2009 / 10	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%

Note: (-) Data unavailable

Sources:

- Population and the Unemployment Rate are provided by California Department of Finance Projections.
- Starting in FY 2006-07 Personal Income Data is determined using 2005 American Community Survey Data and adjusted for inflation in accordance with rates provided by the Bureau of Labor Statistics as provided by MuniServices LLC.
- Prior Years Personal Income Data are from Sales and Marketing Power Management-Survey of Buying Power.
- 2009/10 Population was revised based on 2010 U.S. Census results.

**CITY OF SANTA CLARA  
PRINCIPAL PRIVATE EMPLOYERS  
Current Year and Eight Years Ago**

Table 15

Company	2011		2003	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Applied Materials, Inc.	8,500	15.1%		
Intel Corporation	7,001	12.4%	8,000	15.6%
National Semiconductor Corporation	3,500	6.2%	2,000	3.9%
California's Great America	2,500	4.4%		
Oracle (formerly Sun Microsystems)	1,600	2.8%	3,500	6.8%
EMC Corporation	1,338	2.4%		
Santa Clara University	1,200	2.1%		
Macy's	1,200	2.1%		
ON Semiconductor Corporation	1,100	2.0%		
BAE Systems Land & Armaments	1,000	1.8%		
Agilent Technologies, Inc.			3,000	5.8%
Coast Personnel			1,895	3.7%
Sanmina-SCI Corporation			1,500	2.9%
NEC Electronics			1,200	2.3%
3Com Corporation			1,000	1.9%
Integrated Device Technology			1,000	1.9%
Analog Devices			900	1.8%
<b>Total Top Ten</b>	<b>28,939</b>	<b>51.3%</b>	<b>23,995</b>	<b>46.6%</b>
All Others	27,461	48.7%	27,305	53.4%
<b>Total Employment</b>	<b>56,400</b>	<b>100%</b>	<b>51,300</b>	<b>100%</b>

**Source:** www.ReferenceUSA.com  
 2003 Northern California Business Directory  
 California Employment Development Department  
 Until 10 years of data are available, only the available years will be presented.

**CITY OF SANTA CLARA  
FULL-TIME EQUIVALENT BUDGETED CITY EMPLOYEES BY PROGRAM/FUNCTION  
Last Nine Fiscal Years**

Table 16

	Fiscal Year Ending June 30								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
City Council	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
City Clerk	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
City Attorney	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
City Manager	8.00	9.00	9.00	9.00	8.00	8.00	8.00	8.00	8.00
Information Technology	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Human Resources	14.50	15.00	15.00	15.00	15.00	15.00	15.00	16.00	16.00
Finance	58.00	62.00	62.00	63.00	54.00	54.00	55.00	55.00	55.00
Parks & Recreation	82.00	83.00	83.00	83.00	84.00	84.00	84.00	85.00	86.00
Library	42.75	42.75	42.75	42.75	42.75	42.75	42.75	43.75	38.75
Planning & Inspection	40.00	40.00	40.00	39.00	39.00	39.00	39.00	39.00	41.00
Engineering	38.00	38.00	38.00	38.00	44.00	44.67	44.67	46.00	46.00
Purchasing	**	**	**	**	9.00	9.00	9.00	9.00	9.00
Building Maintenance	12.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50
Street	63.00	64.00	64.00	64.00	58.00	58.00	58.00	59.00	59.00
Automotive Services	18.00	19.00	19.00	19.00	19.00	19.00	19.00	20.00	20.00
Police	227.00	227.00	227.00	227.00	227.00	227.00	199.00	199.00	202.00
Fire	179.50	179.50	179.50	179.50	179.50	179.50	179.50	180.00	180.00
Communications	*	*	*	*	*	*	29.00	29.00	29.00
Electric Utility	144.00	144.00	144.00	144.00	144.00	144.00	144.00	138.00	133.00
Water Utility	46.15	45.45	45.45	45.50	45.50	45.50	44.50	44.50	44.50
Sewer Utility	13.85	14.55	14.55	14.50	13.50	13.50	13.50	13.50	13.50
TOTAL	1,010.75	1,020.25	1,020.25	1,020.25	1,019.25	1,019.92	1,020.92	1,021.75	1,017.75

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

\*\* Included in Finance starting 2007-08

Source: City of Santa Clara Annual Budget 2010-11

Until 10 years of data are available, only the available years will be presented.

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

Table 17

	Fiscal Year Ending June 30								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Culture and Recreation:									
Number of library items circulated	2,466,152	2,782,561	2,647,837	2,564,484	2,545,942	2,657,430	2,625,227	2,188,632	2,347,996
Fire Protection:									
Number of calls answered	8,659	8,671	7,488	7,614	7,686	6,549	6,065	5,933	6,391
Number of inspections conducted	10,234	8,565	9,707	8,436	9,041	10,460	10,026	10,290	8,339
Police Protection:									
* Number of calls for service	62,004	64,797	57,245	57,769	55,909	58,021	55,814	36,832	38,891
Electric System:									
Maximum annual demand	471.37 MW	459.8 MW	489.9 MW	479.6 MW	486.5 MW	461.2 MW	399.7 MW	405 MW	419 MW
Total annual energy	2,950,301 Mwh	2,909,151 Mwh	2,971,436 Mwh	2,984,161 Mwh	2,931,407 Mwh	2,764,831 Mwh	2,573,056 Mwh	2,507,000 Mwh	2,415,189 Mwh
Sewer System:									
Number of service connections	25,420	25,540	26,125	26,084	26,014	25,920	25,897	25,531	23,227
Peak flow (5-day average, WPCP)	120 MGD	109 MGD	109 MGD	109 MGD	125 MGD	118 MGD	109 MGD	109 MGD	119 MGD
Maximum daily capacity of treatment plant (WPCP)	167 MGD	167 MGD	167 MGD	167 MGD	167 MGD	167 MGD	167 MGD	167 MGD	167 MGD
Peak flow (5-day average, City)	16 MGD	16 MGD	16 MGD	17 MGD	17 MGD	17 MGD	n/a	n/a	n/a
Water System:									
Number of service accounts	25,420	25,540	25,482	25,310	25,277	25,136	24,905	26,478	24,475
Daily average consumption	18.6 MG	18.1 MG	19.4 MG	21 MG	22 MG	21 MG	21 MG	21 MG	21 MG
Maximum daily capacity of plant:									
Potable Water	87 MGD	87 MGD	87 MGD	87 MGD	89 MGD	89 MGD	87 MGD	80 MGD	80 MGD
Recycled Water	15 MGD	15 MGD	15 MGD	15 MGD	15 MGD	15 MGD	15 MGD	15 MGD	15 MGD

Note \* Data Based on Calendar Year

Source: City of Santa Clara  
 Until 10 years of data are available, only the available years will be presented.

**CITY OF SANTA CLARA  
CAPITAL ASSETS STATISTICS BY FUNCTION  
Last Nine Fiscal Years**

Table 18

	Fiscal Year Ending June 30								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Culture and Recreation:									
Number of community centers	4	4	4	4	4	4	4	4	4
Number of parks	32	32	32	32	32	31	30	30	28
Park acreage	273	273	282	282	282	282	277	277	265
Number of golf courses	1	1	1	1	1	1	1	1	1
Number of swimming pools	4	4	4	4	4	4	4	4	4
Number of tennis courts	28	28	28	28	28	28	27	27	27
Number of lawn bowling greens	1	1	1	1	1	1	1	1	1
Number of lighted soccer fields	3	3	3	3	3	3	3	3	0
Number of lighted softball fields	7	7	7	7	7	7	7	7	7
Number of neighborhood park buildings	8	8	8	8	8	8	8	8	8
Number of gymnastic centers	1	1	1	1	1	1	1	1	1
Number of skate parks	1	1	1	1	1	1	1	1	1
Number of community theaters	1	1	1	1	1	1	1	0	0
Number of libraries	2	2	2	2	2	2	2	2	2
Cemetery	2	2	2	2	2	2	2	2	2
Fire Protection:									
Number of stations	10	10	10	10	10	10	10	10	10
Police Protection:									
Number of stations	2	2	2	2	2	2	2	2	2
Electric System:									
Number of meters	52,327	52,090	51,832	51,514	50,858	50,069	49,775	48,753	48,489
Miles of high voltage lines	579	573	573	548	479	479	477	475	471
Number of substations (1)	26	24	23	23	23	23	22	19	19
Sewerage System:									
Miles of sanitary sewers	285	285	279	279	282	282	282	277	275
Miles of storm sewers	140	140	140	140	138	138	138	137	137
Number of treatment plants	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary
Water System:									
Miles of water mains	335	335	335	335	335	334	301	301	298
Number of fire hydrants	3,315	3,315	3,313	3,285	3,261	3,249	3,249	3,143	3,143
Miles of recycled water mains	23	21	20	20	20	19	19	19	19
Streets:									
Miles of Streets	249	249	249	249	249	249	249	248	248
Number of Street Lights	7,993	7,990	7,976	8,481	8,181	8,179	8,170	8,163	8,171
Number of Traffic Signals	188	188	188	187	187	184	182	178	175

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

Source: City of Santa Clara

Until 10 years of data are available, only the available years will be presented.

CITY OF SANTA CLARA  
STATEMENT OF INSURANCE COVERAGE  
June 30, 2011

Table 19

TYPE OF POLICY	INSURANCE COMPANY	LIMITS**	ANNUAL PREMIUM	TERM YEARS	EXPIRATION DATE
<b><u>Liability</u></b>					
Comprehensive General	Self-insured (Since 1987)	\$5 million	n/a	-	Ongoing
Excess Liability	Starr Indemnity & Liability Company	\$20 million	\$148,200	1	7/1/2012
Workers' Compensation	Self-insured (since 1973)	\$500 thousand	n/a	-	Ongoing
Excess Workers' Compensation	CSAC Excess Ins. Authority	\$5 million	\$526,000	1	7/1/2012
<b><u>Property Coverage</u></b>					
All Risks, including flood, excluding earthquake	Public Entity Property Insurance Program (PEPIP)  Lexington Insurance and various excess carriers	\$1 billion	\$457,008	1	7/1/2012
Boiler and Machinery	Lexington Insurance Co., CNA Insurance Co., and Foreign Excess Insurance Companies	\$100 million	\$18,806	1	7/1/2012
<b><u>Financial Loss Bonds</u></b>					
Crime Coverage Bond	CSAC Excess Ins. Authority	\$10 million	\$6,620	2	7/1/2013

Notes: \*\* Limits are per occurrence

Source: City of Santa Clara

This Page Intentionally Left Blank