City of Santa Clara

Meeting Agenda

Audit Committee

Monday, December 9, 2019 **3:30 PM** **City Manager's Office (CMO) Conference Room 1500 Warburton Avenue Santa Clara, CA 95050**

CALL TO ORDER AND ROLL CALL

CONSENT CALENDAR

1. **19-1286** Audit Committee Minutes

Recommendation: Approve the Audit Committee minutes of September 10, 2019.

PUBLIC PRESENTATIONS

GENERAL BUSINESS

2. **19-1285** Overview of the draft City of Santa Clara Audited Comprehensive Annual Financial Report (CAFR), Audited Silicon Valley Power (SVP) Financial Statements, and Audited Transportation Development Act (TDA) Financial Statements for Fiscal Year Ended June 30, 2019

Recommendation: Accept the City of Santa Clara Audited Comprehensive Annual Financial Report, Silicon Valley Power Financial Statements, and Transportation Development Act Financial Statements for Fiscal Year Ended June 30, 2019 and recommend that the reports are forwarded for note and file to the full Council at the December 17, 2019 Council and Authorities Concurrent meeting.

STAFF REPORT

COMMITTEE REPORT

ADJOURNMENT

Future Audit Committee Meetings will be scheduled at a later date.

1500 Warburton Avenue
Santa Clara, CA 95050
santaclaraca.gov
@SantaClaraCity

Agenda Report

19-1286 **Agenda Date: 12/9/2019**

SUBJECT
Audit Committee Minutes

RECOMMENDATION
Approve the Audit Committee minutes of September 10, 2019.

City of Santa Clara

Meeting Minutes

Audit Committee

09/10/2019 **3:30 PM** **City Manager's Office (CMO) Conference Room**
1500 Warburton Avenue
Santa Clara, CA 95050

CALL TO ORDER AND ROLL CALL

Chairperson Gillmor called the meeting to order at 3:30 P.M.

Present 3 - Lisa M. Gillmor, Karen Hardy, and Kathy Watanabe

CONSENT CALENDAR

1. 19-869 Audit Committee Minutes

Recommendation: Approve the Audit Committee minutes of February 25, 2019.

A motion was made by Committee Member Watanabe, seconded by Chairperson Gillmor, to approve staff recommendation.

Committee Member Hardy abstained as she did not attend the meeting.

Aye: 2 - Gillmor, and Watanabe

Abstained: 1 - Hardy

PUBLIC PRESENTATIONS

None

GENERAL BUSINESS

2. 19-870 Overview of Santa Clara Stadium Authority Fiscal Year 2018/19 Annual Financial Statements and Audit Results Presentation by KPMG, LLP

Recommendation: Accept the Santa Clara Stadium Authority Fiscal Year 2018/19 Annual Financial Statements and recommend that the Stadium Authority note and file the report at the September 17, 2019 Joint Council and Authorities Concurrent and Stadium Authority meeting.

A motion was made by Committee Member Watanabe, seconded by Committee Member Hardy, to approve staff recommendation.

Aye: 3 - Gillmor, Hardy, and Watanabe

3. 19-1033 Information Report on the Status of Harvey M. Rose Associates Audit Recommendations

Recommendation: Note and file an update on the status of the Harvey M. Rose Associates Audit Recommendations.

A motion was made by Committee Member Hardy, seconded by Committee Member Watanabe, to approve staff recommendation.

Aye: 3 - Gillmor, Hardy, and Watanabe

STAFF REPORT

None

COMMITTEE REPORT

None

ADJOURNMENT

Chairperson Gillmor adjourned the meeting at 4:21 P.M.

Future Audit Committee Meetings will be scheduled at a future date.

City of Santa Clara

1500 Warburton Avenue
Santa Clara, CA 95050
santaclaraca.gov
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Agenda Report

19-1285 **Agenda Date: 12/9/2019**

REPORT TO AUDIT COMMITTEE

SUBJECT
Overview of the draft City of Santa Clara Audited Comprehensive Annual Financial Report (CAFR), Audited Silicon Valley Power (SVP) Financial Statements, and Audited Transportation Development Act (TDA) Financial Statements for Fiscal Year Ended June 30, 2019

BACKGROUND
City Charter Section 1319 requires that an independent certified public accountant (CPA) audit the City's records and accounts on an annual basis. In compliance with the Charter, the City engaged the audit firm of Maze and Associates to perform an independent audit of the City's financial statements.

The CAFR, SVP, and TDA financial statements present the audited financial information of the City in accordance with Generally Accepted Accounting Principles (GAAP) applicable to government entities. The statements provide the Audit Committee and City Council valuable information for financial oversight as well as providing information to the citizens of Santa Clara.

DISCUSSION
The role of the Audit Committee (Committee) is to provide oversight of the City's financial reporting processes, internal controls, and independent auditors. Amy Meyer, Shareholder, from Maze and Associates will present the audit results to the Committee and provide an overview of the audit. This includes the audit report, financial statement disclosures, internal control related matters and other items.

In addition, City staff will provide an overview of the various Fiscal Year 2018/19 Annual Financial Statements.

ENVIRONMENTAL REVIEW
The action being considered does not constitute a "project" within the meaning of the California Environment Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

FISCAL IMPACT
Costs associated with the preparation of this report are included in the City's FY 2018/19 Adopted Operating Budget.

PUBLIC CONTACT
Public contact was made by posting the Audit Committee agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the

City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <mailto:clerk@santaclaraca.gov> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

Accept the City of Santa Clara Audited Comprehensive Annual Financial Report, Silicon Valley Power Financial Statements, and Transportation Development Act Financial Statements for Fiscal Year Ended June 30, 2019 and recommend that the reports are forwarded for note and file to the full Council at the December 17, 2019 Council and Authorities Concurrent meeting.

Reviewed by: Kenn Lee, Director of Finance
Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Draft Comprehensive Annual Financial Report (CAFR)
2. Draft Silicon Valley Power (SVP) Financial Statements
3. Draft Transportation Development Act (TDA) Financial Statements
4. Draft Memorandum on Internal Control

City of
Santa Clara
The Center of What's Possible

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019

THE
MISSION CITY

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

PREPARED BY DEPARTMENT OF FINANCE

Introductory Section

CITY OF SANTA CLARA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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STATISTICAL SECTION (UNAUDITED)

City of Santa Clara

Successor Agency

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December 3, 2019

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

Dear Mayor and Members of the City Council:

It is our pleasure to submit for your information the Comprehensive Annual Financial Report (CAFR) of the City of Santa Clara (City) for the fiscal year ended June 30, 2019. The City compiles and prepares the annual financial report to provide interested parties with reliable information concerning the financial condition and results of operations for the City.

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

Per the City Charter (Section 1319, Independent Audit) the City of Santa Clara's financial statements have been audited by Maze & Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2019 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Santa Clara's financial statements for the fiscal year ended June 30, 2019 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Santa Clara was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require that agencies expending more than $750,000 in federal monies, are required to have the independent auditor report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report, scheduled for release in March 2020.

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

PROFILE OF THE CITY OF SANTA CLARA

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

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

The City's population is estimated at 128,717 indicating the City remains an attractive place both to live and work. The City is one of the most highly desirable areas to live because of the high quality services it provides to residents and its business friendly environment.

The City of Santa Clara, also known as the Mission City, is a charter city incorporated in 1852 under the laws of the State of California. The City's powers are exercised through a Council/Manager form of government. The City Council is made up of the Mayor, elected at large, and six councilmembers elected by district serving as the legislative authority. The City Council appoints a City Manager who is responsible for the overall management and administration of the City, a City Attorney to represent and advise the City Council and all City officers in all matters of law pertaining to their offices, and a City Auditor to audit and approve all bills, invoices, payrolls, demands or charges against the City government before payment and, with the advice of the City Attorney, advise the City Council as to the regularity, legality and correctness of such claims, demands or charges. Within the administration, the Police Chief and the City Clerk are also publicly elected officials.

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

LOCAL ECONOMY

The Silicon Valley economy has continued to grow at a fast pace over the last several years and, as a result, Santa Clara has experienced strong revenue growth and development activity. The combination of an improved economy, careful management of limited resources, development and redevelopment projects happening throughout the City, and monies flowing to the City from events at Levi's Stadium, has generated General Fund budget surpluses the last several years. This has allowed the City to contribute to its Budget Stabilization Reserve, make additional contributions to the Capital Projects Reserve, and to establish an Other Post-Employment Benefits (OPEB) Trust and a Pension Trust to pre-fund post-retirement obligations.

Looking forward, the City is continuing the multi-year effort aimed at increasing revenues, continuing to build reserves, and ensuring that ongoing expenditures are in alignment with ongoing revenues. The City is projecting that the regional economy has reached a peak and the forecast is for a potential modest slowdown in the coming years. Despite the economy being on solid ground and strong performance of several major revenue sources, the City's economic situation remains tightly balanced with the continuing increases in personnel costs, especially in regard to rising pension costs.

FINANCIAL INFORMATION

Long-term Financial Planning

The City Council's adopted budget principles for fiscal year 2018-19 reflected the economic challenges that the City faced including the need to rebuild reserves and utilize a multi-pronged strategy to ensure ongoing expenditures are in alignment with ongoing revenues. The adopted principles included but were not limited to the following:

- Budget decisions will be made with long-term implications taken into account, using data from the Ten-Year Financial Plan.
- Maximize service delivery within existing resources by balancing ongoing expenditure needs with ongoing revenues to avoid negative impacts on future budgets and maintain the City's high standards of fiscal integrity and financial management.
- Pursue economic development objectives and strategies to foster new public and private investment within the City, and t create employment opportunities.
- In accordance with Council policy, continue to maintain the General Fund Budget Stabilization Reserve for the long-term fiscal health of the City.
- With limited exceptions, establish fees based on full cost recovery where individuals/business rather than the community at-large are benefiting from City services. This preserves limited unrestricted resources for providing services that benefit the community as a whole.

The City developed a five-year Capital Improvement Plan detailing specific budgeted capital projects. Each of the projects is consistent with the overall goals and principles of the City. The fiscal year 2018-19 adopted Capital Improvement Project (CIP) Budget totaled $84.0 million. The CIP included improvements to the City's infrastructure, replacements and upgrades to information technology equipment, and improvements and upgrades to the City's utilities.

In addition, the City of Santa Clara produces an annual Ten-Year Financial Plan (Plan). The purpose of the Plan is to provide policy-makers and the public an updated assessment of the City's fiscal health that takes into account the latest economic developments. The report includes historical perspective on revenues and expenditures and a ten-year financial outlook beyond the adopted budget year. The value of this type of analysis is to give the City Council, staff, and the public a tool to assist with strategic decision-making as they work to adopt the budget for the coming year. The Plan is a collaborative effort between the City Manager's Office, Finance Department, and City departments. Individual projections of revenues and expenditures are developed based on trend analyses, input from available economic reports, consultant recommendations, and input from other subject matter experts. The most current information available is incorporated into the Plan and refined on a moving forward basis as part of the City's commitment to fiscal responsibility.

Internal Controls

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

Budgetary Controls

As part of the City's internal controls, it maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annually appropriated budget approved by the City Council. Activities of the majority of the City funds are included in the budget. In addition, a two-year Capital Improvement Project Budget is adopted and a Ten-Year Financial Plan is updated and presented to the City Council annually. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the department level, or the fund level if there are no departments in a fund. 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 or additional revenue received must be approved by the City Council if needed to fund additional expenditures. The City also maintains an encumbrance accounting system as one technique for accomplishing budgetary control. Encumbrances outstanding at year-end are included within the specific fund balance category of the underlying resource.

Independent Audit

The City Charter and State of California statutes require the City to have an annual audit by an independent certified public accountant. The City goes to the market with a formal Request for Proposal for audit services every five years. The accounting firm of Maze & Associates, Certified Public Accountants, was selected by the City Council in 2012, and again in 2017, and is in the eighth 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 by the recent Uniform Guidance. The auditors' report on the basic financial statements and the supplementary combining statements and schedules are included in the financial section of this report. The auditors' reports related specifically to the single audit are included in a separately issued single audit document on file with the City Clerk's Office.

MAJOR INITIATIVES SECTION PENDING

FINANCIAL POLICIES

The City of Santa Clara has adopted a comprehensive set of financial policies. These policies address items such as budget, cash management, interfund loans, investments, reserves, and debt management.

The City Council reviews and approves budgetary policies as part of the annual budget process. Investment and debt policy statements are reviewed and approved by the City Council under separated cover.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Excellence in Financial Reporting to the City of Santa Clara for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports and is valid for a period of one year only. The City has received this prestigious award for the past twenty-seven consecutive years.

To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. We believe that our current CAFR continues to meet the Certificate of Achievement Programs' requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

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

Respectfully submitted,

Deanna J. Santana	Kenn Lee
City Manager	Director of Finance

ROSTER OF COUNCIL AND COMMISSION MEMBERS

CITY COUNCIL

Mayor	Lisa M. Gillmor
Councilmember District 1	Kathleen Watanabe
Councilmember District 2	Raj Chahal
Councilmember District 3	Karen Hardy
Councilmember District 4	Teresa O'Neill
Councilmember District 5	Patricia Mahan
Councilmember District 6	Debi Davis

BOARD OF LIBRARY TRUSTEES

Leonne Broughman, Jan Hintermeister, David Kyo, Stephen Ricossa, Debbie Tryforos,

CIVIL SERVICE COMMISSION

Mario Bouza, Willie D. Brown Jr., John Casey, Franklin J. Felizardo, Carolyn G. McAllister

CULTURAL COMMISSION

Loretta Beavers, Harbir K. Bhatia, Candida A. Diaz, Debra von Huene, Jonathan Marinaro, Niharika “Niha” Mathur, Louis Samara

HISTORICAL AND LANDMARKS COMMISSION

Nancy A Biagini, Michael Celso, Priya Cherukuru, Stephen Estes, Patricia Leung, J.L. “Spike” Standifer, Ana Vargas-Smith

HOUSING REHABILITATION LOAN COMMITTEE

Michael Louis Ferrito, Councilmember Teresa O’Neill, Carmen Pascual, Bianca Wilczoch

PARKS AND RECREATION COMMISSION

Burt Field, George Guerra, Andrew Knaack, Roseann Alderete LaCoursiere, Joe Martinez, Tino Silva, Kevan Michael Walke

PLANNING COMMISSION

Anthony Becker, Nancy A. Biagini, Yuki Ikezi, Sudhanshu Jain, Steve Kelly, Lance Saleme, Shawn Williams

SALARY SETTING COMMISSION

Pilar Arquero, Marjorie Banko, MV Kumar, John Sontag, David B. Stealey

SENIOR ADVISORY COMMISSION

Deena Brockett, Wanda Buck, Barbara A. “Bobbi” Estrada, Grant L. McCauley, Carolyn Seeger, Nancy Toledo

YOUTH COMMISSION

Yusra Arub, Antonio Davila, Ria Grewal, Bella Jimenez, Jasmine Kelley-Tanti, Caroline Kloes, Vincent Kloes, Adrianne Krivokapic-Zhou, Damarah Madriaga, Kayla Phan, Siya Sharma, Meera Suresh, Smrithi Suresh, Natasha Yen, Sanjana Yerramaneni

EXECUTIVE MANAGEMENT TEAM

CITY MANAGER
Deanna J. Santana

CITY ATTORNEY
Brian Doyle

CITY AUDITOR
Linh Lam

CITY CLERK
Hosam Haggag

ASSISTANT CITY MANAGER
Cynthia Bojorquez

CHIEF OF POLICE
Michael J. Sellers

ASSISTANT CITY MANAGER
Nadine Nader

FIRE CHIEF
William G. Kelly

ASSISTANT CITY MANAGER
Manuel Pineda

DIRECTOR OF COMMUNICATIONS
Lenka Wright

ASSISTANT CITY MANAGER
Ruth Shikada

CHIEF ELECTRIC UTILITY OFFICER
Manuel Pineda (Interim)

DIRECTOR OF FINANCE
Angela Kraetsch

DIRECTOR OF WATER & SEWER UTILITIES
Gary Welling

DIRECTOR OF PUBLIC WORKS
Craig Mobeck

DIRECTOR OF INFORMATION TECHNOLOGY/CIO
Gaurav Garg

DIRECTOR OF PARKS & RECREATION
James F. Teixeira

CITY LIBRARIAN
Hilary Keith

DIRECTOR OF COMMUNITY DEVELOPMENT
Andrew Crabtree

DIRECTOR OF HUMAN RESOURCES
Teresia Zadroga-Hasse

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Santa Clara

California

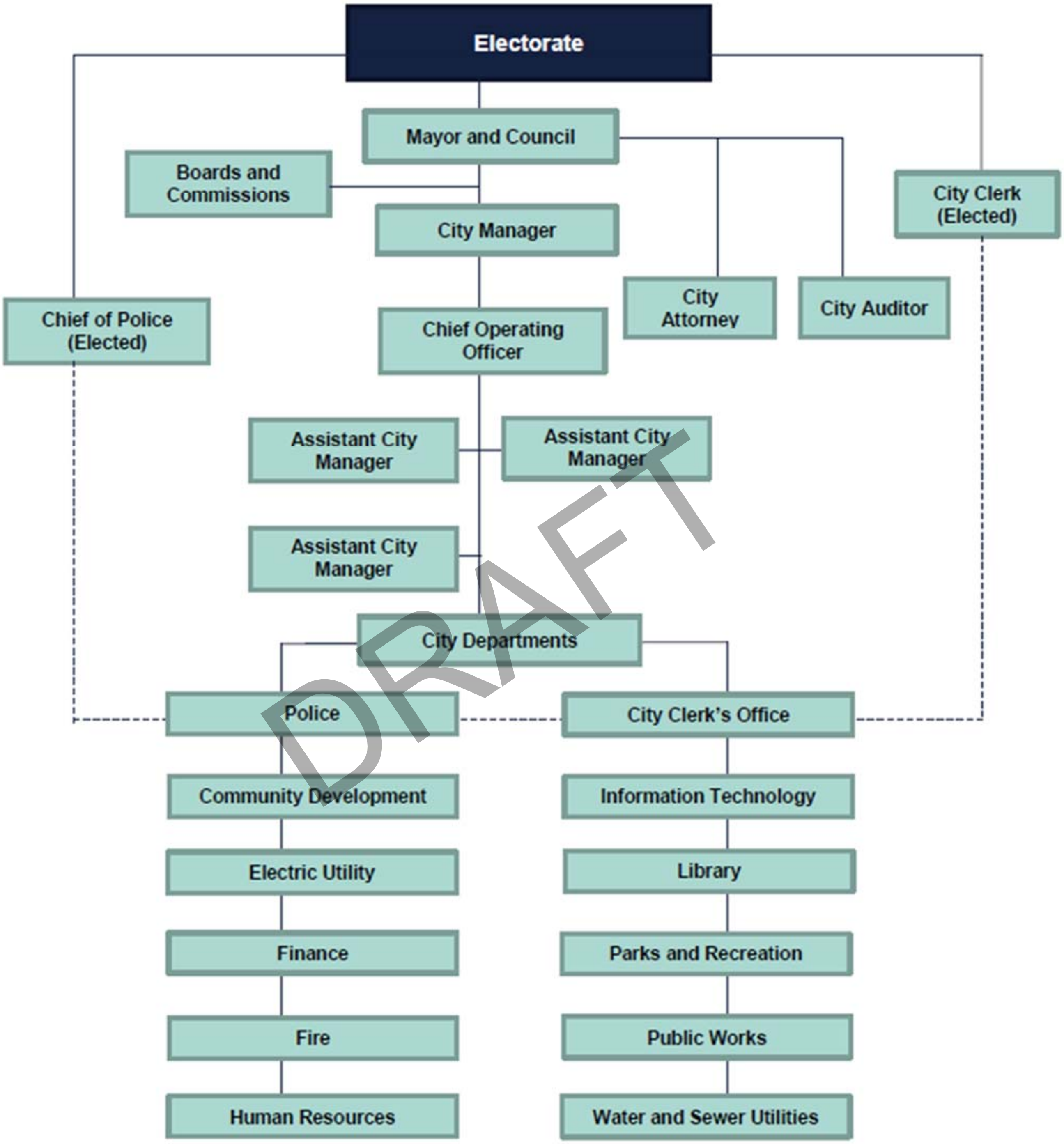
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

Organization Chart




BAY AREA
San Francisco
Oakland
Oakland Int'l Airport
San Leandro
Walnut Creek
San Ramon
Dublin
Livermore
Pleasanton
Hayward
Daly City
San Bruno
Pacifica
San Francisco Int'l Airport
Millbrae
Burlingame
San Mateo
Belmont
Redwood City
Menlo Park
Palo Alto
Half Moon Bay
Newark
Fremont
Milpitas
Mountain View
Sunnyvale
Los Altos
SANTA CLARA
San Jose Int'l Airport
San Jose
Cupertino
Saratoga
Los Gatos
Scotts Valley
Santa Cruz
Watsonville
Albany
Emeryville
Piedmont
Lafayette
Moraga
Angel Island
Golden Gate National Recreation Area
Mount Tamalpais State Park
Mount Diablo State Park
Big Basin Redwoods State Park
The Forest of Nisene Marks State Park
PACIFIC OCEAN
Monterey Bay
DRAFT
Napa Valley 90miles
Sacramento 120miles
Yosemite 175miles
San Francisco 45miles
Oakland 40miles
SANTACLARA
Santa Cruz 30miles
Monterey/Carmel 70miles
Las Vegas 540miles
Los Angeles 350miles
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Financial Section

Independent Auditor's Report
on Basic Financial Statements

Management's Discussion and Analysis

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Clara, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents. We did not audit the component unit financial statements of the Santa Clara Stadium Authority (Stadium Authority), as of and for the year ended March 31, 2018, which is both a major fund and 37.6%, 4.0%, and 16.1% of the assets, net position and revenues, respectively, of the business-type activities.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the Stadium Authority were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Stadium Authority, is based solely on the report of other auditors. We also did not audit the financial statements of Northern California Power Agency (NCPA), Transmission Agency of Northern California (TANC) and San Jose-Santa Clara Regional Wastewater Facility and Clean Water Financing Authority (SJSC) as of and for the year ended June 30, 2017, related to the calculation of the Investments in Joint Ventures. The Investment in these Joint Ventures collectively represents 8.2%, 17.4% and 1.2% respectively, of total assets, net position and revenues of the business-type activities. The financial statements of the NCPA, TANC and SJSC were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the calculation of the Investments in Joint Ventures, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Accountancy Corporation
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Pleasant Hill, CA 94523

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which became effective during the year ended June 30, 2018 and required the restatement of beginning net position as discussed in Notes 16 and 18E to the financial statements.

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pleasant Hill, California
December 3, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of the City of Santa Clara's (City) Comprehensive Annual Financial Report (CAFR) provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the City's financial performance. Readers should review the discussion and analysis in conjunction with the basic financial statements, as well as the notes to the financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Financial highlights for fiscal year June 30, 2019 are as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by $1.8 billion in fiscal year 2018-19. Of this amount, $(139) million represents unrestricted net position, an increase of $65 million from fiscal year 2017-18. The negative position is primarily due to net pension and Other Post Employment Benefit (OPEB) liabilities at June 30, 2019.
- The City's total net position increased by $143 million due to a $41 million increase in governmental activities and a $102 million increase in business activities.
- As of June 30, 2019, the City's governmental funds reported combined fund balances of $361 million, an increase of $33 million from the prior year. At June 30, 2019, $148 million is in unassigned fund balance and available for spending at the City's discretion.
- At the close of fiscal year 2018-19, the General Fund had assets of $238 million and a fund balance of $229 million. This represents an increase in fund balance of $33 million, or 17% from prior fiscal year. The increase is primarily attributed to a $14.7 million redistribution from the proceeds of sale of the Great America Theme Park land and a $9 million increase in sales tax revenue. Of the total fund balance, $187 million was unrestricted (the total of committed, assigned, and unassigned components of fund balance).
- In November 2012, the Santa Clara Stadium Authority (Stadium Authority) elected to adjust its fiscal year to April 1 through March 31 to conform with the fiscal year of Stadium Funding Trust (FinanceCo). This report covers the twelve month period from April 1, 2018 through March 31, 2019. As of March 31, 2019, buildings, infrastructure and land improvements equaled $751 million and the assets of the Stadium Authority exceeded its liabilities by $60 million.
- The City's total outstanding long-term debt decreased by $57 million during the current fiscal year primarily due to the repayment of Stadium Authority debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

- The *Government-wide Financial Statements* provide both long-term and short-term information about the City's overall financial status.

- The *Fund Financial Statements* focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called major funds. Each major fund is presented individually, with all non-major funds combined in a single column on each fund statement. The non-major fund statements are presented in the Supplementary Information section of this report. Major funds present the primary activities of the City for the year and may change from year to year as a result of changes in the pattern of the City's activities. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

Notes to the Financial Statements

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

Other information

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS ANALYSIS

Citywide Financial Statements

This section focuses on the City's net position and changes in net position of its governmental and business-type activities for the fiscal year ending June 30, 2019. As noted earlier, the City's total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $1.8 billion at the end of the fiscal year, an increase in net position of $143 million.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018 (1)	2019	2018	2019	2018 (1)
Cash and investments	$ 326	$ 309	$ 574	$ 533	$ 900	$ 842
Other assets	162	172	292	267	454	439
Capital assets	603	546	1,443	1,456	2,046	2,002
Total Assets	**1,091**	**1,027**	**2,309**	**2,256**	**3,400**	**3,283**
Deferred outflows on derivative instruments	-	-	-	4	-	4
Deferred outflows from refunding	-	-	4	5	4	5
Deferred outflows pension related	74	89	21	27	95	116
Total Deferred Outflows of Resources	**74**	**89**	**25**	**36**	**99**	**125**
Long-term liabilities outstanding	18	19	535	591	553	610
Net OPEB liability	20	24	18	22	38	46
Net pension liability	395	389	129	127	524	516
Other liabilities	61	56	477	482	538	538
Total Liabilities	**494**	**488**	**1,159**	**1,222**	**1,653**	**1,710**
Deferred inflows from refunding	-	-	-	1	-	1
Deferred inflows OPEB related	3	-	3	-	6	-
Deferred inflows pension related	8	9	2	1	10	10
Total Deferred Inflows of Resources	**11**	**9**	**5**	**2**	**16**	**11**
Net investment in capital assets	585	553	953	918	1,538	1,471
Restricted	245	246	186	174	431	420
Unrestricted	(170)	(180)	31	(24)	(139)	(204)
Total Net Position	**$ 660**	**$ 619**	**$ 1,170**	**$ 1,068**	**$ 1,830**	**$ 1,687**

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

The largest portion of the City's net position, $1.5 billion (84%), is its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide services to its residents and other stakeholders. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the City's net position of $431 million (24%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $(139) million (-8%) is unrestricted and is negative due to the City's net pension and OPEB liabilities.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position except for the Workers' Compensation Insurance Claims, Special Liability Insurance Claims, Cemetery Enterprise Fund, Solid Waste Enterprise Fund, and Santa Clara Golf and Tennis Club.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018*	2019	2018*	2019	2018*
Revenues:						
Program revenues:						
Charges for services	$ 48	$ 37	$ 708	$ 722	$ 756	$ 759
Operating grants and contributions	8	7	-	-	8	7
Capital grants and contributions	24	20	4	4	28	24
General revenues:						
Taxes:						
Sales	65	56	-	-	65	56
Ad valorem property	59	55	-	-	59	55
Transient occupancy	23	21	-	-	23	21
Other	6	6	-	-	6	6
Contribution in lieu of taxes	21	22	-	-	21	22
Investment earnings	7	5	17	16	24	21
Net increase (decrease) in fair value of investments	8	(2)	10	(4)	18	(6)
Rents and royalties	10	11	-	-	10	11
Other	30	16	-	-	30	16
Total revenues	309	254	739	738	1,048	992
Expenses:						
General Administration	31	25	-	-	31	25
City Clerk	1	1	-	-	1	1
City Attorney	2	1	-	-	2	1
Human Resources	2	2	-	-	2	2
Finance	7	6	-	-	7	6
Public Works	46	38	-	-	46	38
Parks and Recreation	23	21	-	-	23	21
Public Safety:						
Police	72	77	-	-	72	77
Fire	58	55	-	-	58	55
Planning and Inspection	13	11	-	-	13	11
Library	13	12	-	-	13	12
Interest on long-term debt	1	1	-	-	1	1
Utilities:						
Electric-						
Retail	-	-	386	402	386	402
Wholesale	-	-	23	35	23	35
Water	-	-	46	42	46	42
Sewer	-	-	29	26	29	26
Water Recycling	-	-	6	5	6	5
Solid Waste	-	-	25	23	25	23
Cemetery	-	-	1	1	1	1
Santa Clara Golf and Tennis Club	-	-	3	3	3	3
Santa Clara Convention Center	-	-	13	9	13	9
Santa Clara Stadium Authority	-	-	104	111	104	111
Total expenses	269	250	636	657	905	907
Increase in net position before transfers	40	4	103	81	143	85
Transfers in (out)	1	1	(1)	(1)	-	-
Increase in net position before special item	41	5	102	80	143	85
Change in accounting principal	-	(25)	-	(23)	-	(48)
Net position - July 1 as adjusted	619	614	1,068	988	1,687	1,602
Net position - June 30	$ 660	$ 619	$ 1,170	$ 1,068	$ 1,830	$ 1,687

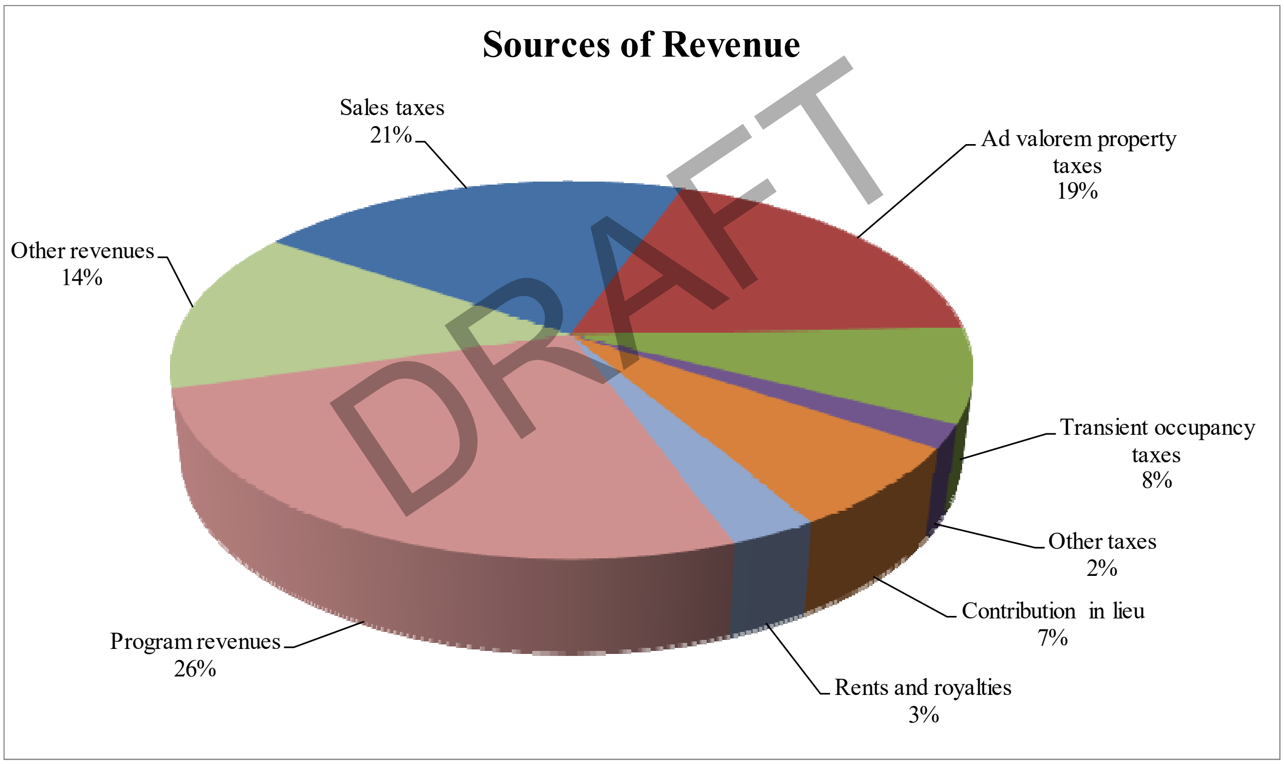
* Restated for the effects of GASB75.

Governmental Activities - governmental activities increased the City's net position by $41 million. This is primarily due to the higher general fund revenues and increases in the fair value of the investments.

Business-type Activities - business-type activities increased the City's net position by $102 million. This is primarily due to an increase of $65 million in the Electric Utility as a result of lower resource costs in operating activities and higher fair value of investments, an increase of $18 million in the Sewer Utility Fund due to increased assets and equity in joint venture, and a $17 million increase from Stadium Authority operations.

Governmental Activities

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



MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The following analysis presents a comparison of fiscal year 2018-19 and fiscal year 2017-18 by the total cost and net cost of each of the City's largest programs. Net cost is defined as total program cost less the revenues generated by those specific activities. It is common to see Governmental Activities as net cost generators, wherein costs of governmental activities are greater than the revenues they generate.

Table 3
Governmental Activities
(in millions)

	Total Cost Of Services		Net Cost Of Services	
	2019	2018	2019	2018
General Administration	$ 31	$ 25	$ 21	$ 23
City Clerk	1	1	1	1
City Attorney	2	1	2	1
Human Resources	2	2	2	2
Finance	7	6	6	5
Public Works	46	38	10	9
Parks and Recreation	23	21	20	18
Public Safety:				
Police	72	77	70	70
Fire	58	55	49	46
Planning and Inspection	13	11	(6)	(2)
Library	13	12	12	12
Interest on long-term debt	1	1	1	1
Totals	$ 269	$ 250	$ 188	$ 186

In fiscal year 2018-19, total costs of services increased $19 million and net costs increased $2 million. The increased cost for Governmental Activities is primarily due to the salary and benefit cost increases in General Administration, increased spending in street maintenance in Public Works, and retroactive overtime payments to be in compliance with the Fair Labor Standard Act for Fire Department.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Business-type Activities

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

Table 4
Business-Type Activities
(in millions)

	Total Cost Of Services		Net Cost Of Services	
	2019	2018	2019	2018
Utilities:				
Electric -				
Retail	$ 386	$ 402	$ (46)	$ (38)
Wholesale	23	35	(5)	-
Water	46	42	(1)	(5)
Sewer	29	26	(15)	(25)
Water Recycling	6	5	-	(1)
Solid Waste	25	23	(1)	-
Cemetery	1	1	1	1
Santa Clara Golf and Tennis Club	3	3	1	1
Santa Clara Convention Center	13	9	-	(1)
Santa Clara Stadium Authority	104	111	(9)	(1)
Totals	$ 636	$ 657	$ (75)	$ (69)

The City's business-type total costs of services decreased $21 million and net costs of services decreased by $6 million as of June 30, 2019. The net costs of services for the Electric Utility were ($51) million, a decrease of $13 million from the prior year. This net cost decrease can be attributed to a decrease in power purchase costs. The net cost of services in Water Utility Fund decrease of $4 million is due to the increase in the resource purchases. The net cost of services in Sewer Utility Fund decrease of $10 million is mainly due to the $7 million equity decrease in the joint project with City of San Jose. The net cost of services in Solid Waste Fund decrease of $1 million is mainly due to recognizing increased landfill post-closure costs to meet accounting requirements in fiscal year 2018-19.

FUND FINANCIAL STATEMENTS

Financial Analysis of Governmental Funds

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

At June 30, 2019, the City's governmental funds reported a combined fund balance of $361 million, an increase of $33 million or 10% in comparison with the prior fiscal year. Approximately 41% or $148 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form, $24 million, 2) restricted for particular purposes, $105 million, 3) committed for particular purposes, $76 million, or 4) assigned for particular purposes, $8 million.

Governmental fund revenues increased $56 million, or 22%, from prior year to $309 million. Most of this increase is attributed to a one-time $14.7 million distribution related to the sale of the Great America Theme Park land, an $11 million increase in investment market value, a $15 million increase in taxes, and an $8 million increase in licenses and permits due to more development activities compared to the prior year.

Governmental fund expenditures were $275 million, an increase of $25 million from the prior year. The increase is primarily attributable to higher salary and benefit costs in the General Fund.

General Fund

Revenues

The City's General Fund revenues totaled $283 million in fiscal year 2018-19, an increase of $53 million or 23% from the prior fiscal year.

Sales tax is the largest revenue source for the City's General Fund and accounts for approximately 22% of direct General Fund revenues. Sales tax revenue increased $9 million primarily due to the steady increase in local business returns and a true up adjustment from fiscal year 2017-18 tax allocation.

Property tax revenues for fiscal year 2018-19 were $59 million, an increase of $4 million or 7% from the prior year as a result of growth in the assessed valuation on secured properties and the value of the new construction projects being added to the tax roll.

Transient occupancy taxes were $23 million in fiscal year 2018-19, $3 million or 13% higher than fiscal year 2017-18.

Licenses, permits, fines and penalties revenues were $16 million in fiscal year 2018-19 compared with $9 million in fiscal year 2017-18. The increase is due to increased construction activity and related building permit fees.

Intergovernmental revenues were $17 million in fiscal year 2018-19 compared to $5 million in the previous year. The increase is due to a $15 million distribution of proceeds from the Successor Agency's sale of land in the fiscal year 2018-19.

Charges for services totaled $47 million in fiscal year 2018-19 compared to $43 million in the prior fiscal year. This increase is largely attributed to fee increases.

Contributions in-lieu of taxes were approximately $21 million in fiscal year 2018-19, which is consistent with prior year results.

Interest and rent revenues were $16 million in fiscal year 2018-19 compared to $14 million in fiscal year 2017-18. The increase is due to higher interest rate in the current year.

Expenditures

General Fund expenditures totaled $224 million for fiscal year 2018-19 compared to $211 million in the prior year. This amount excludes encumbrances and re-appropriations.

Salaries and benefits expenditures were $176 million in fiscal year 2018-19 compared with $167 million in fiscal year 2017-18, an increase of $9 million. This increase is primarily due to increased salary and benefit costs as well as an increase in General Fund positions.

Other operating expenditures, including materials, services, and supplies, internal service fund charges and minor capital outlays, were $47 million in fiscal year 2018-19, an increase of $3 million from the previous fiscal year.

Transfers out for fiscal year 2018-19 were $28 million compared to $18 million in the prior year. This increase of $10 million was primarily due to the purchase of the Great America parking lot in fiscal year 2018-19.

Fund Balance

As of June 30, 2019, total fund balance in the General Fund was $229 million, up $33 million from fiscal year 2017-18. Table 5A shows the breakdown of various components compared with the prior fiscal year.

Table 5A
General Fund Balance for the Fiscal Year Ended June 30, 2019
(in millions)

	2019	2018	Net Change
Nonspendable	$ 24	$ 25	$ (1)
Restricted	18	14	4
Committed	31	42	(11)
Assigned	8	7	1
Unassigned	148	108	40
Total General Fund Balance	$ 229	$ 196	$ 33

General Fund Budgetary Highlights

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

Original Budget Compared to Final Budget

Table 5B
General Fund Budget for the Fiscal Year Ended June 30, 2019
(in millions)

	Original Budgeted Amount	Final Budgeted Amount	Net Change
Revenues	$ 235	$ 238	$ 3
Expenditures	$ 235	$ 241	$ 6
Other financing sources (uses)	$ (13)	$ (26)	$ (13)

Adjustments to the original budget were based on the following:

- The increase in budgeted revenues is mainly due to a $1.4 million mid-year budget adjustment for reimbursement of City costs from College Football Playoff Host Committee and a $1 million mid-year adjustment for Fire mutual aid reimbursement.
- The increase in budgeted expenditures is due to a $4 million mid-year budget adjustment in the Fire department for required minimum staff overtime for backfill, $1 million additional retroactive overtime appropriation to be compliant with the Fair Labor Standard Act, and a $0.9 million increase in the salary and benefit category for the College Football playoff.
- The increase in budgeted Other Financing Uses is due to a $7.5 million transfer from the General Fund Land Sale Proceeds Reserves to purchase the Great America North-South parking lot; $3 million from General Fund Capital Project Reserves to fund the various capital improvement projects; and $2.8 million transfer from the Budget Stabilization Reserves to fund the Special Liability Insurance Claims and Santa Clara Golf and Tennis Club Fund to cover operating deficits.

Final Budget Versus Actual

Table 5C
General Fund Final Budget Versus Actual for the Fiscal Year Ended June 30, 2019
(in millions)

	Final Budgeted Amount	Actual Amount	Variance
Revenues	$ 238	$ 282	$ 44
Expenditures	$ 241	$ 224	$ (17)
Other financing sources (uses)	$ (26)	$ (26)	$ -

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

- The final budgeted revenues resulted in a $44 million positive variance mainly due to $16 million increases in intergovernmental revenues from the RDA Successor Agency land sale redistribution and higher mutual aid reimbursement in the Fire department, a $12 million increase in sales tax compared to the prior year, and a $6 million increase in transient occupancy tax.
- Actual expenditures were $17 million lower than the final budget as a result of lower departmental costs. See the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget Actual (Non-GAAP Basis) for additional details.

Santa Clara Housing Successor

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

The SCHS's revenues were approximately $2 million in fiscal year 2018-19. Revenues received were mostly loan repayments on low income loans. The general expenditures were $549 thousand, comparable to the prior year. Expenditures are for case management services offered to persons experiencing (or at risk of) homelessness and increased administration and labor cost related to developing land held for development of affordable housing and managing and monitoring assets.

Non-Major Governmental Funds

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

Financial Analysis of Enterprise Funds

Enterprise Fund net position totaled $1.17 billion at the end of fiscal year 2018-19, an increase of $102 million or 9.4% over the prior fiscal year. Enterprise operating revenues were $656 million, up $11 million from last year's revenues. Fund operating expenses were $577 million, down $8 million from the prior year. The decrease can be primarily attributed to decreases in materials, supplies and services in the Electric Fund.

The equity in joint venture in fiscal year 2018-19 was at a loss of $17 million, compared to a $9 million gain in the previous year. This decrease of $26 million is mostly due to the $17 million refund to participant from the joint power agencies and decreased equity contribution to the San Jose Santa Clara Joint Wastewater Treatment Facility joint project. Not including the joint venture activity and net change in the fair value of the investment, non-operating revenues in fiscal year 2018-19 were $83 million, remaining the same as the previous year. Non-operating expenses were $53 million which were down $17 million from the previous year because of the decreased wholesale resource purchases in the Electric Utility Fund.

Electric Utility

This fund accounts for the operation of the City's electric utility services. Retail operating revenues were $407 million in fiscal year 2018-19 compared with $404 million in fiscal year 2017-18. The main reason for this increase was due to consumption increases in commercial and industrial sectors.

Retail operating expenses were $368 million in fiscal year 2018-19 compared with $387 million in fiscal year 2017-18, a decrease of $19 million or 4.9%. Operating expenses were lower primarily due to decreases in the cost of purchased power.

Revenues of wholesale power operations decreased to $28 million in the current fiscal year, down from $35 million in fiscal year 2017-18. The costs of wholesale power purchases decreased to $23 million from $35 million in the prior fiscal year.

Interest revenues were $6 million in fiscal year 2018-19, up from $4 million in fiscal year 2017-18 due primarily to a higher interest rate environment. Interest expense was $12 million in current year, which increased $4 million from fiscal year 2017-18 as a result of the SWAP termination.

The Electric Utility Fund had a net position of $771 million at June 30, 2019, an increase of $65 million from the prior fiscal year. Of this amount, $412 million was net investment in capital assets, $4 million was restricted for the pension stabilization fund, and $354 million was unrestricted. The Electric Utility Fund is a participant in a number of joint ventures including Northern California Power Agency (NCPA), the Transmission Agency of Northern California (TANC), M-S-R Public Power Agency (MSR PPA), and M-S-R Energy Authority (MSR EA).

Water Utility

This fund accounts for the operation of the City's water utility services. Operating revenues were $46 million in fiscal year 2018-19, an increase of $1 million from the prior fiscal year. The increase in revenue is due to an increase in utility rates which was offset by a decrease in water usage.

Operating expenses were $46 million in fiscal year 2018-19, compared to $42 million in fiscal year 2017-18. The increase is primarily due to an increase in the cost of materials, services and supplies compared to the prior year. A major contributor to the material increase was the increased cost to purchase water. Additionally, there was increased cost to upgrade and improve the City's water equipment and facilities. The Water Utility Fund's net position at June 30, 2019 increased to $55 million.

Sewer Utility

This fund accounts for the maintenance of the City's sewer lines and related facilities. Operating revenues of the Sewer Utility increased from $47 million in fiscal year 2017-18 to $49 million in the current year. This increase is primarily due to an increase in sewer utility rates.

Operating expenses were $29 million in fiscal year 2018-19, compared with $25 million in the prior fiscal year. The majority of this increase is due to higher infrastructures cost to upgrade and improve the City's sewer system.

The Sewer Utility Fund had a net position of $254 million at June 30, 2019, an increase of $18 million from the prior fiscal year. Of this amount, $26 million was net investment in capital assets, $144 million was restricted for joint venture capital projects and $84 million was unrestricted. The Sewer Utility, together with the City of San Jose, owns the San Jose/Santa Clara Regional Wastewater Facility which is administered by the City of San Jose. The Utility's ownership share is approximately 19.58% of the assets, capital and operating costs. In fiscal year 2017-18, the City of San Jose reported that the gain of the Utility's equity in the Regional Wastewater Facility was $18 million (fiscal year 2018-19 amounts were not available at the time of this report).

Water Recycling

This fund accounts for the ongoing maintenance and operations of the City's wastewater reclamation system. Operating revenues have increased to $6 million up $1 from the prior fiscal year. The increased revenue is due to an increase in the recycle water utility rates. Operating expenses increased to $6 million and increase of $1 million from the prior fiscal year. The increase was due to a higher cost to purchase recycled water. The net position at June 30, 2019 is $6 million.

Santa Clara Stadium Authority (Stadium Authority)

These funds account for the development and operation of Levi's Stadium. As of March 31, 2019, the Stadium Authority recorded approximately $106 million in operating revenue and incurred $85 million in operating expenses. Net position at March 31, 2019 was $60 million, an increase of $17 million from the previous year.

Solid Waste

This fund accounts for the administration of the City's garbage and rubbish collection service. Operating revenues were $26 million in fiscal year 2018-19, an increase of $2 million from fiscal year 2017-18. Operating expenses were $25 million in fiscal year 2018-19, an increase of $2 million from fiscal year 2017-18, mainly due to increases in the material, service and supplies cost. Net position at June 30, 2019 has a deficit of $1 million. This deficit is expected to be funded by charges for services in future years.

Cemetery

This fund accounts for the Mission City Memorial Park's operations. Operating revenues were $634 thousand, down 5% over prior year, while operating expenses were up 8% due to an increase in salary and benefit and materials, services, and supplies expenditures. Net position at June 30, 2019 was $(3.9) million, a decrease of $700 thousand from fiscal year 2017-18. This fund has frequently run a deficit in its operation and capital activities, which has been covered by an advance from General Fund reserves.

Santa Clara Golf and Tennis Club

This fund accounts for the operations of the City's public golf course. Operating revenues were $2 million; unchanged from prior year while operating expenses were down by 3%. Net position at June 30, 2019 was $(3.4) million.

Santa Clara Convention Center

This fund accounts for the operations of the Santa Clara Convention Center. Operating revenues were $13 million, an increase of 40% over prior year, while operating expenses were $13 million, an increase of 38%. Net position at June 30, 2019 was $32 million.

Sports and Open Space Authority (SOSA)

This fund accounts for the acquisition and preservation of open space within the City and the development of local sports activities. There were no operating revenues in fiscal year 2018-19 due to the expiration of the operating lease. Operating expenses were $10 thousand, with net position at June 30, 2019 coming in at $2 million.

CAPITAL ASSETS

At June 30, 2019, the City's capital assets totaled $603 million in Governmental Activities, and $1.44 billion 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, 2019
(in millions)

	2019	2018	Net Change
Governmental Activities:			
Land	$ 116	$ 109 #	$ 7
Construction in progress	38	24	14
Land improvements	25	23	2
Buildings	212	212	-
Infrastructure	560	535	25
Machinery and equipment	80	76	4
Less accumulated depreciation	(428)	(406)	(22)
Totals	$ 603	$ 573	$ 30
Business-Type Activities:			
Land	$ 19	$ 19	$ -
Construction in progress	87	74	13
Land improvements	24	24	-
Buildings	919	917	2
Infrastructure	1,054	1,040	14
Machinery and equipment	24	24	-
Less accumulated depreciation	(684)	(642)	(42)
Totals	$ 1,443	$ 1,456	$ (13)

The increase of $30 million in the Governmental Funds asset base was primarily due to $18 million of Contributed Infrastructure from various developers and $7.5 million for the purchase of the Great America Parking Lot in July 2018. The $13 million increase in Enterprise Funds infrastructure was due to various electric, water, and sewer projects.

The Capital Improvement Project Budget for fiscal year 2018-19 and Five-Year Financial Plan for fiscal year 2018-19 through fiscal year 2022-23 contain more detailed discussions of Capital Projects planned for the City of Santa Clara. See Note 9 to the financial statements for additional details on fiscal year 2018-19 capital assets.

DEBT ADMINISTRATION

Each of the City's debt issues is discussed in detail in Note 10 to the financial statements. At June 30, 2019 the City's debt was comprised of the following:

Table 7
Outstanding Debt at June 30, 2019
(in millions)

	Balance June 30, 2019	Balance June 30, 2018	Net Change
Governmental Activity Debt:			
Refunding Certificates of Participation, Series 2013	$ 15	$ 15	$ -
Lease Agreement Between City of Santa Clara and City of Santa Clara Public Facilities Financing Corporation	3	4	(1)
Business-Type Debt:			
Electric Utility Revenue Bonds, net of unamortized discount	162	171	(9)
Electric Bank of America Loan Agreement	23	26	(3)
Sewer Utility Trimble Road Loan	10	11	(1)
StadCo Subordinated Loan[1]	39	67	(28)
StadCo CFD Advance [1]	31	33	(2)
Stadium Funding Trust Loan[1]	270	283	(13)
Total Debt	$ 553	$ 610	$ (57)

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

SUCCESSOR AGENCY

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

See Notes 21 and 22 for further information on the Redevelopment Agency dissolution and Successor Agency activities.

ECONOMIC OUTLOOK

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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Basic Financial Statements

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

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

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

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

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

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

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

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

CITY OF SANTA CLARA
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and investments (Note 7):			
Pooled cash and investments	$ 306,567,600	$ 512,535,445	$ 819,103,045
Investments with fiscal agent	485	31,868,050	31,868,535
Receivables (net of allowance for uncollectible):			
Accounts	6,966,870	95,327,187	102,294,057
Interest	1,432,262	2,078,162	3,510,424
Intergovernmental	31,421,141	-	31,421,141
Materials, supplies and prepaid	338,523	12,632,625	12,971,148
Land held for development (Note 2H)	18,761,366	-	18,761,366
Total Current Assets	365,488,247	654,441,469	1,019,929,716
Noncurrent Assets			
Restricted Cash (Note 7)	18,760,715	9,768,815	28,529,530
Investment with fiscal agent (Note 7)	711,662	27,409,663	28,121,325
Deposits (Note 7)	-	1,405,371	1,405,371
Internal balances (Note 8D)	7,964,936	(7,957,028)	7,908
Long term loans, net (Note 2BB)	84,872,175	-	84,872,175
Capital assets (Note 9):			
Land and construction in progress	154,199,971	105,995,332	260,195,303
Capital assets being depreciated, net	448,552,828	1,336,711,005	1,785,263,833
Investment in joint ventures (Note 12)	4,896,192	181,254,613	186,150,805
Other	5,270,988	-	5,270,988
Total Noncurrent Assets	725,229,467	1,654,587,771	2,379,817,238
Total Assets	1,090,717,714	2,309,029,240	3,399,746,954
DEFERRED OUTFLOWS OF RESOURCES			
Refunding	-	4,563,668	4,563,668
Pension related items (Note 13)	74,176,824	20,942,508	95,119,332
Total Deferred Outflows of Resources	$ 74,176,824	$ 25,506,176	$ 99,683,000

CITY OF SANTA CLARA
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Accrued liabilities	$ 22,685,562	$ 34,312,603	$ 56,998,165
Interest payable	325,390	10,911,549	11,236,939
Accrued compensated absences (Note 2K)	1,423,387	462,605	1,885,992
Unearned revenue, current portion	391,981	15,056,892	15,448,873
Landfill closure liability (Note 11)	-	490,000	490,000
Long-term debt-due within one year (Note 10)	1,859,000	29,330,563	31,189,563
Total Current Liabilities	26,685,320	90,564,212	117,249,532
Noncurrent Liabilities			
Long-term portion estimated claims (Note 19)	20,028,200	-	20,028,200
Accrued compensated absences (Note 2K)	16,199,851	5,264,980	21,464,831
Landfill closure liabilities (Note 11)	-	4,392,488	4,392,488
Accrued liabilities	-	5,003,547	5,003,547
Unearned revenue	-	400,819,874	400,819,874
Long-term debt-due after one year (Note 10)	15,692,284	506,070,174	521,762,458
Net OPEB liability-due after one year (Note 16)	19,874,065	18,271,935	38,146,000
Net pension liability-due after one year (Note 13)	395,134,050	129,082,427	524,216,477
Total Noncurrent Liabilities	466,928,450	1,068,905,425	1,535,833,875
Total Liabilities	493,613,770	1,159,469,637	1,653,083,407
DEFERRED INFLOWS OF RESOURCES			
Refunding	-	363,420	363,420
OPEB related items (Note 16)	3,306,790	3,040,210	6,347,000
Pension related items (Note 13)	7,511,055	2,039,343	9,550,398
Total Deferred Inflows of Resources	10,817,845	5,442,973	16,260,818
NET POSITION (Note 18)			
Net investment in capital assets	585,201,515	953,097,940	1,538,299,455
Restricted for:			
Capital projects and other agreements	82,867,283	180,705,899	263,573,182
Debt service	1,181,095	-	1,181,095
Housing activities	129,226,830	-	129,226,830
Community development	9,281,903	-	9,281,903
Transportation	1,730,113	-	1,730,113
Pension rate stabilization program	16,381,504	4,561,356	20,942,860
Other purposes	4,105,977	-	4,105,977
Total Restricted Net Position	244,774,705	185,267,255	430,041,960
Unrestricted Net Position	(169,513,297)	31,257,611	(138,255,686)
Total Net Position	$ 660,462,923	$ 1,169,622,806	$ 1,830,085,729

See accompanying notes to basic financial statements

CITY OF SANTA CLARA
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:					
General Administration	$ 38,294,432	$ (7,966,052)	$ 7,904,440	$ 1,057,783	$ 331,388
City Clerk	1,555,852	(292,491)	41,208	-	-
City Attorney	2,220,191	(519,984)	-	-	-
Human Resources	3,522,370	(1,511,204)	-	-	-
Finance	12,506,163	(5,394,834)	1,169,217	-	-
Public Works	48,505,000	(2,780,127)	6,893,138	5,474,877	23,303,076
Parks and Recreation	23,285,199	-	3,430,561	167,329	-
Public Safety:					
Police	72,448,536	-	1,378,755	627,657	-
Fire	58,119,953	-	7,880,905	973,084	-
Planning and Inspection	12,878,921	-	19,047,642	77,147	-
Library	12,686,670	-	112,711	79,025	-
Interest on long term debt	629,471	-	-	-	-
Total Governmental Activities	286,652,758	(18,464,692)	47,858,577	8,456,902	23,634,464
Business-type Activities:					
Utilities:					
Electric -					
Retail	376,290,226	10,002,638	432,554,873	-	-
Wholesale	22,519,497	-	27,708,493	-	-
Water	42,883,735	3,183,592	47,017,144	-	-
Sewer	27,513,505	1,948,301	44,762,560	-	-
Water Recycling	5,793,053	115,549	6,299,148	-	-
Solid Waste	23,037,631	2,355,575	25,982,917	-	-
Cemetery	1,165,345	91,517	633,788	-	-
Sports and Open Space Authority	9,466	-	-	-	-
Santa Clara Golf and Tennis Club	2,836,506	-	2,001,086	-	-
Santa Clara Convention Center	12,966,599	-	12,734,378	-	-
Santa Clara Stadium Authority	103,131,188	767,520	108,769,861	-	3,779,880
Total Business-type Activities	618,146,751	18,464,692	708,464,248	-	3,779,880
Total	$ 904,799,509	$ -	$ 756,322,825	$ 8,456,902	$ 27,414,344
General Revenues:					
Taxes:					
Sales					
Ad valorem property					
Transient occupancy					
Other					
Contribution in lieu of taxes					
Investment earnings					
Net (decrease) in the fair value of investments					
Equity in gains/(losses) of joint ventures					
Rents and royalties					
Other					
Transfers (Note 8A)					
Total General Revenues and Transfers					
Change in Net Position					
Net Position - beginning					
Net Position - ending					

CITY OF SANTA CLARA
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019
Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
$ (21,034,769)	$ -	$ (21,034,769)
(1,222,153)	-	(1,222,153)
(1,700,207)	-	(1,700,207)
(2,011,166)	-	(2,011,166)
(5,942,112)	-	(5,942,112)
(10,053,782)	-	(10,053,782)
(19,687,309)	-	(19,687,309)
(70,442,124)	-	(70,442,124)
(49,265,964)	-	(49,265,964)
6,245,868	-	6,245,868
(12,494,934)	-	(12,494,934)
(629,471)	-	(629,471)
(188,238,123)	-	(188,238,123)
-	46,262,009	46,262,009
-	5,188,996	5,188,996
-	949,817	949,817
-	15,300,754	15,300,754
-	390,546	390,546
-	589,711	589,711
-	(623,074)	(623,074)
-	(9,466)	(9,466)
-	(835,420)	(835,420)
-	(232,221)	(232,221)
-	8,651,033	8,651,033
-	75,632,685	75,632,685
(188,238,123)	75,632,685	(112,605,438)
65,036,080	-	65,036,080
58,501,737	-	58,501,737
23,228,956	-	23,228,956
5,954,624	-	5,954,624
21,304,288	-	21,304,288
6,989,790	16,618,356	23,608,146
8,082,098	9,921,314	18,003,412
27,572	-	27,572
9,762,353	-	9,762,353
30,256,703	-	30,256,703
742,270	(742,270)	-
229,886,471	25,797,400	255,683,871
41,648,348	101,430,085	143,078,433
618,814,575	1,068,192,721	1,687,007,296
$ 660,462,923	$1,169,622,806	$1,830,085,729

See accompanying notes to basic financial statements

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CITY OF SANTA CLARA
FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal year 2018-19. Individual non-major funds may be found in the Supplementary section on page 170.

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

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

SANTA CLARA HOUSING SUCCESSOR FUND

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

CITY OF SANTA CLARA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2019

	General Fund	Santa Clara Housing Successor
ASSETS		
Cash and investments (Note 7):		
Pooled cash and investments	$ 163,364,502	$ 12,795,810
Investments with fiscal agent - current	-	-
Restricted cash	16,381,504	-
Receivables (net of allowance for uncollectibles):		
Accounts	6,606,785	-
Interest	1,432,262	-
Loans	-	73,659,491
Intergovernmental	29,994,486	-
Due from other funds (Note 8B)	83,398	-
Materials, supplies and prepaids	23,931	-
Land held for development (Note 2H)	-	18,761,366
Investments with fiscal agent - noncurrent (Note 7)	-	-
Advances to other funds (Note 8C)	20,018,382	-
Other	22,680	-
Total Assets	$ 237,927,930	$ 105,216,667
LIABILITIES		
Accrued liabilities	$ 8,942,891	$ 354,795
Unearned revenue	391,981	-
Advances from other funds (Note 8C)	-	-
Total Liabilities	9,334,872	354,795
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - Loans	-	73,659,491
Unavailable revenue - Grants	-	-
Total Deferred Inflows of Resources	-	73,659,491
FUND BALANCES (Note 18)		
Nonspendable	24,420,634	-
Restricted	17,652,266	31,202,381
Committed	30,902,186	-
Assigned	7,879,405	-
Unassigned	147,738,567	-
Total Fund Balances	228,593,058	31,202,381
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 237,927,930	$ 105,216,667

CITY OF SANTA CLARA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2019

Non-Major Governmental Funds	Total Governmental Funds
$ 112,625,264	$ 288,785,576
485	485
2,379,211	18,760,715
165,038	6,771,823
-	1,432,262
46,593,925	120,253,416
3,166,018	33,160,504
-	83,398
-	23,931
-	18,761,366
711,662	711,662
-	20,018,382
-	22,680
$ 165,641,603	$ 508,786,200
$ 6,233,851	$ 15,531,537
-	391,981
10,130,273	10,130,273
16,364,124	26,053,791
46,593,925	120,253,416
1,739,364	1,739,364
48,333,289	121,992,780
-	24,420,634
55,599,711	104,454,358
45,344,479	76,246,665
-	7,879,405
-	147,738,567
100,944,190	360,739,629
$ 165,641,603	$ 508,786,200

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CITY OF SANTA CLARA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019

TOTAL GOVERNMENTAL FUND BALANCE	$ 360,739,629
Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:	
CURRENT LIABILITIES	
The assets and liabilities below are due and payable in less than one year and more than 90 days and therefore are not reported in the Funds:	
Current portion of accrued compensated absences excluding Internal Service Funds	(1,397,013)
Interest payable	(325,390)
CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and, therefore, are not reported in the Governmental Funds.	602,752,799
LONG TERM ASSETS	
Long-term receivable associated with lease agreements are not current assets or financial resources and, therefore, are not reported in the Governmental Funds	5,248,308
INVESTMENT IN NON-BUSINESS-TYPE JOINT VENTURE	4,896,192
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	73,341,747
ALLOCATION OF INTERNAL SERVICE FUND NET POSITION	
Internal Service Funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance, to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position:	
Cash and investments	17,782,024
Accounts receivable	195,047
Materials, supplies and prepaid	314,592
Deferred outflows pension related items	835,077
Accrued liabilities, including short-term portion of estimated claims	(7,154,025)
Long-term portion of estimated claims	(20,028,200)
Compensated absences - current	(26,374)
Compensated absences - long-term	(300,166)
Internal balances	(2,006,571)
Net OPEB liability	(728,588)
Net pension liability	(5,147,127)
Deferred inflows OPEB related items	(121,228)
Deferred inflows pension related items	(81,319)
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	(7,633,105)
Long-term debt	(17,551,284)
Non-current portion of accrued compensated absences (excluding Internal Service Funds)	(15,899,685)
Net OPEB liability (excluding Internal Service Funds)	(19,145,477)
Net pension liability (excluding Internal Service Funds)	(389,986,923)
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues recorded in governmental funds financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in Government-Wide Financial Statements.	92,505,281
OPEB related	(3,185,562)
Pension related	(7,429,736)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 660,462,923

CITY OF SANTA CLARA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2019

	General Fund	Santa Clara Housing Successor
REVENUES		
Taxes:		
Sales	$ 65,036,080	$ -
Ad valorem	58,501,737	-
Transient occupancy	23,228,956	-
Other	5,954,624	-
Licenses, permits, fines, and penalties	16,478,431	-
Intergovernmental	17,420,802	-
Charges for services	46,685,179	-
Contributions in-lieu of taxes	21,304,288	-
Interest and rents	15,511,636	321,969
Net increase (decrease) in the fair value of investments	8,082,098	-
Other	4,972,789	1,905,880
Total Revenues	283,176,620	2,227,849
EXPENDITURES		
Current:		
General Administration	27,274,622	548,571
City Clerk	1,439,870	-
City Attorney	2,005,911	-
Human Resources	3,150,577	-
Finance	11,697,081	-
Public Works	24,521,505	-
Parks and Recreation	19,710,226	-
Public Safety:		
Police	62,445,275	-
Fire	50,290,875	-
Planning and Inspection	11,341,307	-
Library	10,145,695	-
Capital outlay	153,575	-
Debt service (Note 10):		
Principal payments	-	-
Interest and fiscal fees	-	-
Total Expenditures	224,176,519	548,571
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	59,000,101	1,679,278
OTHER FINANCING SOURCES (USES)		
Transfers in (Note 8A)	1,717,039	-
Transfers (out) (Note 8A)	(27,898,582)	-
Total Other Financing Sources (Uses)	(26,181,543)	-
NET CHANGE IN FUND BALANCE	32,818,558	1,679,278
Fund balances - beginning	195,774,500	29,523,103
Fund balances - ending	$ 228,593,058	$ 31,202,381

CITY OF SANTA CLARA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2019

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 65,036,080
-	58,501,737
-	23,228,956
-	5,954,624
-	16,478,431
12,263,780	29,684,582
2,382,278	49,067,457
-	21,304,288
1,093,877	16,927,482
-	8,082,098
8,141,899	15,020,568
23,881,834	309,286,303
8,269,975	36,093,168
-	1,439,870
-	2,005,911
-	3,150,577
-	11,697,081
7,073,365	31,594,870
315,926	20,026,152
353,806	62,799,081
684,428	50,975,303
179,791	11,521,098
88,701	10,234,396
30,228,548	30,382,123
1,786,000	1,786,000
712,141	712,141
49,692,681	274,417,771
(25,810,847)	34,868,532
41,616,943	43,333,982
(17,102,026)	(45,000,608)
24,514,917	(1,666,626)
(1,295,930)	33,201,906
102,240,120	327,537,723
$ 100,944,190	$ 360,739,629

See accompanying notes to basic financial statements

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CITY OF SANTA CLARA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 33,201,906
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	(66,821)
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	30,382,123
Depreciation expense is deducted from the fund balance (Depreciation expense is net of Internal Service Fund depreciation of $2,879,523 which has already been allocated to serviced funds.)	(20,022,198)
Retirements and transfers of capital assets (net of Internal Service Fund retirement of $39,567)	(6,065)
Contributions of infrastructure improvements by developers and equipment are capitalized in the Statement of Activities, but are not recorded in the Governmental Fund Statements because no cash changed hands.	18,425,115
JOINT VENTURES - PROFIT FROM EQUITY	27,572
LONG TERM DEBT PROCEEDS AND PAYMENTS	
Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.	
Repayment of debt principal is added back to fund balance	1,786,000
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	(521,305)
Non-current portion of accrued compensated absences	(2,000,319)
Interest payable	82,670
Unavailable revenue	(98,983)
OPEB related expense	899,399
Pension related expense	(19,059,666)
ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY	
Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds, arising out of their transactions with Governmental Funds, is reported with governmental activities, because they service those activities.	
Change in Net Position - All Internal Service Funds, net	801,984
Change in Net Position of Internal Service Funds reported with Business-Type Activities	(2,183,064)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 41,648,348

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CITY OF SANTA CLARA
MAJOR PROPRIETARY FUNDS

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

The City has identified the funds below as major proprietary funds in fiscal year 2018-19.

GAAP does not require the disclosure of budget versus actual comparisons regarding proprietary funds that are major funds.

ELECTRIC UTILITY FUND

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

WATER UTILITY FUND

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

SEWER UTILITY FUND

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

WATER RECYCLING UTILITY FUND

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

SANTA CLARA STADIUM AUTHORITY FUND

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

CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2019

	Business-type Activities-Enterprise Funds		
	Electric Utility	**Water Utility**	**Sewer Utility**
ASSETS			
Current assets:			
Cash and investments (Note 7):			
Pooled cash and investments	$ 354,201,689	$ 24,192,365	$ 85,541,695
Investments with fiscal agent	5,254,585	-	-
Receivables (net of allowance for uncollectible):			
Accounts	68,948,537	6,444,752	5,394,313
Interest	1,450,793	104,109	357,139
Due from other funds (Note 8B)	1,459,309	153,616	557,636
Materials, supplies and prepaids	11,686,632	906,912	-
Total current assets	443,001,545	31,801,754	91,850,783
Noncurrent assets:			
Restricted cash (Note 7)	4,329,866	443,762	2,323,808
Investment with fiscal agent (Note 7)	15,873,428	-	-
Deposits (Note 7)	1,405,371	-	-
Capital assets (Note 9):			
Land	14,371,743	661,268	725,328
Buildings, infrastructure and land improvements	922,025,097	90,734,695	52,680,692
Equipment	9,896,202	3,858,124	4,919,251
Construction in progress	85,508,434	154,620	1,079,337
	1,031,801,476	95,408,707	59,404,608
Less accumulated depreciation	455,329,010	46,166,260	23,993,472
Net capital assets	576,472,466	49,242,447	35,411,136
Investment in joint ventures (Note 12)	37,332,312	-	143,922,301
Total noncurrent assets	635,413,443	49,686,209	181,657,245
Total assets	1,078,414,988	81,487,963	273,508,028
DEFERRED OUTFLOWS OF RESOURCES			
Refunding	4,563,668	-	-
Pension related items (Note 13)	15,289,344	3,287,841	1,289,779
Total deferred outflows of resources	19,853,012	3,287,841	1,289,779

CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2019

	Business-type Activities-Enterprise Funds				
	Water Recycling Utility	Santa Clara Stadium Authority (as of March 31, 2019)	Non-Major Enterprise Funds	TOTAL	Internal Service Funds (Note 2B)
	$ 5,711,934	$ 30,405,566	$ 13,734,124	$ 513,787,373	$ 16,530,096
	-	26,613,465	-	31,868,050	-
	887,688	8,681,744	4,970,153	95,327,187	195,047
	24,932	141,189	-	2,078,162	-
	-	-	201,407	2,371,968	394,880
	-	-	39,081	12,632,625	314,592
	6,624,554	65,841,964	18,944,765	658,065,365	17,434,615
	9,599	-	2,661,780	9,768,815	-
	-	11,536,235	-	27,409,663	-
	-	-	-	1,405,371	-
	-	-	3,092,872	18,851,211	-
	1,257,070	826,227,888	103,594,105	1,996,519,547	-
	-	1,815,697	3,606,491	24,095,765	40,016,240
	-	401,730	-	87,144,121	-
	1,257,070	828,445,315	110,293,468	2,126,610,644	40,016,240
	83,932	77,734,681	80,596,952	683,904,307	25,404,700
	1,173,138	750,710,634	29,696,516	1,442,706,337	14,611,540
	-	-	-	181,254,613	-
	1,182,737	762,246,869	32,358,296	1,662,544,799	14,611,540
	7,807,291	828,088,833	51,303,061	2,320,610,164	32,046,155
	-	-	-	4,563,668	-
	161,768	-	913,776	20,942,508	835,077
	161,768	-	913,776	25,506,176	835,077

(continued)

CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2019

	Business-type Activities-Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
LIABILITIES			
Current liabilities:			
Accrued liabilities	22,117,491	4,329,110	1,246,055
Interest payable	4,066,839	-	88,050
Unearned revenue	-	-	-
Due to other funds (Note 8B)	-	365,397	-
Accrued compensated absences (Note 2K)	370,517	55,056	19,458
Current portion of landfill closure liability (Note 11)	-	-	-
Current portion of long-term debt (Note 10)	11,700,000	-	730,013
Total current liabilities	38,254,847	4,749,563	2,083,576
Noncurrent liabilities:			
Advance from other funds (Note 8C)	-	-	-
Unearned revenue	-	-	-
Long-term accrued liabilities	-	-	-
Long-term portion estimated claims	-	-	-
Long-term compensated absences (Note 2K)	4,216,912	626,596	221,459
Landfill closure liability (Note 11)	-	-	-
Long-term debt (Note 10)	173,608,705	-	9,144,796
Long-term derivative financial instruments (Note 10D)	-	-	-
Net OPEB liability (Note 16)	13,339,656	2,868,580	1,125,307
Net pension liability (Note 13)	94,238,259	20,265,133	7,949,753
Total noncurrent liabilities	285,403,532	23,760,309	18,441,315
Total liabilities	323,658,379	28,509,872	20,524,891
DEFERRED INFLOWS OF RESOURCES			
Refunding	363,420	-	-
OPEB related items (Note 16)	2,219,545	477,294	187,237
Pension related items (Note 13)	1,488,846	320,164	125,597
Total deferred inflows of resources	4,071,811	797,458	312,834
NET POSITION (Note 18)			
Net investment in capital assets	412,291,774	49,242,447	25,536,327
Restricted for capital projects and other agreements	4,329,866	140,672	143,983,426
Unrestricted	353,916,170	6,085,355	84,440,329
Total net position (deficit)	$ 770,537,810	$ 55,468,474	$ 253,960,082

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

Net position of business-type activities

See accompanying notes to basic financial statements

CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2019

Business-type Activities-Enterprise Funds				
Water Recycling Utility	Santa Clara Stadium Authority (as of March 31, 2019)	Non-Major Enterprise Funds	TOTAL	Internal Service Funds (Note 2B)
1,048,623	1,490,136	4,081,188	34,312,603	7,154,025
-	6,756,660	-	10,911,549	-
-	13,583,615	1,473,277	15,056,892	-
-	75,490	-	440,887	2,401,451
905	-	16,669	462,605	26,374
-	-	490,000	490,000	-
-	16,900,550	-	29,330,563	-
1,049,528	38,806,451	6,061,134	91,005,099	9,581,850
-	-	9,888,109	9,888,109	-
-	400,819,874	-	400,819,874	-
-	5,003,547	-	5,003,547	-
-	-	-	-	20,028,200
10,300	-	189,713	5,264,980	300,166
-	-	4,392,488	4,392,488	-
-	323,316,673	-	506,070,174	-
-	-	-	-	-
141,140	-	797,252	18,271,935	728,588
997,087	-	5,632,195	129,082,427	5,147,127
1,148,527	729,140,094	20,899,757	1,078,793,534	26,204,081
2,198,055	767,946,545	26,960,891	1,169,798,633	35,785,931
-	-	-	363,420	-
23,483	-	132,651	3,040,210	121,228
15,753	-	88,983	2,039,343	81,319
39,236	-	221,634	5,442,973	202,547
1,173,138	435,157,738	29,696,516	953,097,940	14,611,540
9,599	32,525,642	4,278,050	185,267,255	-
4,549,031	(407,541,092)	(8,940,254)	32,509,539	(17,718,786)
$ 5,731,768	$ 60,142,288	$ 25,034,312	1,170,874,734	$ (3,107,246)
			(1,251,928)	
			$ 1,169,622,806	

See accompanying notes to basic financial statements

CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For the year ended June 30, 2019

	Business-type Activities-Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
Operating revenues:			
Charges for services	$ 406,946,905	$ 46,268,820	$ 49,196,697
Rents, royalties and licensing	-	-	-
Insurance refunds and other	-	-	-
Other	-	-	-
Total operating revenues	406,946,905	46,268,820	49,196,697
Operating expenses:			
Salaries and benefits	43,110,306	7,338,607	3,777,748
Materials, services and supplies	304,670,243	37,115,056	24,324,861
General and administrative	-	-	-
Depreciation	20,365,184	1,578,233	1,149,218
Total operating expenses	368,145,733	46,031,896	29,251,827
Operating income (loss)	38,801,172	236,924	19,944,870
Nonoperating revenues (expenses):			
Interest revenue	5,984,471	398,871	1,356,021
Net change in the fair value of investments	7,394,823	540,327	1,859,978
Rents and royalties	3,748,300	52,066	52,066
Other revenue	27,651,893	696,258	2,485,698
Interest expense	(7,984,988)	-	(216,438)
Swap termination expense	(3,738,000)	-	-
Other expense	(7,257,993)	-	-
Equity in income (losses) of joint ventures	(10,159,393)	-	(6,971,901)
Gain (loss) on retirement of assets	-	-	-
Renewable energy credits	4,367,168	-	-
Wholesale resources sales	27,708,493	-	-
Wholesale resources purchases	(22,519,497)	-	-
Total nonoperating revenues (expenses)	25,195,277	1,687,522	(1,434,576)
Income (loss) before contributions and transfers	63,996,449	1,924,446	18,510,294
Contributions	-	-	-
Transfers in (Note 8A)	1,156,129	680,000	-
Transfers (out) (Note 8A)	(162,684)	(627,193)	(995,678)
Change in net position	64,989,894	1,977,253	17,514,616
Total net position - beginning	705,547,916	53,491,221	236,445,466
Total net position - ending	$ 770,537,810	$ 55,468,474	$ 253,960,082

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

Change in net position of business-type activities

CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For the year ended June 30, 2019

Business-type Activities-Enterprise Funds				
Water Recycling Utility	Santa Clara Stadium Authority (as of March 31, 2019)	Non-Major Enterprise Funds	Total	Internal Service Funds
$ 6,262,910	$ 61,227,249	$ 40,743,824	$ 610,646,405	$ 15,660,326
-	45,262,394	-	45,262,394	-
-	-	-	-	754,367
-	-	584,242	584,242	-
6,262,910	106,489,643	41,328,066	656,493,041	16,414,693
685,846	-	2,198,102	57,110,609	2,892,153
5,198,176	66,512,210	38,036,985	475,857,531	2,651,791
-	1,874,880	-	1,874,880	11,147,425
25,141	16,703,534	2,353,249	42,174,559	2,879,523
5,909,163	85,090,624	42,588,336	577,017,579	19,570,892
353,747	21,399,019	(1,260,270)	79,475,462	(3,156,199)
96,414	8,667,016	115,563	16,618,356	35
125,012	-	1,174	9,921,314	-
-	-	24,103	3,876,535	-
36,238	2,280,218	-	33,150,305	336,891
-	(18,808,084)	-	(27,009,510)	-
-	-	-	(3,738,000)	-
-	-	-	(7,257,993)	-
-	-	-	(17,131,294)	-
-	-	-	-	(39,567)
-	-	-	4,367,168	-
-	-	-	27,708,493	-
-	-	-	(22,519,497)	-
257,664	(7,860,850)	140,840	17,985,877	297,359
611,411	13,538,169	(1,119,430)	97,461,339	(2,858,840)
-	3,779,880	-	3,779,880	-
-	-	796,486	2,632,615	2,426,196
-	-	(1,589,330)	(3,374,885)	(17,300)
611,411	17,318,049	(1,912,274)	100,498,949	(449,944)
5,120,357	42,824,239	26,946,586		(2,657,302)
$ 5,731,768	$ 60,142,288	$ 25,034,312		$ (3,107,246)
			931,136	
			$ 101,430,085	

See accompanying notes to basic financial statements

CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019

	Business-type Activities-Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 385,938,582	$ 45,292,240	$ 47,538,294
Payments to suppliers	(317,626,623)	(37,259,351)	(24,305,479)
Payments to employees for salaries and benefits	(37,276,593)	(6,161,793)	(3,277,661)
Internal activity - receipts from other funds	-	-	-
Claims paid	-	-	-
Rents, royalties and licenses received	4,020,570	52,066	52,066
Other receipts	22,079,661	557,243	2,424,573
Net cash provided (used) by operating activities	57,135,597	2,480,405	22,431,793
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Renewable energy credits	4,367,168	-	-
Wholesale resources sales	27,708,493	-	-
Wholesale resources purchases	(22,519,497)	-	-
Wholesale trading escrow deposit	(697,415)	-	-
Charges for joint project contributions	-	-	(12,902,700)
(Increase) in due from other funds	(291,088)	(19,168)	(117,571)
Increase in due to other funds	-	199,792	-
Advances from other funds	-	-	-
Litigation settlement	-	-	-
Increase (Decrease) in restricted cash	817,843	140,672	61,125
Transfers in	1,156,129	680,000	-
Transfers (out)	(162,684)	(627,193)	(995,678)
Cash Flows from Noncapital Financing Activities	10,378,949	374,103	(13,954,824)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Contribution from Community Facilities District	-	-	-
Acquisition and construction of capital assets, net	(20,463,345)	(1,677,484)	(3,319,166)
Proceeds from debt	48,800,000	-	-
Premium on issuance of debt	6,402,481	-	-
Landfill closure payments	-	-	-
Cost of issuance	(324,637)	-	-
Principal payments on capital debt	(66,477,000)	-	(714,638)
Termination payment on swap	(3,738,000)	-	-
Interest paid on capital debt	(7,042,114)	-	(222,811)
Cash Flows from Capital and Related Financing Activities	(42,842,615)	(1,677,484)	(4,256,615)

See accompanying notes to basic financial statements

CITY OF SANTA CLARA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

Business-type Activities-Enterprise Funds				
Water Recycling Utility	**Santa Clara Stadium Authority (as of March 31, 2019)**	**Non-Major Enterprise Funds**	**Totals**	**Internal Service Funds**
$ 6,295,332	$ 72,635,581	$ 40,155,288	$ 597,855,317	$ 16,028,774
(5,151,897)	(69,586,355)	(37,069,190)	(490,998,895)	(2,016,632)
(618,621)	-	(1,820,953)	(49,155,621)	(2,497,323)
-	-	-	-	143,247
-	-	-	-	(10,180,168)
-	44,175,336	24,103	48,324,141	-
26,639	-	593,025	25,681,141	331,355
551,453	47,224,562	1,882,273	131,706,083	1,809,253
-	-	-	4,367,168	-
-	-	-	27,708,493	-
-	-	-	(22,519,497)	-
-	-	-	(697,415)	-
-	-	-	(12,902,700)	-
-	-	(30,699)	(458,526)	(201,267)
-	23,155	-	222,947	460,001
-	-	6,800	6,800	-
-	2,280,218	-	2,280,218	-
9,599	-	-	1,029,239	-
-	-	796,486	2,632,615	2,426,196
-	-	(1,589,330)	(3,374,885)	(17,300)
9,599	2,303,373	(816,743)	(1,705,543)	2,667,630
-	3,731,546	-	3,731,546	-
-	(1,421,523)	-	(26,881,518)	(4,366,617)
-	-	-	48,800,000	-
-	-	-	6,402,481	-
-	-	111,315	111,315	-
-	-	-	(324,637)	-
-	(42,444,397)	-	(109,636,035)	-
-	-	-	(3,738,000)	-
-	(19,121,277)	-	(26,386,202)	-
-	(59,255,651)	111,315	(107,921,050)	(4,366,617)

(continued)

CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019

	Business-type Activities-Enterprise Funds		
	Electric Utility	**Water Utility**	**Sewer Utility**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net increase in the fair value of investments	7,394,823	540,327	1,859,978
Interest and dividends	5,864,067	379,094	1,295,914
Payments made by fiscal agent	14,333,367	-	-
Deposits made with fiscal agent	(11,510,972)	-	-
Cash Flows from Investing Activities	16,081,285	919,421	3,155,892
Net increase (decrease) in cash and cash equivalents	40,753,216	2,096,445	7,376,246
Cash and cash equivalents at beginning of period	317,778,339	22,539,682	80,489,257
Cash and cash equivalents at end of period	$ 358,531,555	$ 24,636,127	$ 87,865,503
Cash and cash equivalents:			
Pooled cash and investments	$ 354,201,689	$ 24,192,365	$ 85,541,695
Restricted cash	4,329,866	443,762	2,323,808
Total cash and cash equivalents	$ 358,531,555	$ 24,636,127	$ 87,865,503
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 38,801,172	$ 236,924	$ 19,944,870
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
(Decrease) Increase in due to OPEB system	(626,664)	(134,759)	(52,864)
(Decrease) Increase in due to retirement system	6,335,074	1,362,305	534,414
Depreciation	20,365,184	1,578,233	1,149,218
Change in assets and liabilities:			
Receivables, net	(18,592,488)	(1,001,132)	(1,658,402)
Inventory	(390,524)	(190,567)	-
Restricted Cash	(817,843)	(140,672)	(61,125)
Accrued liabilities	(12,205,817)	70,824	19,381
Long-term portion estimated claims	-	-	-
Compensated absences	125,303	(50,732)	18,537
Unearned revenue	-	-	-
Other receipts	31,400,193	749,981	2,537,764
Other expenses	(7,257,993)	-	-
Net cash provided (used) by operating activities	$ 57,135,597	$ 2,480,405	$ 22,431,793
NONCASH TRANSACTIONS:			
Transfer of capital asset to govermemtal activities	$ -	$ (1,653)	$ -
Joint Ventures			
Nonoperating income (loss)	$ (10,159,393)	$ -	$ (6,971,901)
Capital Contribution	$ -	$ -	$ -
Retirement of capital assets	$ -	$ -	$ -

See accompanying notes to basic financial statements

CITY OF SANTA CLARA

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

Business-type Activities-Enterprise Funds				
Water Recycling Utility	Santa Clara Stadium Authority (as of March 31, 2019)	Non-Major Enterprise Funds	Totals	Internal Service Funds
125,012	-	-	9,920,140	-
90,430	8,610,925	116,737	16,357,167	35
-	81,249,887	-	95,583,254	-
-	(77,971,642)	-	(89,482,614)	-
215,442	11,889,170	116,737	32,377,947	35
776,494	2,161,454	1,293,582	54,457,437	110,301
4,945,039	28,244,112	15,102,322	469,098,751	16,419,795
$ 5,721,533	$ 30,405,566	$ 16,395,904	$ 523,556,188	$ 16,530,096
$ 5,711,934	$ 30,405,566	$ 13,734,124	$ 513,787,373	$ 16,530,096
9,599	-	2,661,780	9,768,815	-
$ 5,721,533	$ 30,405,566	$ 16,395,904	$ 523,556,188	$ 16,530,096
$ 353,747	$ 21,399,019	$ (1,260,270)	$ 79,475,462	$ (3,156,199)
(6,632)	-	(37,456)	(858,375)	(34,227)
67,028	-	378,619	8,677,440	346,010
25,141	16,703,534	2,353,249	42,174,559	2,879,523
32,422	2,403,012	(759,188)	(19,575,776)	362,912
-	-	11,835	(569,256)	780,128
(9,599)	-	-	(1,029,239)	-
46,279	(1,858,309)	967,796	(12,959,846)	563,075
-	-	-	-	(351,907)
6,829	-	35,985	135,922	83,047
-	8,577,306	167,600	8,744,906	-
36,238	-	24,103	34,748,279	336,891
-	-	-	(7,257,993)	-
$ 551,453	$ 47,224,562	$ 1,882,273	$ 131,706,083	$ 1,809,253
$ -	$ -	$ -	$ (1,653)	$ -
$ -	$ -	$ -	$ (17,131,294)	$ -
$ -	$ 3,779,880	$ -	$ 3,779,880	$ -
$ -	$ -	$ -	$ -	$ (39,567)

See accompanying notes to basic financial statements

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CITY OF SANTA CLARA
FIDUCIARY FUNDS

These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

PRIVATE PURPOSE TRUST FUNDS

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

OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN TRUST FUND

This fund is used to account for the reimbursement of qualified health expenses of former employees of the City.

AGENCY FUNDS

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

CITY OF SANTA CLARA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019

	Private Purpose Trust Funds	OPEB Plan Trust Fund	Agency Funds
ASSETS			
Pooled cash and investments (Note 7)	$ 1,325,032	$ 770,404	$ 23,897,969
Investments with fiscal agent (Note 7)	-	22,533,235	2
Receivables (net of allowance for uncollectibles):			
Accounts receivable	203,206		
Interest	17,838	-	-
Investments with fiscal agent - noncurrent (Note 7)	2,820,132	-	-
Land held for resale	532,542	-	-
Total Assets	4,898,750	23,303,639	23,897,971
LIABILITIES			
Accrued liabilities	110,916	-	9,176,078
Due to bondholders	-	-	2,795,109
Due to Other Agencies	675,000	-	-
Due to City (Note 21B)	4,355,641	-	-
Refundable deposits	-	-	11,926,784
Total Liabilities	5,141,557	-	$ 23,897,971
NET POSITION			
Held in trust for private purpose	(242,807)	-	
Held in trust and restricted for OPEB benefits	-	23,303,639	
Total Net Position	$ (242,807)	$ 23,303,639	

See accompanying notes to basic financial statements

CITY OF SANTA CLARA
FIDUCIARY TRUST FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2019

	Private Purpose Trust Funds	OPEB Plan Trust Fund
ADDITIONS		
Employer contributions	$ -	$ 5,365,666
Investment income:		
Interest and rent	9,931,431	1,410,329
Net change in fair value of investments	76,140	-
Less investment expense	-	(77,214)
Gain from sale of property	137,697,788	-
Other	-	29,878
Total additions	147,705,359	6,728,659
DEDUCTIONS		
General and administrative	84,448	14,000
Benefits paid	-	3,096,325
Land transfer to other agencies	1,444,589	-
Pass through to the County of Santa Clara	165,700,149	-
Total deductions	167,229,186	3,110,325
CHANGE IN NET POSITION	(19,523,827)	3,618,334
Net position held in trust for private purpose and restricted for OPEB benefits:		
Beginning of year	19,281,020	19,685,305
End of year	$ (242,807)	$ 23,303,639

See accompanying notes to basic financial statements

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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. It is situated in the northern part of the County and occupies approximately 18.41 square miles. The City's population of 128,717 accounts for 6.6% of the total Santa Clara County estimated population of 1.9 million.

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

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

A. City of Santa Clara Sports and Open Space Authority

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

B. City of Santa Clara Public Facilities Financing Corporation

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

C. Santa Clara Housing Authority

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

NOTE 1 – DEFINITION OF THE REPORTING ENTITY (continued)

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

D. Santa Clara Stadium Authority

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

On November 13, 2012, an amendment was made to the JPA Agreement to change SCSA's fiscal year end date from June 30th to March 31st. As such, the financial activities reported for SCSA are as of fiscal year ended March 31, 2019. In addition, the annual financial report was audited by KPMG, an independent auditing firm, and a copy of the report can be found on the City's website.

NOTE 2 - FINANCIAL STATEMENT PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Basic Financial Statements

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

The significant accounting policies are described below:

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing

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

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

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

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

B. Major Funds

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

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

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

Santa Clara Housing Successor Fund - This fund accounts for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by Community Redevelopment Law and must be used to provide housing for people with low and moderate incomes. Revenues received are primarily loan repayments on low income loans and investment earnings that are restricted for use on other low and moderate income housing loans and projects.

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.

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

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

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

The City also reports the following fund types:

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

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

The Successor Agency to the Redevelopment Agency of the City of Santa Clara (Successor Agency) was created to serve as a custodian for the assets and to wind down the affairs of the former RDA. The Successor Agency is a separate public entity from the City, subject to the direction of an Oversight Board. The Oversight Board is comprised of seven-member representatives from local government bodies: two County of Santa Clara (County) representatives; the Mayor of the City of Santa Clara; the County Superintendent of Education; the Chancellor of California Community Colleges; one Santa Clara Valley Water District representative; and one former RDA employee appointed by the Mayor. The City performs all accounting and administrative functions of the Successor Agency. The financial activities of the Successor Agency have been reported in the accompanying basic financial statements in the Private Purpose Trust Fund. See Notes 21 and 22 for information regarding the Successor Agency.

The Other Post Employment Benefits (OPEB) Plan Trust Fund accounts for the accumulation of resources to be used for retiree reimbursement payments at appropriate amounts and times in the future.

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

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

acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

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

During the year ended June 30, 2019, the City implemented the following GASB Statements:

The GASB issued Statement No. 83 *"Certain Asset Retirement Obligations."* The objective of this statement is to address accounting and financial reporting for certain asset retirement obligations. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. This statement becomes effective for periods beginning after June 15, 2018. The adoption of this standard did not have an impact to the City's financial statements.

The GASB issued Statement No. 88 *"Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placement."* The objective of this statement is to improve guidelines related to debt disclosure. This statement becomes effective for periods beginning after June 15, 2018. Please refer to Note 10 for detail concerning the reporting of debt.

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

The GASB issued Statement No. 84 *"Fiduciary Activities."* The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement becomes effective for periods beginning after December 15, 2018. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 87 *"Leases."* The objective of this statement is to improve guidelines related to the recognition of lease assets and liabilities that previously were classified as operating leases. This statement becomes effective for periods beginning after December 15, 2019. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 89 *"Accounting for Interest Cost Incurred Before the end of a Construction Period."* The objective of this statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing and to simplify account for interest cost. This statement becomes effective for periods beginning after December 15, 2019. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 90 *"Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61."* The objective of this statement is to clarify the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. This statement becomes effective for periods beginning after December 15, 2018. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 91 *"Conduit Debt Obligation."* The objective of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practices.

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

This statement becomes effective for periods beginning after December 15, 2020. The City is currently evaluating the impact on the financial statements.

D. Cash and Investments

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

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

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

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 non-spendable fund balance, which indicates that it does not constitute available expendable resources.

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

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 Development

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

Individual parcels which have experienced an other than temporary market value decline are written down to estimated current market value. No appreciation is recorded if the current estimated net realizable 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 acquisition value on the date contributed. The City's policy is to capitalize equipment with costs exceeding $5,000 and buildings, improvements and infrastructure with costs exceeding $20,000.

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

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

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

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.

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.

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

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 GAAP investments in these joint ventures are accounted for on the equity method (see Note 12). If the City's equity in net losses of joint ventures exceeds its investment, use of the equity method is suspended except to the extent that the City is obligated to provide further financial support or has guaranteed obligations of the joint ventures.

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

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

K. Compensated Absences

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

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

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

The accrual for compensated absences comprised the following at June 30, 2019. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

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

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	$ 15,473,051	$ 5,591,664	$ 21,064,715
Additions	3,659,928	1,054,824	4,714,752
Payments	1,509,741	918,903	2,428,644
Ending Balance	$ 17,623,238	$ 5,727,585	$ 23,350,823
Current Portions	$ 1,423,387	$ 462,605	$ 1,885,992

L. Risk Management

The City is self-insured up to $3 million to provide general liability protection. In addition to the City's self-insurance, the City also maintains excess general liability with coverage up to $63 million.

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

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

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

M. Long-Term Obligations

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

N. Pensions

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

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

O. Accounting for Encumbrances

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

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

P. Deferred Outflows/Inflows of Resources

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

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

Q. Net Position and Fund Balance Equity

Fund balances and net position are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. For governmental fund reporting, the City considers restricted fund balance to have been spent first when an expenditure is incurred, followed by committed, assigned and unassigned fund balances (in order of spending). For government-wide reporting, the City considers restricted net position to have been spent first when an expenditure is incurred, followed by unrestricted net position.

R. Bond Discounts/Premiums

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

S. 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

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

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, 2019, was $44 billion, an increase of 9.61% compared to the previous year. The average tax rate was 1.13% per $100 of assessed valuation.

T. Contribution In-Lieu of Taxes

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

U. 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.

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

V. 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.

W. Lease Agreements

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

X. Arbitrage Rebate Liability

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

Y. 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.

Z. 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.

AA. 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.

BB. 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. As of June 30, 2019, conditional grants of $13,277,680 were offset by reserves of $7,633,105.

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

CC. 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.

DD. Vehicle Registration Fee

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

As of June 30, 2019, the balance of the Vehicle Registration Fees are as follows:

	Vehicle Registration Fee
Beginning Balance July 1, 2018	$ 2,910,426
Intergovernmental revenue	798,244
Interest	34,708
Expenditures	(1,241,992)
Ending Balance June 30, 2019	$ 2,501,386

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, the Santa Clara Housing Successor, and the Maintenance Special Revenue Funds 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:

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING (continued)

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. This includes a Five-Year Financial Plan to aid in the planning and funding of operations and capital projects over the next five years.

2. Public hearings are conducted to obtain public comments.

3. The operating and capital budgets are legally enacted through the passage of a minute order.

From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the applicable governmental funds. The City Council may amend the budget by motion during the fiscal year. The legal appropriation control is established at the department level in each fund. For select funds where expenditures are not allocated to a specific department, the appropriation control is established at the fund level. Transfers of funding between budgetary funds require City Council appropriation and approval. City Council approval is required for a budget amendment during the fiscal year which may include the use of reserves or fund balances, and approval of appropriations of grant monies. Per Article XIII, Section 1305 of the City Charter, appropriations lapse at the end of each fiscal year; therefore, unencumbered funds allocated for specific projects, donations, and grants require City Council appropriation for use in the following fiscal year.

Budgetary transfers between accounts or expenditure category may be done through Finance Department or City Manager's Office approval as long as they are conducted within the legal appropriation control limit set by the City Council.

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.

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 biennially.

NOTE 4 – LEASE AGREEMENTS

A. Original City Leases

<u>Irvine Company Disposition and Development Agreement With Ground Lease (DDA) for Office Park Development</u>

In April 2000, the former RDA entered into a Disposition and Development Agreement (DDA) with Ground Lease with The Irvine Company (Developer) for development of the site as an office/R&D complex. The DDA contemplated the former RDA obtaining title to the entire property from the City prior to entering into ground leases with the Developer. The site is subdivided into three parcels to accommodate the phased

NOTE 4 – LEASE AGREEMENTS (continued)

development of the project. Only Parcel 2 was conveyed to the former RDA. Parcels 1 & 3 were always held by the City and not subject to terms of the subsequent RDA dissolution.

In March 2006, the DDA and the Ground Lease were amended to update the status of conditions precedent; amend the schedule of performance; and clarify terms and conditions relating to Parcel 1 and Parcel 3. In October 2012, the City entered into two ground leases with the Irvine Company for Parcels 1 and 3. The term of both leases is 80 years after the effective date of October 31, 2012, and therefore both leases shall expire on October 31, 2092. The rent commencement date is November 1, 2012. Under the terms of the leases the City will receive specified amounts for minimum rent subject to certain events or time periods and then inflationary adjustments at times specified in the leases. For the fiscal year ended June 30, 2019, Lessee paid rent of $2.3 million for Parcel 1 and $1.1 million for Parcel 3.

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

Fiscal Year	Parcel 1	Parcel 3	Total
2020	$ 2,259,022	$ 1,089,174	$ 3,348,196
2021	2,259,022	1,089,174	3,348,196
2022	2,259,022	1,089,174	3,348,196
2023	2,259,022	1,089,174	3,348,196
2024	2,259,022	1,089,174	3,348,196
Thereafter	154,366,475	74,426,907	228,793,382
Total	$ 165,661,585	$ 79,872,777	$ 245,534,362

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

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

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

NOTE 4 – LEASE AGREEMENTS (continued)

restricting the City from selling, transferring, encumbering, spending, or otherwise depleting or wasting any real property interests received from the former RDA.

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

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

California's Great America Theme Park Parking Lot Lease

The City and Cedar Fair entered into various agreements to operate and manage the theme park. As agreed in the Settlement Agreement, the Great America Theme Park Main Parking Lot is and always has been owned by the City and the City is entitled to any lease revenues generated from the Main Parking Lot after June 30, 2015. Pursuant to the Fourth Amendment of the ground lease, the City allows Cedar Fair to use certain City property adjacent to the Theme Park property for parking. Under the terms of the amended Ground Lease, Cedar Fair pays the City annually for use of such property for parking. Lease payments remitted for the year ended June 30, 2019, totaled $121,606.

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

Fiscal Year	Parking Lot
2020	$ 121,606
2021	121,606
2022	121,606
2023	121,606
2024	121,606
Thereafter	486,423
Total	$ 1,094,453

Hyatt Ballroom Lease Agreement

In April 1985, the former RDA entered into various agreements for the development of a certain piece of land for the eventual operation of a high quality hotel and related facilities, including a ballroom. The resulting lease agreement pertaining to the City owned ballrooms for an initial term of 50 years. The Lessee

NOTE 4 – LEASE AGREEMENTS (continued)

has options to renew the lease for four additional periods of ten years each and one additional period of nine years. In 2013, Hyatt Equities, LLC. sold its interest to Inland American Lodging Acquisitions, Inc., the terms and conditions of the lease agreements remain in effect.

The minimum rent of the Ballroom lease is adjusted every three years according to the April 1985 agreement. For fiscal year ended June 30, 2019, Lessee paid $344 thousand in rents for the Ballroom lease.

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

Fiscal Year	Ballroom Lease Amount
2020	$ 344,160
2021	344,160
2022	344,160
2023	344,160
2024	344,160
Thereafter	3,728,400
Total	$ 5,449,200

C. North South Parking Lot Lease

On May 22, 2018, the City Council authorized the City Manager to make an offer to purchase the Successor Agency-owned North South Parcel and further authorized the execution of a Purchase and Sale Agreement for the property. The transfer of the property was settled on July 24, 2018. As part of the acquisition, the City accepted and assumed all of the duties, obligations, liabilities, commitments and covenants of Successor Agency accruing from and after the settlement date with respect to or arising under the lease.

For the fiscal year ended June 30, 2019, Cedar Fair paid rent of $29,925.

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

Fiscal Year	North South Parking Lot
2020	$ 29,925
2021	29,925
2022	29,925
2023	29,925
2024	29,925
Thereafter	478,800
Total	$ 628,425

NOTE 5 - ENTERPRISE FUND MANAGEMENT AGREEMENTS

A. Santa Clara Convention and Visitors Bureau and Convention Center

In March 1984, the City entered into two separate management agreements with the Santa Clara Chamber of Commerce and Convention/Visitors Bureau, Inc. for management of both the Santa Clara Convention-Visitors Bureau (CVB) and the Santa Clara Conference and Convention Center (Convention Center). The agreement to manage the CVB was terminated in July 2018. In addition, on September 18, 2018, the City issued a termination notice for the Convention Center Management Agreement effective March 18, 2019.

During fiscal year 2018-19, the City performed a competitive bidding process to select a new management company for the Convention Center. On March 12, 2019, the City Council approved a resolution to enter into a new agreement with Global Spectrum, LP, doing business as Spectra Venue Management (Spectra), to manage and operate the Convention Center effective March 18, 2019. The initial term of this agreement began on March 18, 2019 and runs through June 30, 2024 with the option to extend the agreement for two subsequent terms of five (5) years by serving notice to Spectra no later than 180 days from the expiration of the term period. Under the terms of this agreement, Spectra will receive an annual base management fee for its' operation of the Convention Center and an additional management fee if certain performance measures are met. For fiscal year ended June 30, 2019, the City paid Spectra $50,121 in management fees.

B. American Golf Corporation

In May 1987, Sports and Open Space Authority (SOSA) entered into a management agreement with American Golf Corporation (AGC) to manage the operations of the Santa Clara Golf and Tennis Club (SCG&TC). Subsequent five-year extensions of the agreement with minor changes in language were made on June 4, 2002 through June 30, 2007; March 20, 2007 through June 30, 2012; and May 8, 2012 effective through June 30, 2017. On June 27, 2017, the City extended the management agreement for the operation and maintenance of the SCG&TC from July 1, 2017 to June 30, 2019, and up to three, one-year extensions and a 6-month termination notice at any time to accommodate the City's other projects. Under the terms of the contract, AGC develops an annual business plan that is reviewed and approved by SOSA. Moreover, AGC receives an annual administrative fee not to exceed $54,000 and fixed management fee of $187,437 in fiscal year 2018-19, subject to annual increases based on the Consumer Price Index, plus 3 percent of certain operating revenues. In fiscal year 2018-19, the City paid a total of $303,635 to AGC for the performance of services. In April 2019, SOSA executed Amendment No. 1 to the agreement to extend until October 31, 2019 and notified AGC of SOSA's intent to close the facility effective October 31, 2019 in order to facilitate the anticipated development of CityPlace.

NOTE 6 – SANTA CLARA STADIUM AUTHORITY

A. Credit Agreement

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

B. Management Agreement

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

The Stadium Management Agreement gives ManagementCo the responsibility to oversee the concessions agreements but not to enter into the concessions agreements without SCSA and StadCo's prior consent. The Concessions Operating Agreement dated February, 2018 was reviewed by SCSA and StadCo and entered into by and between ManagementCo and Levy Premium Foodservice Limited Partnership (Levy). The Concessions Operating Agreement has an initial term of 12 years which runs from April 16, 2018 through April 15, 2030 and it grants Levy the exclusive right to provide food and beverage services and merchandise services at all events at Levi's Stadium.

C. Ground Lease

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

The Ground Lease has an initial term of 40 years. The first lease year commenced on the first day following the substantial completion of construction (August 1, 2014) and ended on the next following March 31st. The subsequent lease years will start on April 1st and end on the following March 31st. The SCSA will have five successive extension options, each four years in duration, which would commence following the initial term expiration date.

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

NOTE 6 – SANTA CLARA STADIUM AUTHORITY (continued)

the extent the Ground Lease is further extended, the Fixed Ground Rent will be increased by $80 thousand every four years thereafter through the expiration of the term of the Ground Lease. While the Fixed Ground Rent payments vary over the course of the Ground Lease, Ground Lease expense is recorded on a straight-line basis. Therefore $979 thousand of ground lease expense was reported in each of the fiscal years ended March 31, 2019 and 2018.

The Ground Lease also provides that the City will receive a performance-based rent equal to 50% of the net income from non-NFL events, less certain credits including 50% of the Fixed Ground Rent, payable by the SCSA. If certain of the credits are not used within the year incurred or the next five succeeding years, the credits will expire.

The following schedule summarizes the minimum future payments due under this lease:

Fiscal Year Ending March 31	Ground Lease Amount
2020	$ 355,000
2021	390,000
2022	425,000
2023	460,000
2024	495,000
Thereafter	37,500,000
Total	$ 39,625,000

D. Stadium Lease

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

The Stadium Lease has an initial term of 40 years commencing on the first day following the substantial completion of construction (August 1, 2014) and includes five successive options to extend the term by four years each. The Stadium Lease is divided into two seasons:

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

Pursuant to the Stadium Lease, the Stadium Authority and StadCo will be entitled to receive and collect separate revenues. Initially, rent payable by StadCo to the Stadium Authority was $24.5 million per year. This amount was established pursuant to the Stadium Lease in connection with the take-out financing, which occurred on June 19, 2013. The Stadium Lease allowed for one opportunity to adjust the rent if operating or debt service expenses are either more or less than projected in determining the initial rent. Based on the changes to the projected operating and debt service expenses, the provisions for a one-time rent adjustment

NOTE 6 – SANTA CLARA STADIUM AUTHORITY (continued)

were triggered. At the Stadium Authority Board (Board) meeting held on March 22, 2016, the Board decided not to adjust the rent, and instead passed a motion to pursue the informal dispute resolution procedures and to proceed to the arbitration process if necessary. Thereafter, on May 3, 2016 StadCo filed for arbitration with the Stadium Authority.

On June 18, 2018, the arbitrator entered an Arbitration Award in favor of the Stadium Authority and against StadCo. This award adjusted the facility rent from $24.5 million to $24.76 million, an increase of $262,000. This increase is retroactive to the first lease year resulting in a total amount owed to the Stadium Authority of $1.31 million for the first five lease years, through March 31, 2019. In addition to the adjustment to the facility rent, the Stadium Authority was entitled to reimbursement of its legal fees, determined by the arbitrator to be $2.28 million. The lease also provides for a fair market rent adjustment in year 33.

The Stadium Authority received $25.8 million and $24.5 million in stadium rent from StadCo in each of the fiscal years ended March 31, 2019 and 2018, respectively.

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

E. Subsequent Events

On July 3, 2019, ManagementCo issued a certificate of loan to the Stadium Authority under the Management Company Revolving Loan in accordance with Sections 5.2 and 5.3 of the Stadium Management Agreement.. The Stadium Management Agreement engages ManagementCo for services rendered related to its operations on behalf of the Stadium Authority. The Management Company Revolving Loan may be used solely for the purpose of enabling the Stadium Authority to pay covered Stadium Authority operating expenses, as defined in the agreement, to the extent, and only to the extend, that funds are not otherwise available. During fiscal year 2019-20, certain operating expenses have come into question by the Stadium authority and as such, were withheld from payment to ManagementCo. Per the Management Company Revolving Loan, ManagementCo triggered the loan provision in order to provide financing for the payment of operating expenses not paid to date by the Stadium Authority. As of the date of this report, the total amount loaned to the Stadium Authority is $4,456,000.

NOTE 7 – CASH AND INVESTMENTS

A. Pooled Cash and Investments

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 “Restricted Cash”. 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.

NOTE 7 – CASH AND INVESTMENTS (continued)

Total cash and investments of the City was $960.4 million as of June 30, 2019. This amount includes the City's cash and cash equivalents of $875.1 million, and cash and investments with fiscal agents of $85.3 million.

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

Statement of Net Position	
Pooled cash and investments	$ 819,103,045
Investments with fiscal agent - current	31,868,535
Restricted cash	28,529,530
Deposits	1,405,371
Investments with fiscal agent - noncurrent	28,121,325
Fiduciary Funds	
Pooled cash and investments	25,993,405
Investments with fiscal agent - current	2
Investments with fiscal agent - noncurrent	2,820,132
Investments with fiscal agent - OPEB	22,533,235
Total Cash and Investments	$ 960,374,580

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

	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
Pooled cash and investments	$ 288,785,576	$ 513,787,373	$ 16,530,096	$ 25,993,405	$ 845,096,450
Investments with fiscal agent - current	485	31,868,050	-	2	31,868,537
Restricted cash	18,760,715	9,768,815	-	-	28,529,530
Investments with fiscal agent - noncurrent	711,662	27,409,663	-	2,820,132	30,941,457
Investments with fiscal agent - OPEB	-	-	-	22,533,235	22,533,235
Deposits	-	1,405,371	-	-	1,405,371
Total cash and investments	$ 308,258,438	$ 584,239,272	$ 16,530,096	$ 51,346,774	$ 960,374,580

NOTE 7 – CASH AND INVESTMENTS (continued)

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

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

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

NOTE 7 – CASH AND INVESTMENTS (continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	Top three ratings categories	None	None
U.S. Agency Securities (A)	5 years	Top three ratings categories	80%	40%
Negotiable Certificates of Deposit	1 year	N/A	25%	5%
Bankers Acceptances	180 days	N/A	25%	5%
Commercial Paper	270 days	A1 / P1	25%	10%
California Local Agency Investment Fund	N/A	N/A	None	$65M Per A/C
Repurchase Agreements	60 days	N/A	50%	20%
Reverse Repurchase Agreements (requires City Council approval)	92 days	N/A	20%	10%
Securities of Local Agencies of California	5 years	N/A	20%	5%
Medium Term Corporate Notes	5 years	Top three ratings categories	15%	5%
Mutual Funds / Money Market Funds	N/A	Top rating category	20%	10%
Investment Pools	N/A	N/A	None	None

(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), local agencies and other U.S. government -sponsored enterprises.

C. Investments with Fiscal Agents

The City invests bond proceeds restricted for construction in instruments that are stated in the Investment Policy and in various return-guaranteed investment agreements. These investments are invested in

NOTE 7 – CASH AND INVESTMENTS (continued)

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.

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

D. Pension Rate Stabilization Program

In February 2017, the City Council approved a Pension Rate Stabilization Program, (PRSP) Trust administered by Public Agency Retirement Services (PARS). The PRSP is an irrevocable trust and qualifies as an Internal Revenue Section 115 trust. This trust will assist the City in mitigating the CalPERS contribution rate volatility. Investments of funds held in Pension Rate Stabilization Program (PRSP) are governed by the Investment Guideline Document for the investment account and by the agreement for administrative services with the Public Agency Retirement Services (PARS), rather than the general provisions of the California Government code or the City's investment policy. The City elected a discretionary investment approach which allows the City to maintain oversight of the investment management, control on target yield and the portfolio' risk tolerance. The assets in this program will eventually be used to fund Pension Plan obligations.

E. Interest Rate, Credit Risks and Fair Value Measurement

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

The average maturity of the City's pooled investment portfolio at June 30, 2019 was approximately 2.05 years and the City has the ability to and generally intends to hold all investments to maturity. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided in the investment table that shows the distribution of the City's investments by maturity.

NOTE 7 – CASH AND INVESTMENTS (continued)

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented on the next page is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of June 30, 2019 for each investment type:

		Maturity					
Type of Investment	Credit Rating	Under 180 Days	181 - 365 Days	1 - 3 Years	3 - 5 Years	Over 5 Years	Fair Value
Cash and Investments - City							
Cash	N/A	$ 112,684,854	$ -	$ -	$ -	$ -	$ 112,684,854
U.S. Treasury notes	Aaa	5,000,000	-	70,351,365	148,173,245	-	223,524,610
Federal Farm Credit Bank	Aaa	17,265,576	8,924,868	63,173,216	36,619,374	-	125,983,034
Federal Home Loan Bank	Aaa	7,254,343	8,733,900	50,056,785	20,633,810	-	86,678,838
Federal National Mortgage Association	Aaa	39,924,220	39,833,610	84,472,865	5,034,990	-	169,265,685
Federal Home Loan Mortgage Corporation	Aaa	10,977,622	9,942,900	14,976,245	11,577,212	-	47,473,979
Mutual Fund - Fidelity	Aaam	21,383,655	-	-	-	-	21,383,655
State Investment Pool (LAIF)	Not Rated	63,740,712	-	-	-	-	63,740,712
Total Cash and Investments - City Treasury		278,230,982	67,435,278	283,030,476	222,038,631	-	850,735,367
Cash and Investments - Other:							
Cash (Debt Fund)	N/A	146,389	-	-	-	-	146,389
Federal Home Loan Bank (Bentzien Trust)	Aaa	99,848	-	167,187	109,598	-	376,633
Municipal Notes (Bentzien Trust)	Aaa	25,231	-	111,535	55,084	-	191,850
Municipal Notes (Bentzien Trust)	Aa	-	-	-	37,102	148,082	185,184
Municipal Notes (Bentzien Trust)	A	15,000	10,052	172,774	53,449	-	251,275
Municipal Notes (Bentzien Trust)	BBB	-	35,510	-	-	55,199	90,709
Municipal Notes (Bentzien Trust)	Not Rated	-	-	-	-	-	-
Foreign Government Notes (Bentzien Trust)	Aa	-	-	65,966	-	-	65,966
Corporate Notes (Bentzien Trust)	Aa	-	-	-	-	-	-
Corporate Notes (Bentzien Trust)	A	-	-	-	-	-	-
Corporate Notes (Bentzien Trust)	BBB	-	25,370	101,951	-	36,671	163,992
Corporate Notes (Bentzien Trust)	B	-	35,131	-	-	-	35,131
Corporate Stock (Bentzien Trust)	A & B	915,984	-	-	-	-	915,984
Corporate Stock (Bentzien Trust)	C	3,205	-	-	-	-	3,205
Corporate Stock (Bentzien Trust)	Not Rated	1,422	-	-	-	-	1,422

(continued)

NOTE 7 – CASH AND INVESTMENTS (continued)

Type of Investment	Credit Rating	Maturity: Under 180 Days	181 - 365 Days	1 - 3 Years	3 - 5 Years	Over 5 Years	Fair Value
Cash and Investments - Other: (continued)							
Mutual Fund - Dreyfus Money Market (Bond Proceeds)	Aaam	2,119,292	-	-	-	-	2,119,292
Mutual Fund - Blackrock Money Market (Debt Fund)	Aaam	708,644	-	-	-	-	708,644
Mutual Fund - Money Market Funds (Debt Fund)	Aaam	20,981,624	-	-	-	-	20,981,624
Mutual Fund - Federated Prime (Bentzien Trust)	Aaam	291,301	-	-	-	-	291,301
Mutual Fund - Federated Intercontinental (Bentzien Trust)	Not Rated	97,097	-	-	-	-	97,097
Mutual Fund - Federated Total Return Bond (Bentzien Trust)	Not Rated	152,774	-	-	-	-	152,774
Mutual Fund - Vanguard GNMA Fund (Bentzien Trust)	Not Rated	96,682	-	-	-	-	96,682
EFT - Energy Sector SPDR TR (Bentzien Trust)	Not Rated	19,113	-	-	-	-	19,113
OPEB Plan Trust Fund (Money Market Fund)	Not Rated	767,090	-	-	-	-	767,090
OPEB Plan Trust Fund (Mutual Fund)	Not Rated	21,766,145	-	-	-	-	21,766,145
Pension Rate Stabilization Investment(Money Market Fund)	Not Rated	754,031	-	-	-	-	754,031
Pension Rate Stabilization Investment (Mutual Fund)	Not Rated	21,106,923	-	-	-	-	21,106,923
US Treasury Notes (Bentzien Trust)	Aaa	-	-	-	306,445	-	306,445
US Treasury Notes (Debt Fund)	Aaa	-	1,735,086	35,389,321	-	-	37,124,407
Collateral Obligations (JP Morgan & Others)	Not Rated	919,905	-	-	-	-	919,905
Total Cash and Investments - Other		70,987,700	1,841,149	36,008,734	561,678	239,952	109,639,213
Total Cash and Investments		$ 349,218,682	$ 69,276,427	$ 319,039,210	$222,600,309	$239,952	$ 960,374,580

The City accounts for investments in accordance with GAAP, 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.

NOTE 7 – CASH AND INVESTMENTS (continued)

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation input used to measure the fair value of asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

		Fair Value Measurements		
	Investments and Derivative Instruments Measured at Fair Value 6/30/2018	Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Exempt [1]
Investments by Fair Value Level				
Short Term Investments				
Federal Farm Credit Banks	$ 125,983,034	$ -	$ 125,983,034	$ -
Federal Home Loan Banks	86,678,838	-	86,678,838	-
Federal National Mortgage Association	169,265,685	-	169,265,685	-
Federal Home Loan Mortgage Corp	47,473,979	-	47,473,979	-
Mutual Fund - Fidelity Money Market	21,383,655	-	-	21,383,655
Total Short Term Investments	450,785,191	-	429,401,536	21,383,655
Debt Securities and Other				
Federal Home Loan Banks (Bentzien Trust)	376,633	-	376,633	-
Municipal Notes (Bentzien Trust)	191,850	-	191,850	-
Municipal Notes (Bentzien Trust)	185,184	-	185,184	-
Municipal Notes (Bentzien Trust)	251,275	-	251,275	-
Municipal Notes (Bentzien Trust)	90,709	-	90,709	-
Foreign Government Notes (Bentzien Trust)	65,966	-	65,966	-
Corporate Notes (Bentzien Trust)	163,992	-	163,992	-
Corporate Notes (Bentzien Trust)	35,131	-	35,131	-
Mutual Fund - Dreyfus Money Market (Bond Proceeds)	2,119,292	-	-	2,119,292
Mutual Fund - Blackrock Money Market (Debt Fund)	708,644	-	-	708,644
Mutual Fund - Money Market Funds (Debt Fund)	20,981,624	-	-	20,981,624
Mutual Fund - Federated Gov't (Bentzien Trust)	291,301	-	291,301	-
Mutual Fund - Federated Intercontinental (Bentzien Trust)	97,097	-	97,097	-
Mutual Fund - Federated Total Return Bond (Bentzien Trust)	152,774	-	152,774	-
Mutual Fund - Vanguard GNMA Fund (Bentzien Trust)	96,682	-	96,682	-

(continued)

NOTE 7 – CASH AND INVESTMENTS (continued)

	Investments and Derivative Instruments Measured at Fair Value 6/30/2018	Fair Value Measurements Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Exempt [1]
Debt Securities and Other (continued)				
OPEB Plan Trust Fund (Money Market Fund)	767,090	762,829		4,261
OPEB Plan Trust Fund (Mutual Fund)	21,766,145	18,459,773	3,306,372	-
Pension Rate Stabilization Investment (Money Market Fund)	754,031	741,700	-	12,331
Pension Rate Stabilization Investment (Mutual Fund)	21,106,923	17,908,123	3,198,800	-
Collateral Obligations (JP Morgan & Other)	919,905	-	-	919,905
US Treasury Notes (Bentzien Trust)	306,445	306,445	-	-
US Treasury Notes	223,524,610	223,524,610	-	-
US Treasure Notes (Debt Fund)	37,124,407	37,124,407	-	-
Total Debt Securities and Other	332,077,710	298,827,887	8,503,766	24,746,057
Equity Securities				
Corporate Stock (Bentzien Trust)	915,984	915,984	-	-
Corporate Stock (Bentzien Trust)	3,205	3,205	-	-
Corporate Stock (Bentzien Trust)	1,422	1,422	-	-
EFT - Energy Sector SPDR TR (Bentzien Trust)	19,113	19,113	-	-
Total Equity Securities	939,724	939,724	-	-
Total Investment by Fair Value Level	783,802,625	299,767,611	437,905,302	46,129,712
Investments Measured at the Amortized Cost				
State Investment Pool (LAIF)	63,740,712	-	-	63,740,712
Total Investments Measured at the Amortized Cost	63,740,712	-	-	63,740,712
Total Investments	847,543,337	$ 299,767,611	$ 437,905,302	$ 109,870,424
Cash in Banks	112,831,243			
Total Cash and Investments	$ 960,374,580			

(1) Accounts in exempt column are Mutual Fund-Money Market, Collateral Obligations, and LAIF investments which are exempt from GASB Statement No. 72 fair value categorization, or reported at amortized cost.

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

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

Pension Rate Stabilization Program Level 1 investments are valued using a marketable actively traded assets closing price for identical assets. Level 2 investments are determined by using quoted prices for similar assets.

NOTE 7 – CASH AND INVESTMENTS (continued)

F. Concentration of Credit Risk

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

Issuer	Bond-rating	Fair Value	% of Holding
Federal Farm Credit Banks	Aaa	$ 125,983,034	13.1%
Federal Home Loan Banks	Aaa	$ 86,678,838	9.0%
Federal Home Loan Mortgage Corporation	Aaa	$ 47,473,979	4.9%
Federal National Mortgage Association	Aaa	$ 169,265,685	17.6%

G. Custodial Credit Risk

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

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

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

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

I. Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF's investment portfolio mainly consists of Treasuries, loans, Federal Agency securities, and collateralized mortgage obligations. Each regular LAIF account is permitted to have up to 15 transactions per month, with a minimum transaction amount of $5,000, a maximum transaction amount of $65 million and at least 24 hours advance notice for withdrawals of $10 million or more. Bond proceeds accounts are subject to one time deposit with no cap and are set up with a monthly draw down schedule. The carrying value of LAIF approximates fair value.

NOTE 8 – INTERFUND TRANSACTIONS AND BALANCES

A. Interfund Transfers

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

Transfers between funds during the fiscal year ended June 30, 2019 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount	
General Fund	Non-Major Governmental	$ 1,632,039	A
	Electric	5,000	B
	Cemetery	80,000	C
Non-Major Governmental	General Fund	24,592,799	D
	Cemetery	3,727	E
	Sewer Utility	49,364	E
	Solid Waste	5,603	E
	Water Utility	110,880	E
	Automotive Services	17,300	E
	Electric Utility	157,484	E
	Santa Clara Convention Center	1,500,000	F
	Non-Major Governmental	15,179,786	G
Automotive Services	Non-Major Governmental	49,326	H
Internal Service Fund	General Fund	2,376,870	I
Electric Utility	General Fund	132,627	J
	Non-Major Governmental	240,875	J
	Sewer Utility	266,314	J
	Water Utility	516,313	J
Water Utility	Sewer Utility	680,000	K
Solid Waste	Electric Utility	200	L
Santa Clara Golf and Tennis Club	General Fund	466,266	M
Santa Clara Convention Center	General Fund	330,020	N
Total Interfund Transfers		$ 48,392,793	

NOTE 8 – 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 to general fund for the Majestic Oak Level Sponsorship of the Arbor/Earth day 2019.
(C) Transfer to general fund from Cemetery capital project funds to return unspent project funds.
(D) Transfer to fund various capital projects, special programs, and to pay the debt.
(E) Transfer to fund their respective share of financial, human resources software,utility billing and other projects.
(F) Transfer to fund Convention Center repair project.
(G) Transfer to replenish the minimum requirement in Special Liability Fund.
(H) Transfer to Automotive Services from capital project funds to return unspent project funds.
(I) Transfer to fund Speical Liability to maintain the reserve for future claims.
(J) Transfer to fund Silicon Valley Power Utility Center, project management system and Utility billing system.
(K) Transfer to fund Water capital improvement projects.
(L) Transfer to Solid Waste Fund for Sustainability Series Workshop.
(M) Transfer to the Santa Clara Golf and Tennis Club to cover operating deficit.
(N) Transfer to fund Convention Center operating activities.

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, 2019.

Receivable Fund	Payable Fund	Amount
General Fund	Santa Clara Stadium Authority	$ 83,398
	Receivable by Governmental Funds	83,398
Electric Utility	Internal Service Funds	1,459,309
Water Utility	Internal Service Funds	153,616
Sewer	Internal Service Funds	557,636
Cemetery	Internal Service Funds	201,407
	Receivable by Enterprise Funds	2,371,968
Internal Service Funds	Internal Service Funds	29,483
	Water Utility	365,397
	Receivable by Internal Service Funds	394,880
	Total	$ 2,850,246

NOTE 8 – INTERFUND TRANSACTIONS AND BALANCES (continued)

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

C. Long-Term Interfund Advances

At June 30, 2019, the funds below had made advances which were not expected to be repaid within the next year.

Fund Receiving Advance/Commitment	Fund Making Advance/Commitment	Amount of Advance/Commitment
Cemetery	General Fund	$ 5,663,976
Santa Clara Golf & Tennis Club	General Fund	4,224,133
Parks and Recreation Facilities	General Fund	10,130,273
Total		$ 20,018,382

Cemetery Fund has a $5,663,976 advance that bears no interest and will be repaid when funds become available. The advance is a long term subsidy of operations pending mausoleum project funding in future years, which is expected to generate additional revenues.

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

Parks and Recreation Facilities Fund has a $10,130,273 advance that bears interest which is based on the City's weight average portfolio rate and will be repaid to the General Fund in annual installments when Mitigation Fee Act funding become available.

D. Internal Balances

Internal balances represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental, successor agency and business-type activities. The $7,908 net internal balance in the Statement of Net Position is due to the different fiscal year end dates between the City and the Santa Clara Stadium Authority (refer to Note 1D for more information).

CITY OF SANTA CLARA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2019

NOTE 9 - CAPITAL ASSETS

A. Capital Assets Summary

Capital Assets at June 30, 2019 are comprised of:

	Balance June 30, 2018	Additions	Retirements/ Adjustments	Transfers	Balance June 30, 2019
Governmental Activities					
Non Depreciable Assets:					
Land	$ 108,611,420	$ 7,469,725	$ -	$ -	$ 116,081,145
Construction in progress	23,942,158	22,459,816	-	(8,283,148)	38,118,826
Total Non Depreciable Assets	132,553,578	29,929,541	-	(8,283,148)	154,199,971
Capital assets being depreciated:					
Land improvements	22,899,665	-	-	1,676,685	24,576,350
Buildings	211,636,306	-	-	333,463	211,969,769
Infrastructure	535,303,619	18,425,119	-	5,995,173	559,723,911
Machinery & equipment	76,498,200	4,819,199	(1,234,123)	288,872	80,372,148
Total Capital assets being depreciated	846,337,790	23,244,318	(1,234,123)	8,294,193	876,642,178
Less accumulated depreciation for:					
Land improvements	(14,336,357)	(1,078,974)	-	-	(15,415,331)
Buildings	(61,253,411)	(4,179,570)	-	-	(65,432,981)
Infrastructure	(272,978,102)	(13,657,007)	-	-	(286,635,109)
Machinery & equipment	(57,797,201)	(3,986,170)	1,186,834	(9,392)	(60,605,929)
Total accumulated depreciation	(406,365,071)	(22,901,721)	1,186,834	(9,392)	(428,089,350)
Net Depreciable Assets	439,972,719	342,597	(47,289)	8,284,801	448,552,828
Governmental Activity Net Capital Assets	$ 572,526,297	$ 30,272,138	$ (47,289)	$ 1,653	$ 602,752,799

NOTE 9 - CAPITAL ASSETS (continued)

	Balance June 30, 2018	Additions	Retirements/ Adjustments	Transfers	Balance June 30, 2019
Business-Type Activities					
Non Depreciable Assets:					
Land	$ 18,851,211	$ -	$ -	$ -	$ 18,851,211
Construction in progress	73,674,062	28,997,706		(15,527,647)	87,144,121
Total Non Depreciable Assets	92,525,273	28,997,706	-	(15,527,647)	105,995,332
Capital Assets being depreciated:					
Land Improvements	23,935,017	-	-	-	23,935,017
Buildings	917,617,221	-	-	886,361	918,503,582
Infrastructure	1,039,645,598	-	-	14,435,350	1,054,080,948
Machinery & equipment	23,919,625	349,949	(368,700)	194,891	24,095,765
Total Capital Assets being depreciated	2,005,117,465	349,949	(368,700)	15,516,602	2,020,615,312
Less accumulated depreciation for:					
Land Improvements	(22,425,189)	(796,991)	-	-	(23,222,180)
Buildings & improvements	(121,152,765)	(18,222,252)	-	-	(139,375,017)
Infrastructure	(482,513,350)	(21,987,190)	-	-	(504,500,540)
Machinery & equipment	(16,016,536)	(1,168,126)	368,700	9,392	(16,806,570)
Total accumulated depreciation	(642,107,840)	(42,174,559)	368,700	9,392	(683,904,307)
Net Depreciable Assets	1,363,009,625	(41,824,610)	-	15,525,994	1,336,711,005
Enterprise Activity Net Capital Assets	$ 1,455,534,898	$ (12,826,904)	$ -	$ (1,653)	$ 1,442,706,337

NOTE 9 - CAPITAL ASSETS (continued)

B. Construction in Progress Summary

Construction in Progress for governmental activities as of June 30, 2019 consisted of the following projects:

Governmental Projects	Authorized	Expended	Future Commitments
Transportation Improvements	$ 19,535,050	$ 6,443,850	$ 13,091,200
Parks and Recreation Improvements	40,344,179	18,847,473	21,496,706
City Building Improvements	18,340,591	12,827,503	5,513,088
Total	$ 78,219,820	$ 38,118,826	$ 40,100,994

Construction in Progress for business-type activities as of June 30, 2019 consisted of the following:

Enterprise Fund Projects	Authorized	Expended	Future Commitments
Electric Projects	$ 160,788,511	$ 85,508,434	$ 75,280,077
Water and Sewer Projects	1,233,957	1,233,957	-
Stadium Authority Projects	4,977,459	401,730	4,575,729
Total	$ 166,999,927	$ 87,144,121	$ 79,855,806

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

NOTE 9 - CAPITAL ASSETS (continued)

C. Depreciation Allocation

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

Governmental Activities:		
General Administration	$	1,329,057
City Clerk		1,151
Finance		1,216
Public Works		14,254,940
Parks and Recreation		1,561,191
Public Safety		
Police		850,939
Fire		563,852
Planning and Inspection		40,295
Library		1,419,557
		20,022,198
Capital assets held by the City's Internal Service Funds are charged to the various functions based on their usage of the assets		2,879,523
Total Governmental Activities	$	22,901,721
Business-Type Activities:		
Utility Funds:		
Electric Utility	$	20,365,184
Water Utility		1,578,233
Sewer Utility		1,149,218
Water Recycling Utility		25,141
Solid Waste		6,357
Cemetery		12,641
Santa Clara Golf and Tennis Club		797,259
Santa Clara Convention Center		1,536,992
Santa Clara Stadium Authority		16,703,534
Total Business-Type Activities	$	42,174,559

NOTE 10 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS

A. Summary of Long-Term Obligations

Type of Indebtedness	Issue Date	Final Maturity	Interest rate
Governmental Activity Debt:			
General Long-Term Debt:			
General obligation bonds			
2010 City of Santa Clara Lease Agreement	7/13/2010	7/1/2022	3.65%
2013 Refunding Certificates of Participation	3/28/2012	2/1/2032	2%-3.75%
Unamortized Premium/Discount			
Subtotal Government Activity Debt-Bonds			
Business-Type Activity Debt:			
Business-type obligation bonds			
Electric Utility:			
2008 Series B Revenue Bonds	5/29/2008	7/1/2027	Adjustable
2011 Series A Revenue Bonds	3/22/2011	7/1/2032	5%-6%
2013 Series A Revenue Bonds	4/24/2013	7/1/2028	3%-5%
2018 Series A Revenue Bonds	12/18/2018	7/1/2027	5.00%
Unamortized Premium/Discount			
Santa Clara Stadium Authority[2]:			
Term A loan	6/19/2013	4/1/2039	5%
Subtotal Business Activity Debt-Bonds			
Business-type notes from direct borrowings			
Electric Utility:			
2014 Bank of America Loan Agreement	6/16/2014	7/1/2024	2.67%
Sewer Utility:			
2016 Trimble Road Loan	3/8/2016	2/1/2031	2.14%
Santa Clara Stadium Authority[2]:			
StadCo CFD Advance[1]	4/1/2013	12/31/2054	5.73%
StadCo Subordinated Loan	3/28/2012	3/31/2043	5.50%
Subtotal Business Activity Debt-notes from direct borrowings			
Subtotal Enterprise Activity Debt			
Total Long-Term Debt Obligations			

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

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

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

Authorized and Issued	Outstanding as of June 30, 2018	Additions, Transfers, and Amort. of Discounts	Debt Retired / Defeased	Outstanding as of June 30, 2019	Current Portion
$ 10,207,000	$ 4,045,000	$ -	$ 956,000	3,089,000	$ 994,000
18,540,000	14,600,000	-	830,000	13,770,000	865,000
	746,581	-	54,297	692,284	-
28,747,000	19,391,581	-	1,840,297	17,551,284	1,859,000
86,600,000	59,265,000	-	59,265,000	-	-
54,830,000	54,830,000	-	-	54,830,000	-
64,380,000	51,335,000	-	3,720,000	47,615,000	3,910,000
48,800,000	-	48,800,000	-	48,800,000	4,205,000
	5,607,418	6,419,569	961,282	11,065,705	-
282,794,108	282,794,108	-	12,527,696	270,266,412	12,718,000
537,404,108	453,831,526	55,219,569	76,473,978	432,577,117	20,833,000
31,569,031	26,490,000	-	3,492,000	22,998,000	3,585,000
12,000,000	10,589,447	-	714,638	9,874,809	730,013
38,000,000	32,834,885	-	1,908,907	30,925,978	
233,138,533	67,032,627	-	28,007,794	39,024,833	4,182,550
314,707,564	136,946,959	-	34,123,339	102,823,620	8,497,563
852,111,672	590,778,485	55,219,569	110,597,317	535,400,737	29,330,563
$ 880,858,672	$ 610,170,066	$ 55,219,569	$ 112,437,614	$ 552,952,021	$ 31,189,563

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

B. City's Long-term Obligations

2010 City of Santa Clara Lease Agreement

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

In the event of default there is no remedy of acceleration of the total lease payments. The City will be liable only for the lease payments on an annual basis. There are no significant finance-related consequences for termination.

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

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

In the event of default there is no remedy of acceleration of the total lease payments nor the maturities of the Certificates. The City will be liable only for the lease payments on an annual basis, and in the event of default the trustee would be required to seek a separate judgement each year for that year's defaulted lease payments. There are no significant finance-related consequences for termination.

Compliance

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

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.

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

C. Enterprise Funds

Electric Utility

Electric Revenue Refunding Bonds, Series 2008 B

On May 29, 2008, Silicon Valley Power issued $86.6 million of Variable Rate Demand Subordinated Electric Revenue Bonds, Series 2008B (Electric 2008B Bonds) to refinance $80.53 million of Electric 1998A Bonds on July 1, 2008. The Electric 2008B Bonds mature annually beginning July 1, 2009 through July 1, 2027. The Electric 2008B Bonds are variable-rate, multi-modal bonds that were initially issued in the weekly mode. Payment of principal and interest on the Electric 2008B Bonds was originally made from proceeds of draws on a Letter of Credit originally provided by Dexia Credit Local. On May 11, 2011, the Letter of Credit provided by Dexia was replaced by a Letter of Credit provided by Bank of America, N.A. In connection therewith, the name of the bonds was changed from "Subordinated Electric Revenue Refunding Bonds" to "Electric Revenue Refunding Bonds". On November 1, 2012, the Letter of Credit provided by Bank of America, N.A. was replaced by a Letter of Credit provided by The Bank of Tokyo-Mitsubishi UFJ, Ltd with extended expiration date of January 29, 2019. The Electric 2008B Bonds were refunded on December 18, 2018 by the Electric 2018A Bonds described below. The 2008B bonds were redeemed in full and the interest rate swap agreement was terminated on the same date. The refunding resulted in overall saving of $4,484,252. The net present value of the debt service saving is called an economic gain and after a reduction for prior funds on hand of $3,595,858, amounted to $522,034.

Electric Revenue Refunding Bonds, Series 2011A

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

In the event of default, the City will transfer to the trustee all adjusted net revenues held by it and received thereafter and the trustee will disburse all adjusted net revenues and any other funds then held or thereafter received by the trustee under the provisions of indenture. In the case of default, the trustee will be entitled to declare the bond obligation of all bonds then outstanding to be due and payable immediately. There are no significant finance-related consequences for termination.

Electric Revenue Refunding Bonds, Series 2013A

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

In the event of default, the City will transfer to the trustee all adjusted net revenues held by it and received thereafter and the Trustee will disburse all adjusted net revenues and any other funds then held or thereafter received by the trustee under the provisions of indenture. In the case of default, the trustee will be entitled to

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

declare the bond obligation of all bonds then outstanding to be due and payable immediately. There are no significant finance-related consequences for termination.

Bank of America Loan Agreement, Series 2014

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

In the event of default, the City will transfer to the trustee all adjusted net revenues held by it and received thereafter and the Trustee will disburse all adjusted net revenues and any other funds then held or thereafter received by the trustee under the provisions of indenture. In the case of default, the trustee will be entitled to declare the bond obligation of all bonds then outstanding to be due and payable immediately. There are no significant finance-related consequences for termination.

Electric Revenue Refunding Bonds, Series 2018A

On December 18, 2018, SVP issued $48.8 million of Electric Revenue Refunding Bonds, Series 2018A (Electric 2018A Bonds) to refinance $54.58 million outstanding principal amount of Variable Rate Demand Electric Revenue Refunding Bonds, Series 2008B and terminate a related swap agreement. The Electric 2018A Bonds bear 5% coupon rate, mature annually beginning on July 1, 2019 through July 1, 2027, and were sold at an All-In True Interest Cost of 2.32%. Debt service on the Electric 2018A Bonds is secured by a pledge of net revenues of SVP.

In the event of default, the City will transfer to the trustee all adjusted net revenues held by it and received thereafter and the Trustee will disburse all adjusted net revenues and any other funds then held or thereafter received by the trustee under the provisions of indenture. In the case of default, the trustee will be entitled to declare the bond obligation of all bonds then outstanding to be due and payable immediately. There are no significant finance-related consequences for termination.

Pledges of Future Electric Revenues

The pledge of future Electric Fund revenues ends upon repayment of the $174.2 million in outstanding principal on the bonds and loan which is scheduled to occur in fiscal year 2032-33. For fiscal year 2018-19, Electric Fund revenues including operating revenues and non-operating interest earnings amounted to $415.0 million and operating costs including operating expenses, but not interest, depreciation or amortizations amounted to $331.1 million. Net revenues available for debt service amounted to $83.9 million which represented a coverage ratio of 3.48 on the $24.1 million of debt service.

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

Sewer Utility

Installment Sale Agreement, Series 2016

On March 8, 2016, the City entered into an Installment Sale Agreement with the PFFC in order to provide funds for the Trimble Road Trunk Sanitary Sewer Improvement Project (the "Project"). The PFFC entered into a separate Assignment Agreement with the DNT Asset Trust, a wholly owned subsidiary of JP Morgan Chase National Association (the "Agreement"), to assign its rights under the Installment Sale Agreement to DNT Asset Trust. The Agreement, in the amount of $12,000,000, carries an interest rate of 2.14% and the final payment is due February 1, 2031. Installment payments on the Agreement are secured by a pledge of net revenues of the Wastewater System. Net revenue of $19.9 million was available for debt service payments of $0.8 million.

In the event of default there is no remedy of acceleration of the total installment payments. The City will be liable only for the installment payments as they become due during the terms of the agreement. There are no significant finance-related consequences for termination.

Santa Clara Stadium Authority

Stadium Funding Trust Loan

The Restated Credit Agreement by and among FinanceCo, the Stadium Authority and Goldman Sachs Bank was entered into on June 19, 2013. FinanceCo agreed to loan the Stadium Authority up to $450 million. Under the Restated Credit Agreement, the loan from FinanceCo consists of the Term A Loan and the Term B Loan. On March 31, 2016, the Stadium Authority paid the remaining amount due on the Term B Loan.

Term A Loan

The Term A Loan was made in the amount of $282.79 million. This loan bears interest at a fixed rate of 5.00%, payable semi-annually, with annual principal payments due beginning in April 2018. The Term A Loan has a maturity date of April 1, 2039 and is subject to certain prepayment premiums. The loan was fully drawn at closing. As of March 31, 2019, $270.27 million was outstanding.

StadCo CFD Advance

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

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

StadCo has agreed to advance to the Stadium Authority funds to pay for the CFD Infrastructure (StadCo CFD Advance). To evidence the Stadium Authority's obligation to repay the StadCo CFD Advance, the

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

Stadium Authority and StadCo also executed a note on June 11, 2013. The StadCo CFD Advance has a maximum principal of $38 million and an interest rate of 5.73%.

During the year ended March 31, 2019, as the special CFD tax was submitted to the Stadium Authority, a number of payments were made on the StadCo CFD Advance. These payments were made mid-way through each quarter. The interest that accrued between the last StadCo CFD Advance payment and the end of the year is added to principal. These payments totaled $3.7 million, which included $1.82 million in interest and $1.91 million in principal. As of March 31, 2019, $30.93 million was outstanding which includes $0.23 million of interest added to principal as of March 31, 2018.

StadCo Subordinated Loan

The Restated StadCo Obligations Agreement dated as of June 19, 2013 was entered into by and between StadCo and the Stadium Authority as part of the take-out financing process. Under the Restated StadCo Obligations Agreement, StadCo will loan the Stadium Authority an amount not to exceed $500 million with a fixed 5.50% interest rate. Required principal repayments started in March 2016 and the Stadium Authority may prepay the loan at any time.

Payments totaling $31.48 million were made on the loan. This included the required principal payment of $3.97 million, a $24.04 million principal prepayment, and $3.47 million in interest. As of March 31, 2019, $39.02 million was outstanding.

D. Derivative Instruments

Under hedge accounting, the increase (decrease) in the fair value of a hedge is reported as a deferred cash flow hedge on the statement of net position. For the reporting period, all of SVP's derivatives meet the hedge effectiveness tests defined by GAAP.

Interest Rate Swap Agreements – Electric 2008 Series B Bonds

On December 18, 2018, in connection with the issuance of Electric Revenue Refunding Bonds, Series 2018A and the related refunding of outstanding Variable Rate Demand Electric Revenue Refunding Bonds, Series 2008B Bonds, SVP terminated its variable-to-fixed interest rate swap agreement with JPMorgan Chase and paid a termination payment to JPMorgan Chase in the amount of $3,738,000, as well as termination payment of $74,514 to terminate an associated letter of credit.

As of June 30, 2019, SVP does not have any outstanding swap agreements.

Notional Amounts and Fair Values- SVP Future Derivative Instruments

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 and sales 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.

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

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

SVP had no future derivative instruments outstanding at June 30, 2019.

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, 2019, SVP was not exposed to credit risk because there were no open derivative contracts, nor swap agreement.

SVP's policy for requiring collateral on hedging instruments varies based on individual contracts and counterparty credit ratings. Under the brokerage agreements with Archer Daniels Midland Company, the accounts are prefunded by SVP. If the account value falls below zero, margin calls are invoked. At June 30, 2019, SVP had posted collateral of $1,405,371 deposited with CAISO and Archer Daniels Midland Company for wholesale trading.

It is also SVP's policy to negotiate netting arrangements whenever it has entered into more than one derivative instrument transaction with 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.

Termination Risk

SVP's futures contracts are traded over the counter and have no termination risk.

Price Risk

With respect to price risk under these future contracts, on purchase contracts (long positions), SVP receives the CAISO NP15 average daily rate at settlement and pays the fixed contracted rate entered into on the trade date; on sales contracts (short positions), SVP pays the CAISO NP15 average daily rate at settlement and receives the fixed contracted rate entered into on the trade date. SVP is exposed to risk because the contract prices are different from the settlement prices.

E. Repayment Requirements

As of June 30, 2019, the debt service requirements to maturity for the City's long-term obligations, with determinable payment dates and the funds from which payment will be made are as follows:

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

	Government Activities		Business-Type Activities (excluding Santa Clara Stadium Authority)			
			Bonds		Notes from direct borrowing	
For the Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 1,859,000	$ 641,553	$ 8,115,000	$ 7,316,756	$ 4,315,013	$ 773,623
2021	1,930,000	570,344	8,600,000	7,498,881	4,426,719	60,916
2022	2,005,000	496,438	9,105,000	6,456,257	4,540,763	545,281
2023	980,000	420,275	9,655,000	5,987,256	4,658,152	426,645
2024	1,030,000	371,275	10,220,000	5,490,381	4,777,893	304,932
2025-2029	5,785,000	1,231,725	55,805,000	19,809,951	8,328,470	503,377
2030-2034	3,270,000	222,188	49,745,001	5,601,972	1,825,798	49,100
	$ 16,859,000	$ 3,953,798	$ 151,245,001	$ 58,161,454	$ 32,872,808	$ 2,663,874

Reconciliation of Long-term Obligations	
Principal Outstanding as Reported in Government Activities	$ 16,859,000
Principal Outstanding as Reported in Business Type Activities	184,117,809
Total Principal Outstanding as Reported	200,976,809
Principal Outstanding - Stadium Authority (1)	340,217,223
Unamortized Discount/Premium	11,757,989
Total Long-term Obligations	$ 552,952,021

(1) The principal outstanding for Stadium Authority is as of March 31, 2019. Please refer to Santa Clara Stadium Authority's separately issued Financial Statements Note 5 for details.

F. 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, 2019, is $6.6 billion. There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations, covenants and restrictions.

G. 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, 2019, the City has ten 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.

NOTE 11 - SOLID WASTE LANDFILL CLOSURE

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

NOTE 11 – SOLID WASTE LANDFILL CLOSURE (continued)

Integrated Waste Management Board, which is now the California Department of Resources Recycling and Recovery (CalRecycle), addresses all the attendant issues. Based on the Plan and pertaining laws and regulations, an estimated Landfill Postclosure Care Cost Obligation is recorded and updated annually. The postclosure care liability is accrued in the Solid Waste Enterprise Fund in accordance with GAAP. This obligation is payable from solid waste user fees.

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

The City has pledged $885,000 for postclosure maintenance expenses and $751,000 for corrective action in 2019-20. These amounts are subject to annual inflation factors, as stipulated by CalRecycle.

At June 30, 2019, a liability in the amount of $4,882,488 was reported based on the estimated remaining postclosure care costs to meet the regulatory requirements. During fiscal year 2019, the City incurred post-closure expenses of $715,901 and increased the liability by $484,545 based on revised estimates of future costs. The estimated liability is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2019. However, the actual cost of postclosure care and corrective action may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

NOTE 12 – PARTICIPATION IN JOINT VENTURES

A. Investments in Joint Venture

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

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

	Date of latest audited financial statement	Joint Venture's address
NCPA	6/30/2018	651 Commerce Dr. Roseville, CA 95678
TANC	6/30/2018	P.O. Box 15129 Sacramento, CA 95851
SJSC	6/30/2018	200 E. Santa Clara St. San Jose, CA 95113
MSR EA	12/31/2018	P.O. Box 4060 Modesto, CA 95352
MSR PPA	12/31/2018	P.O. Box 4060 Modesto, CA 95352
SVACA	6/30/2018	3370 Thomas Road Santa Clara, CA 95051

NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)

The City's basic financial statements reflect the following investments in joint ventures as of June 30, 2018 (latest information available):

	Participating percentage	Investment	Method of accounting
NCPA		$35,021,527	Equity
Geothermal	44.39%		
Hydroelectric	37.02%		
Combustion Turbine	41.67%		
Lodi Energy Center	25.75%		
TANC	8.61%	2,310,785	Equity
SJSC (1)	19.33%	143,922,301	Equity
MSR EA	33.40%	-	Suspended
MSR PPA	35.00%	-	Suspended
SVACA	57.48%	4,896,192	Equity
Total		$186,150,805	

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

B. Contingent Liability

Under the terms of the various joint venture agreements, the City is contingently liable for a portion of the long-term debt of the entities under take-or-pay agreements, letters of credit, guarantees or other similar agreements. Based on the most recent audited financial statements of the individual joint ventures as of June 30, 2018, the City was contingently liable for long-term debt as follows (in thousands):

	Total Debt	Participating Share	Contingent Liability
NCPA	$ 736,932	32.62%	$ 240,364
TANC	200,290	9.69%	19,405
SJSC	36,107	19.33%	6,978
MSR PPA	98,850	35.00%	34,598
Total	$ 1,072,179		$ 301,345

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.

NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)

Take-or-Pay commitments expire upon final maturity of outstanding debt for each project. Final fiscal year debt expirations as of June 30, 2018 are as follows:

Project	Debt Expiration	Entitlement Share %	Debt Service Share %
NCPA - Geothermal Project (NGP)	July-2024	44.3905%	44.3905%
NCPA - Hydroelectric Project (NHP)	July-2032	37.0200%	37.0200%
NCPA - Lodi Energy Center (NLEC) (1)	June-2040	25.7500%	30.6292%
TANC - CA-OR Transmission Project (COTP)	May-2039	9.5700%	9.6900%
MSR PPA - San Juan Plant	July-2022	35.0000%	35.0000%

(1) 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, 2018 is as follows (latest information available):

Fiscal Year	NGP	NHP	NLEC	COTP	MSR PPA	Total
2019	$ 2,191,001	$ 13,860,409	$ 7,658,253	$ 838,994	$ 9,711,800	$ 34,260,457
2020	2,191,513	13,510,819	7,568,560	576,705	9,711,800	33,559,397
2021	2,195,431	13,524,404	7,568,602	603,700	9,712,500	33,604,637
2022	2,197,534	13,469,653	7,566,771	633,717	9,711,100	33,578,775
2023	2,198,863	13,482,473	7,567,678	664,572		23,913,586
2024-2028	3,087,584	53,115,121	38,156,954	3,783,640	-	98,143,299
2029-2033	-	40,921,388	38,619,608	4,824,619	-	84,365,615
2034-2038	-	-	38,618,066	6,083,615	-	44,701,681
2039-2041	-	-	22,527,489	1,395,560	-	23,923,049
Total	$ 14,061,926	$ 161,884,267	$ 175,851,981	$ 19,405,122	$ 38,847,200	$ 410,050,496

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.

<u>Project Financing and Construction</u>

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

NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)

curtailment of output from the project for any reason. Certain 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.

Geothermal Project

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

Based upon current operation protocols and forecasted operations, NCPA expects average annual generation and peak capacity to decrease further, reaching approximately 66 MW by the year 2039.

Combustion Turbine Project No. 1

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

Lodi Energy Center

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

D. Transmission Agency of Northern California (TANC)

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

NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)

the costs to operate TANC and for payment of debt service, and has the right to participate in future project agreements.

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

California-Oregon Transmission Project

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

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, 2018, the most recent data available, TANC's investment in the Project was $537.6 million, less accumulated depreciation and amortization of $271.9 million.

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

Santa Clara has historically been obligated to pay 20.47% of TANC's COTP operating and maintenance expenses and 20.70% of TANC's COTP debt service and 22.16% of the Vernon acquisition debt. Santa Clara has also been entitled to 20.4745% of TANC's share of COTP transfer capability (approximately 278 MW net of third party layoffs of TANC) on an unconditional take-or-pay basis. Starting on July 1, 2014 Santa Clara laid-off 147 MWs of this entitlement to other TANC members under a 25 year agreement. During the term of this agreement the parties taking on the entitlement will pay all associated debt service, operations and maintenance costs, and all administrative and general costs. Santa Clara's portion of the operating and maintenance expenses and the COTP debt service is 10.008 %.

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

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

In 1959, the City and the City of San Jose entered into an agreement to construct and operate the RWF, (formerly referred to as the San Jose/Santa Clara Water Pollution Control Plant). Under the terms of the

NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)

agreement, the cities own an undivided interest in the RWF 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 RWF, determined on an accrual basis. For the fiscal year ended June 30, 2019, the City's portion of the plant capacity was approximately 19.58%, which is also its interest in the net position of the RWF.

Zero Waste Energy Development Company Ground Lease

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

South Bay Water Recycling Program

The South Bay Water Recycling Program (SBWR), a regional water reclamation program, is part of an action plan adopted by the Regional Water Quality Control Board (RWQCB) which limits the RWF 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 RQWCB. SBWR has a master plan to guide the continued operation and potential expansion of the SBWR in the absence of the previous regulatory drivers. The master plan was completed in December of 2014 and accepted by the City of San Jose and the Santa Clara Valley Water District during fiscal year 2014-15.

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

When first built, the SBWR distribution system included 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. Santa Clara's share of Phase 1 costs was approximately $20.07 million. Within Santa Clara, seven miles of distribution mains were added to the system in 2010 and 2011 and the entire SBWR distribution system now consists of over 140 miles of pipeline.

NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)

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

In June 1997, the RWQCB approved the Proposed Revision to the South Bay Action Plan (the Plan), which describes the projects necessary to reduce average dry weather effluent flow from the RWF 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. M-S-R Public Power Agency (MSR PPA)

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

The City's equity in MSR PPA's net losses exceeds its investment and, therefore, the equity method of accounting for the investment has been suspended. As of December 31, 2018, the date of the latest available audited financial statements, the City's unrecognized share of member's deficit of MSR PPA was \$18.4 million. Under the joint exercise of power agreement, which formed MSR PPA, the City is responsible for funding up to 35 percent of MSR PPA's operating cost, to the extent such funding is necessary. During the year ended June 30, 2018, the City made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in the Electric Utility Enterprise Fund expenses.

MSR PPA's principal activity is a 28.8% ownership interest in a 507-megawatt unit of a coal-fired electricity generating plant located in New Mexico (San Juan Plant). The San Juan plant was jointly owned by the Public Service Company of New Mexico (PNM) (38.5%), MSR PPA (28.8%) and other municipal power entities (32.7%). MSR PPA was also a participant in the Southwest Transmission Project, a 500-kilovolt alternating current transmission project between Central Arizona and Southern California, which provides firm transmission from the San Juan plant into California. MSR PPA has transmission contracts to complete the path to bring power to the Members' distribution systems. The Members share in the income and expense of the San Juan Plant and the Southwest Transmission Project in the ratio of the MSR PPA ownership percentages. On May 25, 2016, MSR PPA sold its interest in the Southwest Transmission Project. On December 31, 2017, MSR PPA divested its ownership interest in the San Juan plant.

NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)

In 2006, MSR PPA entered into a Wholesale Purchase and Sale Agreement and a Shaping and Firming Agreement with Avangrid Renewables, Inc. to provide renewable wind energy to the Members from the Big Horn I Wind Energy Project (Big Horn I Project) with a nominal installed capacity of approximately 199.5 MW. The City receives the power purchased by MSR PPA from the Big Horn I Project. The City's share equates to approximately a 105 MW share of the output at a cost comparable to combined cycle gas-fuel generation. Power deliveries commenced on October 1, 2006 and will continue through September 30, 2026. Through an amendment of the original agreements MSR PPA has an obligation to continue to take the same output through September 30, 2031, or if the Big Horn Project is repowered MSR PPA will have a right of first offer to negotiate a long-term power purchase for such repowered project. The participation in this project is as follows: Modesto Irrigation District – 12.5%; City of Santa Clara – 52.5%; and City of Redding – 35%.

In 2009, MSR PPA entered into a Power Purchase Agreement and Redelivery Agreement with Avangrid Renewables Inc. to purchase additional wind power energy from the same site, called Big Horn II, with a nominal installed capacity of 50 MW 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%.

M-S-R PPA San Juan

In 2015, the MSR PPA Commission approved a number of agreements (the "San Juan Restructuring Agreements") to provide for the interests of MSR PPA and certain other San Juan Participants (the "exiting participants") in the San Juan Generation Station to be transferred to the remaining San Juan Participants effective December 31, 2017. In addition to the ownership divesture, the San Juan Restructuring Agreements provide for, among other things, the allocation of ongoing responsibility for decommissioning costs, mine reclamation costs and any environmental remediation obligations among the exiting participants and the remaining San Juan Participants, and the establishment and funding of mine reclamation and plant decommissioning trust funds. The San Juan Restructuring Agreements were subsequently executed by all nine San Juan Generation Station owners and PNM Resources Development Company (a non-utility affiliate of PNM) and, following receipt of regulatory approvals, became effective on January 31, 2016. Various other implementing agreements and amendments to existing San Juan project agreements to effect the restructuring have also been executed. Closing of the ownership restructuring of the San Juan Generation Station and the divestiture of MSR PPA's interests in San Juan Unit No. 4 was completed on schedule on December 31, 2017.

G. M-S-R Energy Authority (MSR EA)

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

The City's equity in MSR EA's net losses exceeds its investment and, therefore, the equity method of accounting for the investment has been suspended. As of December 31, 2018, 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

NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)

funding up to 33.4% of MSR EA's operating cost, to the extent such funding is necessary. During the year ended June 30, 2018, the City made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in the Electric Utility Enterprise Fund expenses.

In 2009, the City of Santa Clara, along with the Cities of Modesto and Redding participated in the M-S-R Energy Authority Gas Prepay Project. The Gas Prepay Project provides the City of Santa Clara, through a Gas Supply Agreement with MSR EA dated September 10, 2009, a secure and long-term supply of natural gas of 7,500 MM Btu (Million British thermal unit) daily or 2,730,500 MM Btu annually through December 31, 2012, and 12,500 MM Btu daily, or 4,562,500 MM Btu annually thereafter until September 30, 2039. The agreement provides this supply at a discounted price below the spot market price (the Pacific Gas & Electric City gate index) over the next 30 years. As of December 31, 2018, 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 four member cities.

During the fiscal year ended June 30, 2019, the City of Santa Clara contributed $1,050,515 to SVACA. The City's equity interest in SVACA was $4,896,192 at June 30, 2018 (the most recent audited information available). Audited financial statements are available from SVACA, located at 3370 Thomas Road, Santa Clara, CA 95051.

NOTE 13 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

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

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

B. Pension Plan Benefits

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

Benefits for employees in the Miscellaneous Plan and Safety Plan vest after five years of CalPERS credited service. The retirement benefits are based on the retiree's age, years of CalPERS credited service, and benefit factor of 2.7% at 55 for the Classic Miscellaneous Plan members and 3% at 50 for the Classic Safety Plan members. For members under PEPRA, the benefit factor is reduced to 2% at 62 for the Miscellaneous Plan and 2.7% at 57 for the Safety Plan.

Miscellaneous Plan

Participants in this plan are eligible for service retirement and receive graduated benefits upon attaining the age of 50 and with at least five years of credited service with a CalPERS employer. The service retirement benefit is a monthly allowance equal to the product of the benefit factor (2.7% at 55 for Classic members or 2% at 62 for PEPRA members), years of service, and final compensation (monthly average of member's highest 12 or 36 (for new members) consecutive months full-time equivalent monthly pay). The service retirement benefit for this group is not capped. The compensation limit for Classic members for the 2019 calendar year is $280,000. Employees with membership dates prior to July 1, 1996 are not impacted by this limit. The compensation limit for PEPRA for calendar year 2019 is $124,180 for employees covered by Social Security and is adjusted annually with the CPI for all Urban Consumers.

Safety Plan

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

The service retirement benefit for the Safety Plan group is capped at 90% of final compensation for the Classic members. PEPRA members have an annual compensation limit on reportable earnings. The compensation limit for calendar year 2019 is $149,016 for employees not covered by Social Security and is adjusted annually with the CPI for all Urban Consumers.

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

The Plans provisions and benefits in effect at June 30, 2019 are summarized as follows:

	Miscellaneous		Safety	
Hire date	Prior to January 1, 2013	On or After January 1, 2013	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67	50	50 - 57
Monthly benefits, as a % of eligible compensation	2.00% - 2.70%	1.00% - 2.50%	3.00%	2.00% - 2.70%
Required employee contribution rates	8.00%	5.75%		
Public Safety - Fire			9.00%	10.50%
Public Safety - Police			9.00%	10.50%
Required employer contribution rates	10.169%	10.169%	20.023%	20.023%
Required unfunded liability contribution	$16,991,385		$13,683,589	

Beginning in fiscal year 2015-16, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City's required contribution for the miscellaneous plan's unfunded liability was $16,991,385 in fiscal year 2018-19. The City's required contribution for the safety plan's unfunded liability was $13,683,589 in fiscal year 2018-19.

Employees Covered

At the valuation date, June 30, 2017, the following employees were covered by the benefits terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	939	459
Inactive employees entitled to but not yet receiving benefits	422	59
Active employees	691	285
Total	2,052	803

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

C. Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2019, the City's contributions to the miscellaneous and safety plans were $23,615,964 and $23,484,760, respectively.

D. Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plans' fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

	All Plans
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry-Age and Service
Investment Rate of Return (1)	7.15%
Post Retirement Benefit Increase	Contract COLA up to 2% until Purchasing Power applies, 2.5% thereafter
Mortality (2)	Derived using CalPERS' membership data for all funds

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

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of morality improvement using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the CalPERS' December 2017 experience study report available on CalPERS' website

The underlying mortality assumptions and all other actual assumption used in the June 30, 2017 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

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

Changes of Assumptions

For the measurement date of June 30, 2018, the inflation rate reduced from 2.75% to 2.50%.

Discount Rate

The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all period of projected benefit payments to determine the total pension liability for the Plan.

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

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

Asset Class (1)	Current Target Allocation	Real Return Years 1 - 10 [1]	Real Return Years 11+ [2]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidly	1.00%	-	-0.92%
	100.00%		

(1) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(2) An expected inflation of 2.0% used for this period.
(3) An expected inflation of 2.92% used for this period.

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

E. Changes in the Net Pension Liability

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

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017 measurement date	$ 698,221,756	$ 433,036,406	$ 265,185,350
Changes in the year:			
Service cost	13,159,021	-	13,159,021
Interest on the total pension liability	49,394,806	-	49,394,806
Changes of benefit terms	-	-	-
Changes of assumptions	(5,067,759)	-	(5,067,759)
Differences between expected and actual experience	10,229,369	-	10,229,369
Plan to plan resource movement	-	(1,065)	1,065
Contributions - employer	-	22,508,822	(22,508,822)
Contributions - employees	-	5,957,917	(5,957,917)
Net investment income	-	36,908,188	(36,908,188)
Benefit payments, including refunds of employee contributions	(38,252,869)	(38,252,869)	-
Administrative expense	-	(674,790)	674,790
Other Miscellaneous Income/(Expense) [1]	-	(1,281,438)	1,281,438
Net changes	29,462,568	25,164,765	4,297,803
Balance at June 30, 2018 measurement date	$ 727,684,324	$ 458,201,171	$ 269,483,153

(1) During fiscal year 2017-18, as a result of GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly , CalPERS recorded a one-time expense as a result of the adoption of GASB No. 75.

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

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017 measurement date	$ 733,300,705	$ 482,098,778	$ 251,201,927
Changes in the year:			
Service cost	13,999,625	-	13,999,625
Interest on the total pension liability	51,713,042	-	51,713,042
Changes of benefit terms	-	-	-
Changes of assumptions	(3,333,870)	-	(3,333,870)
Differences between expected and actual experience	5,782,119	-	5,782,119
Plan to plan resource movement	-	(1,182)	1,182
Contributions - employer	-	20,510,633	(20,510,633)
Contributions - employees	-	5,395,755	(5,395,755)
Net investment income	-	40,902,179	(40,902,179)
Benefit payments, including refunds of employee contributions	(38,978,890)	(38,978,890)	-
Administrative expense	-	(751,243)	751,243
Other Miscellaneous Income/(Expense) [1]	-	(1,426,623)	1,426,623
Net changes	29,182,026	25,650,629	3,531,397
Balance at June 30, 2018 measurement date	$ 762,482,731	$ 507,749,407	$ 254,733,324
Combined Total	$ 1,490,167,055	$ 965,950,578	$ 524,216,477

(1) During fiscal year 2017-18, as a result of GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly , CalPERS recorded a one-time expense as a result of the adoption of GASB No. 75.

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

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

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

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	$ 360,261,151	$ 355,909,597
Current Discount Rate	7.15%	7.15%
Net Pension Liability	$ 269,483,153	$ 254,733,324
1% Increase	8.15%	8.15%
Net Pension Liability	$ 193,797,530	$ 171,489,847

Pension Plan Fiduciary Net Position

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

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

For the year ended June 30, 2019, the City recognized pension expense of $38,984,303 for the Miscellaneous Plan and $31,960,262 for the Safety Plan.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 23,615,964	$ -
Changes of assumptions	12,339,369	(3,532,074)
Differences between expected and actual experience	7,129,560	(725,424)
Net differences between projected and actual earnings on pension plan investments	636,418	-
Total	$ 43,721,311	$ (4,257,498)

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

Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 23,484,760	
Changes of assumptions	22,277,672	(3,075,799)
Differences between expected and actual experience	4,405,424	(2,217,101)
Net differences between projected and actual earnings on pension plan investments	1,230,165	-
Total	$ 51,398,021	$ (5,292,900)
Combined Total	$ 95,119,332	$ (9,550,398)

The reported $23,615,964 for the Miscellaneous Plan and $23,484,760 for the Safety Plan deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Measurement Period Ended June 30	Miscellaneous Plan Annual Amortization	Safety Plan Annual Amortization
2019	$ 18,584,102	$ 14,239,412
2020	2,657,817	10,584,109
2021	(4,095,904)	(919,000)
2022	(1,298,166)	(1,284,160)

NOTE 14 – RETIREMENT PLAN - DEFINED CONTRIBUTION PLAN

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

NOTE 15 – DEFERRED COMPENSATION PLAN

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

NOTE 15 – DEFERRED COMPENSATION PLAN (continued)

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

The City's single-employer defined benefit Other Post Employment Benefit (OPEB) Plan Trust Fund, which was established by City Council in fiscal year 2007-08 in accordance with GAAP, provides reimbursements to retirees for qualified expenses. Employees who have retired from the City with 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 $4,296 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 agent multiple-employer defined benefit trust which is administered by Public Agency Retirement Services (PARS). The City is the Plan administrator, and PARS administers the investment trust for the City's Plan. The trust is used to accumulate and invest assets necessary to reimburse retirees. Separate financial reports are issued by PARS for the OPEB Plan Trust. The report can be obtained by writing to PARS at 4350 Von Karman Avenue, Suite 100, Newport Beach, CA 92660, or by calling 1-800-540-6369.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to and deduction from the OPEB's fiduciary net position have been determined on the same bases. For this purpose OPEB benefit payments are recognized when currently due and payable in accordance with the benefits terms. Investments are report at fair value.

Generally accepted accounting principles require that the reporting results must pertain to liability and asset information within certain defined timeframes. For the fiscal year 2018-19, the following time frames were used.

Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019
Actuarial valuation date (1)	June 30, 2018

(1) Update procedures were used to roll forward the Total OPEB liability from the valuation date to the measurement date.

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)

B. Plan Membership

As of June 30, 2019, membership in the plan consisted of the following:

	Number of Covered Employees
Inactive employees currently receiving benefits	648
Inactive employees entitled to but not yet receiving benefit payments	200
Active employees	1,014
Total	1,862

C. Contributions

The OPEB Plan trust annual contributions are based upon actuarial determine contributions. The contribution requirements 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. For the fiscal year ending June 30, 2019 the City's cash contributions were $4,421,666 in payments to the trust and the estimated implied subsidy was $930,000, for total contributions of $5,351,666.

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)

D. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation dated June 30, 2018, rolled forward to June 30, 2019 using standard actuarial methods, based on the following actuarial methods and assumptions:

Actuarial Assumptions

Significant Actuarial Assumptions Used in Total OPEB Liability

Actuarial Assumption	June 30, 2019 Measurement Date
Actuarial valuation date	June 30, 2018
Discount rate	5.25% at June 30, 2019
	Crossover analysis showed benefit payments always fully
Inflation	2.75%
Salary increases	Aggregate 3%
Investment rate of return	5.25% at June 30, 2019
Funding policy	Full pre-funding to PARS trust
	PARS portfolio: Moderately Conservative
Mortality, Disability, Termination, and Retirement	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2018
Healthcare cost trend rates	Non-Medicare - 7.5% for 2020 scaling down to 4.0% for year 2076
	Medicare - 6.5% for 2020 scaling down to 4.0% for year 2076
Healthcare participation for future retirees - Cash subsidy	Currently covered: 80%
	Waived: 40%
Healthcare participation for future retirees - PEMHCA implied subsidy	Currently covered: 80%
	Waived: 25%

E. Investments Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investment was 6.66%, net of investment expense. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)

F. Discount Rate

The discount rates used to measure the total OPEB liability was 5.25% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rate equal to the actuarially determined contributions rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Mutual Funds - Equity	29%	4.82%
Mutual Funds - Fixed Income	65%	1.47%
REIT'S	1%	3.76%
Cash and equivalent	5%	0.06%
	100%	
Expected Inflation		2.75%
Discount Rate		5.25%

G. Changes in the OPEB Liability

The changes in the Net OPEB liability and Fiduciary Net Position are as follows:

Net OPEB Liability
(In Thousands)

	2019	2018
Total OPEB Liability	$ 60,680	$ 65,516
Fiduciary Net Position	(22,534)	(18,945)
Net OPEB Liability	$ 38,146	$ 46,571
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	37.1%	28.9%

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)

The changes in Net OPEB details as follow:

Changes in Net OPEB Liability
(In Thousands)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2018 measurement date	$ 65,516	$ 18,945	$ 46,571
Changes in the year:			
Service cost	2,264	-	2,264
Interest	3,478	-	3,478
Differences between expected and actual experience	(1,644)	-	(1,644)
Change in Assumption	(5,838)		(5,838)
Contributions - employer (1)	-	5,366	(5,366)
Net investment income	-	1,410	(1,410)
Benefit payments	(3,096)	(3,096)	-
Administrative expense	-	(91)	91
Net changes	(4,836)	3,589	(8,425)
Balance at June 30, 2019 measurement date	$ 60,680	$ 22,534	$ 38,146

(1) Includes implied subsidy of $930

H. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the net OPEB liability of the Plan as of June 30, 2019, calculated using the discount rate of 5.25%, as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate.

Sensitivity of Net OPEB Liability to Changes in Discount Rate
(In Thousands)

	1% Decrease (4.25%)	Current Rate (5.25%)	1% Increase (6.25%)
Net OPEB Liability	$ 45,780	$ 38,146	$ 31,846

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)

I. Sensitivity of the Net OPEB Liability to Healthcare Cost Trend Rates

The following table presents the net OPEB liability of the City, as of June 30, 2019, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% point lower or 1% point higher than the current rate.

Sensitivity of Net OPEB Liability to Changes in Healthcare Care Trend Rates
(In Thousands)

	1% Decrease (6.5% Non-Medicare 5.5% Medicare decreasing to 4.0%)	Current Rate (7.5% Non-Medicare 6.5% Medicare decreasing to 4.0%)	1% Increase (8.5% Non-Medicare 7.5% Medicare decreasing to 4.0%)
Net OPEB Liability	$ 30,645	$ 38,146	$ 47,413

J. OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense as follows:

OPEB Expense
(In Thousands)

	2019
Fund level expense	$ 4,436
Actuarial Expense	(862)
OPEB Expense	$ 3,574

As of fiscal year ended June 30, 2019, the City reported deferred outflows as of resources related to OPEB from the following sources.

Deferred Outflows and Inflows Balance
(In Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 4,896
Differences between expected and actual experience	-	1,379
Net differences between projected and actual earnings on OPEB plan investments	-	72
Total	$ -	$ 6,347

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)

Amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Recognition of Deferred Outflows and Inflows of Resources
in Future OPEB Expense (In Thousands)

For the Year ending June 30	Amount
2020	$ (1,207)
2021	(1,207)
2022	(1,209)
2023	(1,277)
2024	(1,207)
Thereafter	(240)

NOTE 17 – ELECTRIC UTILITY - SILICON VALLEY POWER (SVP)

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

A. Long-term Power Purchase Contracts

The City purchases wholesale electric power from various participants of the Western Systems Power Pool (WSPP), NCPA, MSR Public Power Agency (Note 12), Western Area Power Administration, and other sources to supply the power requirements of the City's electric utility customers under long-term power purchase agreements (PPAs). The City actively manages the financial risks inherent in these PPAs, 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 under PPAs is included in enterprise fund materials, services and supplies expense and excluded from wholesale resources purchase.

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. 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 so called direct-access customers. AB1890 also created the California Independent System Operator (CAISO), which was to manage the state's bulk transmission grid.

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. Eventually the Cal PX filed for bankruptcy and was dismantled. Investor-owned utility PG&E and several energy marketers would also file for bankruptcy and over a decade of litigation ensued.

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

The CAISO, however, continues to manage the state's bulk electric system and the day-ahead and day-of markets, and it has implemented various price controls and tariffs in an effort to avoid repeating the mistakes of 2000 and 2001. Along with balancing control area responsibility, the CAISO has also announced that it will take on the role of reliability coordinator for the region.

Energy Wholesale Trading and Risk Management

SVP participates in the wholesale gas and power market and the CAISO's centralized market. Since CAISO's Market Redesign and Technology Upgrade (MRTU), CAISO has become the ultimate buyer and seller in the California day ahead market. Therefore, SVP engages in the trading of commodity forward contracts (gas and electric energy contracts) to secure fuel supply and hedge daily power purchase/sales from/to CAISO. 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 $22.5 million and $27.7 million, respectively, for fiscal year ended June 30, 2019, have been separately reported on the statement of revenues, expenses and changes in net position.

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

Credit Arrangements

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

NOTE 18 – NET POSITION/FUND EQUITY

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

A. Government-wide Financial Statements - Net Position

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

NOTE 18 – NET POSITION/FUND EQUITY (continued)

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

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

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

B. Governmental Fund Financial Statements - Fund Balances

The City categorizes fund balance in accordance with GAAP. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories in the General Fund, or negative balances in all other funds. The Unassigned Fund Balance includes the Budget Stabilization (Emergency) and Capital Projects Reserves, and other undesignated fund balances. The balances in these accounts are \$63 million, \$22 million, and \$63 million, respectively. Additional information is described in the Stabilization Arrangement section of this note.

NOTE 18 – NET POSITION/FUND EQUITY (continued)

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.

NOTE 18 – NET POSITION/FUND EQUITY (continued)

Fund Balance Classification

	Major Funds			
	General Fund	Santa Clara Housing Successor	Non-Major Governmental Funds	Fund Balance June 30, 2019
Nonspendable:				
Receivables, inventory & prepaid	$ 46,611	$ -	$ -	$ 46,611
Advances to other Funds	20,018,382	-	-	20,018,382
Loans to Successor Agency	4,355,641	-	-	4,355,641
Total Nonspendable	24,420,634	-	-	24,420,634
Restricted For:				
Gas tax programs	-	-	1,730,113	1,730,113
Housing & Community		31,202,381	9,850,516	41,052,897
Maintenance districts	-	-	876,330	876,330
Operating grants	-	-	811,706	811,706
Debt service	-	-	1,506,485	1,506,485
Environmental enforcements	224,557	-	-	224,557
Parks & recreation	-	-	10,512,247	10,512,247
Streets and highway	-	-	26,537,929	26,537,929
Public safety	772,831	-	-	772,831
Library	19,488	-	-	19,488
Public facilities	-	-	2,111,809	2,111,809
Special assessments	-	-	1,075,998	1,075,998
Donations	253,886	-	-	253,886
Pension rate stabilization program	16,381,504	-	-	16,381,504
Storm drain	-	-	586,578	586,578
Total Restricted	17,652,266	31,202,381	55,599,711	104,454,358
Committed to:				
Housing programs	-	-	3,301,757	3,301,757
Parks & recreation	-	-	12,148,836	12,148,836
Streets and highway	-	-	5,728,097	5,728,097
Storm drain	-	-	2,392,283	2,392,283
Public safety	-	-	660,147	660,147
Library	-	-	234,634	234,634
Public facilities	-	-	20,878,725	20,878,725
Building inspection	9,281,903	-	-	9,281,903
Land investment	21,531,838	-	-	21,531,838
Historical preservation	88,445	-	-	88,445
Total Committed	30,902,186	-	45,344,479	76,246,665
Assigned to:				
General Government	6,792,840	-	-	6,792,840
Community activities	1,055,678	-	-	1,055,678
Other purposes	30,887	-	-	30,887
Total Assigned	7,879,405	-	-	7,879,405
Unassigned:	147,738,567	-	-	147,738,567
Total Unassigned	147,738,567	-	-	147,738,567
Total Fund Balances	$ 228,593,058	$ 31,202,381	$ 100,944,190	$ 360,739,629

NOTE 18 – NET POSITION/FUND EQUITY (continued)

C. Fund Balance Policy

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

Stabilization Arrangement

Maintaining financial stabilization is a necessity for sound financial management and fiscal accountability. Its purpose is to ensure funds are available to cover occasional budgetary shortfalls (i.e., when general unrestricted revenues decline) or other unexpected urgent events. The City's Budget Stabilization Reserves (Emergency) and Capital Projects Reserves are maintained for these purposes. As of June 30, 2019, the Budget Stabilization and Capital Projects Reserves were $63 million and $22 million, respectively, and are a component of the General Fund's Unassigned Fund Balance.

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

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

One of the strategic objectives on the 2017-18 Council Goals and Strategic Objectives list is to continue to replenish City reserves and maintain strong, fiscally-sound management policies of City revenues with long term goals in mind.

Pension Rate Stabilization Program Trust

In fiscal year 2016-17, the City established an irrevocable trust account with PARS to pre-fund retirement plan obligations. The contributions placed in the trust will reduce the City's net pension liability for financial purposes as required by GAAP. As of June 30, 2019, the balances in the pension rate stabilization program trust for the General Fund and Enterprise Funds are listed as follow:

NOTE 18 – NET POSITION/FUND EQUITY (continued)

Fund Name	Pension Rate Stabilization Balances
General Fund:	$ 16,381,504
Enterprise Funds:	
Electric Utility	4,329,866
Water Utility	140,672
Recycled Water	9,599
Sewer Utility	61,125
Solid Waste	20,094
	$ 20,942,860

D. Net Position/Fund Balance Deficits

The funds listed below had an accumulated deficit as of June 30, 2019:

Fund Name	Accumulated Deficit
Enterprise Funds:	
Cemetery	$ 3,892,827
Solid Waste	$ 1,285,138
Santa Clara Golf and Tennis Club	$ 3,394,401
Internal Service Funds:	
Special Liability Insurance Claims	$ 1,620,103
Workers' Compensation Insurance Claims	$ 16,116,241
Private Purpose Trust Fund:	
Successor Agency	$ 3,725,445

The City's long term plans include construction of additional facilities that will help bring the Cemetery Enterprise Fund closer towards recovery. The Solid Waste deficit is mainly due to liabilities incurred for landfill postclosure care and is expected to be funded by charges for services in future years. The Santa Clara Golf and Tennis Club deficit is due to the lower revenues from the current year operation while the expenses remain the same as the previous fiscal year. The City intended to close the facility effective October 31, 2019 in order to facilitate the anticipated development of CityPlace. The Workers Compensation Insurance Claims' and Special Liability Insurance Claims' Internal Service Fund accumulated deficits are expected to be offset by future charges to the General Fund and the proprietary funds. The deficit in Successor Agency is due to the outstanding commitment to the City detailed in Note 21.

NOTE 19 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts, errors and omissions, general liability, injuries to employees and unemployment claims. The City currently reports all of its risk management activities in its Internal Service Funds. Claims, expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated using actuarial methods or other estimating techniques.

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims and workers' compensation claims. The estimated liabilities for general liability and workers' compensation claims are based on case reserves and include amounts for claims incurred but not reported (IBNR). At June 30, 2019, the estimated claims payable of $26,732,000, consisting of reserves for both reported and IBNR losses, as well as, allocated loss adjustment expenses, have been recorded in the Special Liability and Workers' Compensation Internal Service Funds, respectively. The claims payable are reported at their present value using expected future investment yield assumptions of 2.5%, and the undiscounted claims at June 30, 2019, totaled $7,185,000 and $23,373,000 for general liability and workers' compensation claims, respectively.

The estimate of claims due in one year is the City's best estimate based upon available information which is included in accrued liabilities.

Changes in the reported liability since June 30, 2017 resulted from the following:

	Special Liability	Workers' Compensation	Total
Liability as of June 30, 2017	$ 2,955,879	$ 21,913,938	$ 24,869,817
Claims and changes in estimates during fiscal 2018	8,394,396	3,997,788	12,392,184
Claim payments	(5,890,962)	(4,632,672)	(10,523,634)
Liability as of June 30, 2018	$ 5,459,313	$ 21,279,054	$ 26,738,367
Claims and changes in estimates during fiscal 2019	6,722,200	3,451,601	10,173,801
Claim payments	(5,446,513)	(4,733,655)	(10,180,168)
Liability as of June 30, 2019	$ 6,735,000	$ 19,997,000	$ 26,732,000
Current Claims Payable	$ 3,704,250	$ 2,999,550	$ 6,703,800
Long Term Claims Payable	3,030,750	16,997,450	20,028,200
Liability as of June 30, 2019	$ 6,735,000	$ 19,997,000	$ 26,732,000

With respect to the Special Liability accrual of $6.7 million, the City has numerous unsettled lawsuits filed or claims asserted against it as of June 30, 2019. The City has reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the City and to arrive at an estimate of the amount or ranges of potential loss to the City. As a result of such review, the City has categorized the various claims and lawsuits as "probable," "reasonably possible," and "remote" loss contingencies, as defined by current accounting standards.

The City has determined that the City's probable loss contingencies, which are accrued for as the estimated liability for claims and lawsuits as of June 30, 2019, are approximately $6.7 million. The final outcome of

NOTE 19 – RISK MANAGEMENT (continued)

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 20 – COMMITMENTS AND CONTINGENCIES

A. Electricity Purchase Contracts

The City has future commitments under electricity purchase contracts as discussed in Note 17A, and is contingently liable under joint venture agreements discussed in Note 12B.

B. Grant Programs

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

C. Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to contracts not yet performed and purchase orders not yet filled (executory contracts; and open purchase orders). Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities but, rather, as restricted or committed governmental fund balance. As of June 30, 2019, total governmental fund encumbrance balances for the City are as follows:

General Fund	$ 6,508,711
Santa Clara Housing Successor	53,817
Nonmajor Governmental Funds	35,900,573
Total Governmental Funds	$ 42,463,101

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

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

NOTE 20 – COMMITMENTS AND CONTINGENCIES (continued)

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

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

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

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

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

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

The City paid its surcharge of $515,328 during fiscal year 2018-19, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2019-20 is estimated to be $263,712.

E. Santa Clara Stadium Authority – Stadium Facility Rent Arbitration

Based on the changes to the projected operating and debt service expenses, the provisions for a one-time rent adjustment as described in note 6 were triggered. At the Stadium Authority Board (Board) meeting held on

NOTE 20 – COMMITMENTS AND CONTINGENCIES (continued)

March 22, 2016, StadCo presented a financial model showing that a rent of $20.25 million per year is sufficient, when combined with other Authority revenues, to cover debt service and operating expenses in each of the 40 years of the Stadium Lease. The Board decided not to adjust the rent, and instead passed a motion to pursue the informal dispute resolution procedures and to proceed to the arbitration process if necessary. Thereafter, on May 3, 2016, StadCo filed for arbitration with the Stadium Authority.

On June 18, 2018, the arbitrator entered an Interim Arbitration Award in favor of the Stadium Authority and against StadCo. This award adjusted the facility rent from $24.5 million to $24.76 million, an increase of $262,000. This increase is retroactive to the first lease year resulting in a total amount owed of $1.31 million for the first five lease years, through March 31, 2019. In addition to the adjustment to the facility rent, the Stadium Authority was entitled to reimbursement of its legal fees, determined by the arbitrator to be $2.28 million. The lease also provides for a fair market rent adjustment in year 33.

F. Housing Successor Excess Surplus

Health and Safety Code (HSC) Section 34176.1(d) defines an excess surplus as an unencumbered balance held by the housing successor that exceeds the greater of $1,000,000 or the aggregate amount deposited into the housing successor fund during the housing successor's preceding four fiscal years, whichever is greater. If a housing successor has an excess surplus, the HSC Section requires that the housing successor encumber the excess surplus for eligible purposes described in the HSC Section 34176.1(a)(3) or transfer the funds to another local housing successor within three fiscal years. If the housing successor fails to comply with this provision, the housing successor, within 90 days of the end of the third fiscal year, is required to transfer any excess surplus to the Department of Housing and Community Development for expenditure pursuant to the Multifamily Housing Program or the Joe Serna, Jr. Farmworker Housing Grant Program.

The City's housing successor activities are reported in the Santa Clara Housing Successor Special Revenue Fund and as of July 1, 2018 had an excess surplus balance of $1,392,193. In March 2019, the City approved a loan agreement in the amount of $15.7 million that encumbered the excess surplus as of June 30, 2019. In May 2019, the City approved an additional loan agreement in the amount of $5 million. Both loans are expected to be disbursed to the developers in the fiscal year 2019-20.

NOTE 21 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. Defeased Bonds

<u>Bayshore North Project 2011 Tax Allocation Bonds</u>

On May 11, 2011, the former RDA issued $31.41 million of Bayshore North Project 2011 Tax Allocation Bonds (RDA 2011 Bonds) with an interest rate ranging from 2% to 7.86%, and a final maturity of 2026, to finance various redevelopment activities associated with the former RDA's Bayshore North Project Area. The 2011 Bonds were defeased on June 1, 2017.

NOTE 21 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

The following schedule summarizes the defeased 2011 Tax Allocation Bonds:

2011 Series	Ptincipal Issued	Date Issued	Principal Defeased	Maturities Defeased	Redemption Date
Current Interest Bonds	$ 11,440,000	May 18, 2011	$ 11,315,000	June 1, 2026	June 1, 2021
Capital Appreciation Bonds	19,971,295	May 18, 2011	5,996,353	From June 1, 2017 to June 1, 2021	NA
			10,643,264	From June 1, 2022 to June 1, 2026	June 1, 2021
	$ 31,411,295		$ 27,954,617		

B. Enforceable Obligations

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

Franklin Mall Cooperation and Reimbursement Reentry Agreement

The City has made long-term advances to the former RDA. On May 18, 2012, the Oversight Board authorized the Successor Agency to reenter into the Loan Agreement with the City. On May 22, 2012, the agreement to reenter into a Loan Agreement was approved by the City and the Successor Agency. The outstanding commitment from the Successor Agency totaled $2.40 million on June 30, 2019.

Agreement Reentering into Promissory Note to Facilitate Implementation of the Affordable Housing Program

The City has made long-term advances to the former RDA for implementation of the former RDA's affordable housing program. On May 18, 2012, the Oversight Board authorized the Successor Agency to reenter into the Loan Agreement with the City. On May 22, 2012, the agreement reentering into a Loan Agreement was approved by the City and the Successor Agency. The outstanding commitment from the Successor Agency totaled $1.96 million as of June 30, 2019.

NOTE 22 – SUCCESSOR AGENCY LEASE AGREEMENTS

On January 8, 2016 the City executed the Settlement Agreement for Sharma vs Successor Agency to Redevelopment Agency of the City of Santa Clara. This Settlement Agreement calls for the City to return to the Successor Agency certain properties that the former Redevelopment Agency transferred to the City prior to dissolution. The properties transferred are as follows: the Great America Theme Park Property (not including the parking lot, see Note 4B), the Hilton Hotel Property, the North/South Parking Lots, the Gateway Parcel 2 Property, the Hyatt Hotel Property (not including the ballroom, see Note 4B), the Techmart Property, and the Martinson Childcare Center Property. All the properties, other than the Martinson Childcare Center Property will be sold by the Successor Agency. Until the properties are sold the rent

NOTE 22 – SUCCESSOR AGENCY LEASE AGREEMENTS (continued)

revenues will be used to pay the Successor Agency's enforceable obligations. The Settlement Agreement requires the City to forego the long term lease revenues generated by the properties.

A. California's Great America Theme Park Ground Lease

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

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

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

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

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

The base rent under the Ground Lease is $5.3 million annually, payable in quarterly installments of $1.325 million, plus additional rent equal to the sum of 5% of the annual gross revenues of the Theme Park in excess of $56 million up to $100 million plus 7.5% of the annual gross revenues in excess of $100 million. Lease revenues collected from July 1, 2012 to June 30, 2018 in the amount of $35,629,510 were passed on to the Successor Agency.

On March 26, 2019, the City Council approved a purchase and sale agreement and other necessary related to the sale of the Great America Theme Park parcels. The transfer of the property was settled on June 28, 2019.

For the fiscal year ended June 30, 2019, Cedar Fair paid base rent of $5.2 million, additional rent of $1,174,034, the rent received in FY2018-19 has been passed on to the Successor Agency.

NOTE 22 – SUCCESSOR AGENCY LEASE AGREEMENTS (continued)

B. Techmart Office Building Ground Lease

In May 1998, the former RDA entered into a long-term ground lease of the Techmart parcel with CarrAmerica. The lease has a 55 year term with options for two additional ten-year terms. The former RDA received $1 million annual rent for each of the first ten years of the lease, which lease revenues were paid by the former RDA to the City pursuant to the First Amended Cooperation Agreement. Rent increases are scheduled as follows: 10% in the eleventh year and every five years thereafter during the initial term and 15% in the first and sixth year of each option term. Under the terms of the lease, CarrAmerica assumed responsibility for all taxes and assessments levied against the Techmart parcel and the Lessor's interest in the ground lease is unsubordinated to any other financing. On July 13, 2006, CarrAmerica merged with Nantucket Acquisition, Inc., a wholly owned subsidiary of The Blackstone Group; the terms and conditions of the lease agreement remain in effect.

Lease revenues collected from July 1, 2012 to June 30, 2018 in the amount of $7,280,167 were passed on to the Successor Agency. For the fiscal year ended June 30, 2019, Lessee paid rent of $1,331,000.

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

Fiscal Year	Amount
2020	$ 1,331,000
2021	1,331,000
2022	1,331,000
2023	1,342,092
2024	1,464,100
Thereafter	55,117,846
Total	$ 61,917,038

C. Hyatt Regency Hotel Ground Lease and Ballroom Lease

In April 1985, the former RDA entered into a long-term ground lease with SCCC Associates (Lessee) for the development of a certain portion of that piece of land – the Bayshore North Redevelopment Project Area, and eventual operation of a high quality hotel and related facilities, amenities and improvements including one of the Ballrooms in the Convention Center. The lease is for an initial term of 50 years. The Lessee has options to renew the lease for four additional periods of ten years each and one additional period of nine years. In 2005, SHC New Santa Clara, LLC, the successor-in-interest to SCCC Associates at that time, sold the interest to Hyatt Equities, LLC. In 2013, Hyatt Equities, LLC. sold its interest to Inland American Lodging Acquisitions, Inc.; the terms and conditions of the lease agreements remain in effect. Under the terms of the lease, the former RDA is entitled to receive a specified amount of minimum rent subject to adjustment at times specified in the lease. Lessee may also have an obligation for additional rent calculated as a predetermined percentage of the hotel gross revenues which exceed the amount specified in the lease.

The Settlement Agreement states that a portion of the ground lease payments from the Hyatt Hotel are derived from the Convention Center Ballroom space rental and are not related to the Hyatt Hotel ground lease. The Settlement Agreement states the City shall retain all revenues generated from the Ballroom

NOTE 22 – SUCCESSOR AGENCY LEASE AGREEMENTS (continued)

Agreement starting July 1, 2015. Lease revenues collected from July 1, 2012 to June 30, 2015 in the amount of $921,270 were passed on to the Successor Agency. Additional information concerning the Ballroom Lease can be found in Note 4B.

Lease revenues collected from Hyatt from July 1, 2012 to June 30, 2018 in the amount of $10,680,118 were passed on to the Successor Agency. For the fiscal year ended June 30, 2019, Lessee paid minimum rent of $400,000 and $1,509,623 in the additional rent.

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

Fiscal Year	Ground Lease Amount
2020	$ 400,000
2021	400,000
2022	400,000
2023	400,000
2024	400,000
Thereafter	4,333,333
Total	$ 6,333,333

Required Supplementary Information

CITY OF SANTA CLARA
REQUIRED SUPPLEMENTARY INFORMATION

This part of the City of Santa Clara's Comprehensive Annual Report provides detailed information to better understand the data presented within the financial statements and note disclosures.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Discloses the changes and components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percentage of covered payroll.

SCHEDULE OF PLAN CONTRIBUTIONS - PENSION PLAN

Contains information of the employer's contractually required contribution rates, contributions to the pension plan and related ratios.

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Discloses the changes and components of the net OPEB liability and related ratios, including OPEB's Plan Trust Fund net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered employee payroll.

SCHEDULE OF PLAN CONTRIBUTIONS - OPEB PLAN

Contains information of the employer's contractually required contribution rates, contributions to the OPEB Plan and related ratios.

SCHEDULE OF INVESTMENT RETURNS - OPEB PLAN TRUST FUND

Contains information for the money-weighted rate of return for the OPEB Plan Trust Fund.

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

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

CITY OF SANTA CLARA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

MISCELLANEOUS PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Last Ten Fiscal Years for the Measurement Periods Ended June 30 (1)

Miscellaneous Plan

	2018	2017
Total Pension Liability		
Service cost	$ 13,159,021	$ 11,975,850
Interest	49,394,806	47,384,580
Changes of benefit terms	-	-
Changes of assumptions	(5,067,759)	37,018,109
Differences between expected and actual experience	10,229,369	(2,176,270)
Benefit payments, including refunds of employee contributions	(38,252,869)	(35,744,281)
Net change in total pension liability	29,462,568	58,457,988
Total pension liability - beginning	698,221,756	639,763,768
Total pension liability - ending	$ 727,684,324	$ 698,221,756
Plan Fiduciary Net Position		
Contributions - employer	$ 22,508,822	$ 22,015,885
Contributions - employee	5,957,917	5,247,078
Net investment income	36,908,188	44,308,442
Benefit payments, including refunds of employee contributions	(38,252,869)	(35,744,281)
Plan to plan resource movement	(1,065)	-
Administrative expense	(674,790)	(587,320)
Other Misc Income/(Expense) [2]	(1,281,438)	-
Net change in plan fiduciary net position	25,164,765	35,239,804
Plan fiduciary net position - beginning	433,036,406	397,796,602
Plan fiduciary net position - ending	$ 458,201,171	$ 433,036,406
Net Pension Liability - ending	$ 269,483,153	$ 265,185,350
Plan fiduciary net position as a percentage of the total pension liability	62.97%	62.02%
Covered payroll	$ 75,515,390	$ 71,285,526
Net pension liability as percentage of covered payroll	356.81%	371.95%

Notes to schedule:

(1) Fiscal year 2014-15 was the first year of implementation.

(2) During fiscal year 2017-18, as a result of GASB No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions, CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB No. 75.
Additionally, CalPERS employees participate in various State of California agent pension plans and during fiscal year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pension.

Changes in assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of the Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

CITY OF SANTA CLARA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

MISCELLANEOUS PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Last Ten Fiscal Years for the Measurement Periods Ended June 30 (1)

2016	2015	2014
$ 10,415,730	$ 9,909,421	$ 10,345,749
46,283,869	44,755,550	42,969,016
-	-	-
-	(10,233,178)	-
(2,265,081)	108,957	-
(33,491,738)	(31,858,297)	(29,847,146)
20,942,780	12,682,453	23,467,619
618,820,988	606,138,535	582,670,916
$ 639,763,768	$ 618,820,988	$ 606,138,535
$ 18,464,042	$ 15,625,285	$ 14,887,751
5,151,548	4,755,791	5,439,513
2,186,435	9,037,882	61,358,126
(33,491,738)	(31,858,297)	(29,847,146)
(788)	(368)	-
(247,274)	(457,051)	-
-	-	-
(7,937,775)	(2,896,758)	51,838,244
405,734,377	408,631,135	356,792,891
$ 397,796,602	$ 405,734,377	$ 408,631,135
$ 241,967,166	$ 213,086,611	$ 197,507,400
62.18%	65.57%	67.42%
$ 61,942,363	$ 58,051,406	$ 58,020,890
390.63%	367.07%	340.41%

CITY OF SANTA CLARA

SCHEDULE OF PLAN CONTRIBUTIONS

MISCELLANEOUS PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Last Ten Fiscal Years Ended June 30 (1)

Miscellaneous Plan

	2019	2018
Actuarially determined contribution	$ 23,615,964	$ 25,256,224
Contributions in relation to the actuarially determined contributions	(23,615,964)	(25,256,224)
Contribution deficiency (excess)	$ -	$ -
Covered payroll	$ 81,872,333	$ 75,515,390
Contributions as a percentage of covered payroll	28.84%	33.45%
Notes to schedule		
Valuation date	6/30/2016	6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years as of valuation date
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.2% to 12.2% depending on age, service, and type of employment
Investment rate of return	7.5%, net of pension plan investment and administrative expenses; includes inflation
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011
Mortality (2)	Derived using CalPERS' Membership Data for all Funds

(1) Fiscal year 2014-15 was the first year of implementation.

(2) The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

CITY OF SANTA CLARA

SCHEDULE OF PLAN CONTRIBUTIONS

MISCELLANEOUS PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Last Ten Fiscal Years Ended June 30 (1)

2017	2016	2015
$ 21,613,984	$ 18,543,534	$ 15,257,771
(21,613,984)	(18,543,534)	(15,257,771)
$ -	$ -	$ -
$ 71,285,526	$ 61,942,363	$ 58,051,406
30.32%	29.94%	26.28%
6/30/2014	6/30/2013	6/30/2012

CITY OF SANTA CLARA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

SAFETY PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Last Ten Fiscal Years for the Measurement Periods Ended June 30 (1)

Safety Plan

	2018	2017
Total Pension Liability		
Service cost	$ 13,999,625	$ 13,111,358
Interest	51,713,042	49,741,737
Changes of assumptions	(3,333,870)	40,842,398
Differences between expected and actual experience	5,782,119	(1,814,831)
Benefit payments, including refunds of employee contributions	(38,978,890)	(37,370,686)
Net change in total pension liability	29,182,026	64,509,976
Total pension liability - beginning	733,300,705	668,790,729
Total pension liability - ending	$ 762,482,731	$ 733,300,705
Plan Fiduciary Net Position		
Contributions - employer	$ 20,510,633	$ 19,580,881
Contributions - employee	5,395,755	4,913,868
Net investment income	40,902,179	49,621,113
Benefit payments, including refunds of employee contributions	(38,978,890)	(37,370,686)
Plan to plan resource movement	(1,182)	-
Administrative expense	(751,243)	(658,507)
Other Misc Income/(Expense) [2]	(1,426,623)	-
Net change in plan fiduciary net position	25,650,629	36,086,669
Plan fiduciary net position - beginning	482,098,778	446,012,109
Plan fiduciary net position - ending	$ 507,749,407	$ 482,098,778
Net Pension Liability - ending	$ 254,733,324	$ 251,201,927
Plan fiduciary net position as a percentage of the total pension liability	66.59%	65.74%
Covered payroll	$ 47,569,993	$ 47,064,869
Net pension liability as percentage of covered payroll	535.49%	533.74%

Notes to schedule:

(1) Fiscal year 2014-15 was the first year of implementation.

(2) During fiscal year 2017-18, as a result of GASB No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions, CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB No. 75.
Additionally, CalPERS employees participate in various State of California agent pension plans and during fiscal year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pension.

Changes in assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of the Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

CITY OF SANTA CLARA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

SAFETY PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Last Ten Fiscal Years for the Measurement Periods Ended June 30 [1]

2016	2015	2014
$ 10,985,005	$ 10,678,931	$ 10,748,085
48,410,844	46,944,730	45,454,864
-	(11,249,844)	-
(3,491,487)	(3,604,245)	-
(35,868,203)	(34,372,454)	(33,072,631)
20,036,159	8,397,118	23,130,318
648,754,570	640,357,452	617,227,134
$ 668,790,729	$ 648,754,570	$ 640,357,452
$ 16,679,012	$ 14,692,277	$ 12,839,821
4,376,079	4,079,023	4,866,079
2,362,110	10,236,992	70,347,760
(35,868,203)	(34,372,454)	(33,072,631)
788	-	-
(279,579)	(516,273)	-
-	-	-
(12,729,793)	(5,880,435)	54,981,029
458,741,902	464,622,337	409,641,308
$ 446,012,109	$ 458,741,902	$ 464,622,337
$ 222,778,620	$ 190,012,668	$ 175,735,115
66.69%	70.71%	72.56%
$ 41,116,053	$ 38,909,866	$ 38,845,554
541.83%	488.34%	452.39%

CITY OF SANTA CLARA

SCHEDULE OF PLAN CONTRIBUTIONS

SAFETY PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Last Ten Fiscal Years Ended June 30 (1)

Safety Plan

	2019	2018
Actuarially determined contribution	$ 23,484,760	$ 22,002,506
Contributions in relation to the actuarially determined contributions	(23,484,760)	(22,002,506)
Contribution deficiency (excess)	$ -	$ -
Covered payroll	$ 50,808,770	$ 47,569,993
Contributions as a percentage of covered payroll	46.22%	46.25%
Notes to schedule		
Valuation date	6/30/2016	6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years as of valuation date
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.4% to 20% depending on age, service, and type of employment
Investment rate of return	7.5%, net of pension plan investment and administrative expenses; includes inflation
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011
Mortality (2)	Derived using CalPERS' Membership Data for all Funds

(1) Fiscal year 2014-15 was the first year of implementation.

(2) The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

CITY OF SANTA CLARA
SCHEDULE OF PLAN CONTRIBUTIONS
SAFETY PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
Last Ten Fiscal Years Ended June 30 [(1)]

2017	2016	2015
$ 19,735,867	$ 17,365,058	$ 14,776,850
(19,735,867)	(17,365,058)	(14,776,850)
$ -	$ -	$ -
$ 47,064,869	$ 41,116,053	$ 38,909,866
41.93%	42.23%	37.98%
6/30/2014	6/30/2013	6/30/2012

CITY OF SANTA CLARA

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

OPEB PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN

Last Ten Fiscal Years for the Measurement Periods Ended June 30 [1]

(In Thousands)

	2019	2018	2017
Total OPEB Liability			
Service cost	$ 2,264	$ 2,198	$ 2,134
Interest	3,478	3,343	3,194
Differences between expected and actual experience	(1,644)	-	-
Changes of assumptions	(5,838)	-	-
Changes of benefit terms	-	-	-
Benefit payments including refunds	(3,096)	(3,036)	(2,034)
Net change in total OPEB liability	(4,836)	2,505	3,294
Total OPEB liability - beginning	65,516	63,011	59,717
Total OPEB liability - ending	$ 60,680	$ 65,516	$ 63,011
Plan Fiduciary Net Position			
Contributions - employer	$ 5,366	$ 6,300	$ 2,733
Net investment income	1,410	524	738
Benefit payments including refunds	(3,096)	(3,036)	(2,034)
Administrative expense	(91)	(71)	(73)
Net change in plan fiduciary net position	3,589	3,717	1,364
Plan fiduciary net position - beginning	18,945	15,228	13,864
Plan fiduciary net position - ending	$ 22,534	$ 18,945	$ 15,228
Net OPEB Liability - ending	$ 38,146	$ 46,571	$ 47,783
Plan fiduciary net position as a percentage of the total OPEB liability	37.1%	28.9%	24.2%
Covered-employee payroll	$ 151,453	$ 135,297	$ 102,468
Net OPEB liability as percentage of covered payroll	25.2%	34.4%	46.6%

Notes to schedule:

(1) Fiscal year 2016-17 was the first year of implementation.

CITY OF SANTA CLARA
SCHEDULE OF PLAN CONTRIBUTIONS
OPEB PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN
Last Ten Fiscal Years Ended June 30[1]
(In Thousands)

	2019	2018	2017
Actuarially determined contribution	$ 5,306	$ 5,466	$ 2,981
Contributions in relation to the actuarially determined contributions	5,366	6,300	2,981
Contribution deficiency (excess)	$ (60)	$ (834)	$ -
Covered-employee payroll	151,453	$ 135,297	$ 102,468
Contributions as a percentage of covered payroll	3.5%	4.7%	2.9%

Notes to schedule:

(1) Fiscal year 2016-17 was the first year of implementation.

CITY OF SANTA CLARA

Notes to Schedule of Employer Contribution (OPEB Plan)

Methods and Assumptions for 2018-19 Actuarially Determine Contributions	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal , Level Percentage of Payroll
Amortization method	Level percent of payroll
Unfunded liability amortization	30 years (closed period) for initial UAAL (22 Years remaining on June 30, 2017) 15 years (open period) for method, assumption, plan changes, and gains and losses Maximum 30-year combined period
Asset valuation method	Investment gains and losses spread over a 5-year rolling period. Not less that 80% nor greater than 120% of market value
Discount rate	5.25%
General inflation	3.00%
Healthcare trend	Non-Medicare - 6.5% increase in 2018 scaling down to 5.0% in 2021 Medicare - 6.7% increase in 2018 scaling down to 5.0% in 2021
Mortality	CalPERS 1997-2011 Experience Study
Mortality improvement	Mortality improvement projection with Scale MP-14 with 15 year convergence in 2022

CITY OF SANTA CLARA

SCHEDULE OF INVESTMENT RETURNS

OPEB PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN

Last Ten Fiscal Years for the Measurement Periods Ended June 30[(1)]

	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	6.66%	3.26%	5.10%

Notes to schedule:

(1) Fiscal year 2016-17 was the first year of implementation.

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, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts Budgetary Basis	Positive (Negative)
REVENUES				
Taxes:				
Sales	$ 56,530,000	$ 56,530,000	$ 68,797,354	$ 12,267,354
Ad valorem	60,300,000	60,300,000	58,614,758	(1,685,242)
Transient occupancy	21,000,000	21,000,000	26,558,027	5,558,027
Other	6,287,638	6,287,638	6,945,602	657,964
Licenses, permits, fines and penalties	11,278,500	11,313,181	16,452,743	5,139,562
Intergovernmental	702,000	1,697,551	17,718,897	16,021,346
Charges for services	40,169,930	41,535,249	45,780,622	4,245,373
Contributions in-lieu of taxes	23,094,590	23,094,590	21,304,288	(1,790,302)
Interest and rents	15,063,022	15,077,087	15,454,028	376,941
Other	757,308	857,308	4,412,810	3,555,502
Total Revenues	235,182,988	237,692,604	282,039,129	44,346,525
EXPENDITURES				
General Government:				
General Administration	31,946,359	34,062,573	25,661,313	8,401,260
City Clerk	1,872,604	2,065,604	1,478,503	587,101
City Attorney	2,129,011	2,129,011	1,963,987	165,024
Human Resources	3,640,473	3,640,473	3,414,716	225,757
Finance	11,734,247	12,225,764	11,729,936	495,828
Total General Government	51,322,694	54,123,425	44,248,455	9,874,970
Public Works	25,446,506	25,512,662	24,882,363	630,299
Parks and Recreation	19,447,561	19,453,261	19,330,180	123,081
Public Safety:				
Police	68,446,889	67,179,289	62,977,747	4,201,542
Fire	46,683,831	50,583,831	50,578,448	5,383
Total Public Safety	115,130,720	117,763,120	113,556,195	4,206,925
Planning and Inspection	13,385,691	13,572,278	11,338,530	2,233,748
Library	10,426,621	10,426,621	10,163,326	263,295
Total Expenditures	235,159,793	240,851,367	223,519,049	17,332,318

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, 2019
(continued)

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts Budgetary Basis	Positive (Negative)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	23,195	(3,158,763)	58,520,080	61,678,843
OTHER FINANCING SOURCES (USES)				
Transfers in	1,501,250	1,501,250	1,712,039	210,789
Transfers (out)	(14,315,619)	(27,706,277)	(27,812,186)	(105,909)
Total Other Financing Sources (Uses)	(12,814,369)	(26,205,027)	(26,100,147)	104,880
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS	$ (12,791,174)	$ (29,363,790)	$ 32,419,933	$ 61,783,723
ADJUSTMENTS TO BUDGETARY BASIS:				
Prior year encumbrances recognized on the GAAP basis			(5,835,921)	
Current year encumbrances recognized on the budgetary basis			6,508,711	
Net change in receivables recognized on the GAAP basis			55,847	
Net change in accrued liabilities recognized on the GAAP basis			(38,765)	
Net change in funds for GAAP Basis not included in annual budget			(291,247)	
Beginning Fund balance			195,774,500	
Ending Fund balance			$ 228,593,058	

CITY OF SANTA CLARA
SANTA CLARA HOUSING SUCCESSOR
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)
For the year ended June 30, 2019

	Budgeted Amounts			Variance
	Original	Final	Actual Amount Budgetary Basis	Positive (Negative)
REVENUES				
Interest and rents	$ 50,000	$ 50,000	$ 321,969	$ 271,969
Other	500,000	500,000	1,905,880	1,405,880
Total Revenues	581,000	581,000	2,227,849	1,646,849
EXPENDITURES				
Current:				
General Administration				
Salary & benefits	196,827	196,827	259,422	(62,595)
Material, service & supplies	491,500	491,500	200,903	290,597
Total General Administration	688,327	688,327	460,325	228,002
Total Expenditures	688,327	688,327	460,325	228,002
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(107,327)	(107,327)	1,767,524	1,874,851
OTHER FINANCING SOURCES (USES)				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$ (107,327)	$ (107,327)	1,767,524	$ 1,874,851
ADJUSTMENTS TO BUDGETARY BASIS:				
Expenditures of prior year encumbrances recognized on the GAAP basis			(225,000)	
Current year encumbrances recognized on the budgetary basis			53,817	
Net change in accrued liabilities recognized on the GAAP basis			82,937	
Beginning Fund balance			29,523,103	
Ending Fund balance			$ 31,202,381	

NOTE 1 – REQUIRED SUPPLEMENTARY INFORMATION

A. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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Supplementary Information

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) and from the State under the Road Repair and Accountability Act of 2017 under the Streets and Highways Code Section 2030. The allocations must be spent for street maintenance or construction and a limited amount for engineering.

HUD PROGRAMS

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

CITY AFFORDABLE HOUSING

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

SANTA CLARA HOUSING AUTHORITY FUND

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

MAINTENANCE

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

OPERATING GRANTS FUND

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

DEBT SERVICE FUNDS

PUBLIC FACILITIES FINANCING CORPORATION (PFFC)

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

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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's library facilities.

PUBLIC FACILITIES

This fund is used to account for revenues and expenditures related to the construction, acquisition or modification of public improvements not accounted for in another Capital Projects Fund.

STREET BEAUTIFICATION

This fund is used to account for revenues and expenditures related to the landscaping of City streets.

SPECIAL ASSESSMENTS

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

CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2019

	SPECIAL REVENUE FUNDS		
	Gas Tax	**HUD Programs**	**City Affordable Housing**
ASSETS			
Cash and investments:			
Pooled cash and investments	$ 1,105,653	$ 1,317,595	$ 8,689,444
Investments with fiscal agent - current	-	-	-
Restricted cash	-	-	-
Receivables (net of allowance for uncollectibles):			
Accounts	-	-	-
Loans	-	11,872,811	27,748,136
Intergovernmental	624,460	2,147,483	-
Investments with fiscal agent - noncurrent	-	-	-
Total Assets	$ 1,730,113	$ 15,337,889	$ 36,437,580
LIABILITIES			
Accrued liabilities	$ -	$ 404,727	$ 159,915
Advances from other funds	-	-	-
Total Liabilities	-	404,727	159,915
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Loans	-	11,872,811	27,748,136
Unavailable revenue - Grants	-	1,739,364	-
Total Deferred Inflows of Resources	-	13,612,175	27,748,136
FUND BALANCES			
Restricted	1,730,113	1,320,987	8,529,529
Committed	-	-	-
Total Fund Balances	1,730,113	1,320,987	8,529,529
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,730,113	$ 15,337,889	$ 36,437,580

CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2019

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND
Santa Clara Housing Authority	Maintenance	Operating Grants Fund	Public Facilities Financing Corp.
$ 3,301,832	$ 659,367	$ 710,546	$ 794,338
-	-	-	485
-	259,919	-	-
-	-	-	-
6,972,978	-	-	-
-	-	222,146	-
-	-	-	711,662
$ 10,274,810	$ 919,286	$ 932,692	$ 1,506,485
$ 75	$ 42,956	$ 120,986	$ -
-	-	-	-
75	42,956	120,986	-
6,972,978	-	-	-
-	-	-	-
6,972,978	-	-	-
-	876,330	811,706	1,506,485
3,301,757	-	-	-
3,301,757	876,330	811,706	1,506,485
$ 10,274,810	$ 919,286	$ 932,692	$ 1,506,485

CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2019 (continued)

	CAPITAL PROJECTS FUNDS		
	Parks and Recreation Facilities	Streets and Highways Improvement	Storm Drain Improvement
ASSETS			
Cash and investments:			
Pooled cash and investments	$ 35,236,849	$ 32,433,648	$ 3,034,836
Investments with fiscal agent - current	-	-	-
Restricted cash	-	2,119,292	-
Receivables (net of allowance for uncollectibles):			
Accounts	-	-	100,667
Loans	-	-	-
Intergovernmental	33,009	138,920	-
Investments with fiscal agent - noncurrent	-	-	-
Total Assets	$ 35,269,858	$ 34,691,860	$ 3,135,503
LIABILITIES			
Accrued liabilities	$ 2,478,502	$ 2,425,834	$ 156,642
Advances from other funds	10,130,273	-	-
Total Liabilities	12,608,775	2,425,834	156,642
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Loans	-	-	-
Unavailable revenue - Grants	-	-	-
Total Deferred Inflows of Resources	-	-	-
FUND BALANCES			
Restricted	10,512,247	26,537,929	586,578
Committed	12,148,836	5,728,097	2,392,283
Total Fund Balances	22,661,083	32,266,026	2,978,861
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 35,269,858	$ 34,691,860	$ 3,135,503

CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2019 (continued)

CAPITAL PROJECTS FUNDS					
Fire Department Improvement	Library Department Improvement	Public Facilities	Street Beautification	Special Assessments	Total Non-Major Governmental Funds
$ 724,665	$ 243,880	$ 23,296,613	$ -	$ 1,075,998	$ 112,625,264
-	-	-	-	-	485
-	-	-	-	-	2,379,211
-	-	64,371	-	-	165,038
-	-	-	-	-	46,593,925
-	-	-	-	-	3,166,018
-	-	-	-	-	711,662
$ 724,665	$ 243,880	$ 23,360,984	$ -	$ 1,075,998	$ 165,641,603
$ 64,518	$ 9,246	$ 370,450	$ -	$ -	$ 6,233,851
-	-	-	-	-	10,130,273
64,518	9,246	370,450	-	-	16,364,124
-	-	-	-	-	46,593,925
-	-	-	-	-	1,739,364
-	-	-	-	-	48,333,289
-	-	2,111,809	-	1,075,998	55,599,711
660,147	234,634	20,878,725	-	-	45,344,479
660,147	234,634	22,990,534	-	1,075,998	100,944,190
$ 724,665	$ 243,880	$ 23,360,984	$ -	$ 1,075,998	$ 165,641,603

CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2019

	SPECIAL REVENUE FUNDS		
	Gas Tax	**HUD Programs**	**City Affordable Housing**
REVENUES			
Intergovernmental	$ 4,877,960	$ 1,001,527	$ 1,000
Charges for services	-	-	6,550
Interest and rents	253,181	14,604	131,724
Other	-	570,428	239,288
Total Revenues	5,131,141	1,586,559	378,562
EXPENDITURES			
Current:			
General Administration	-	2,046,868	480,672
Public Works	-	-	-
Parks and Recreation	-	-	-
Public Safety:			
Police	-	-	-
Fire	-	-	-
Library	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal payments	-	-	-
Interest and fiscal fees	-	-	-
Total Expenditures	-	2,046,868	480,672
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,131,141	(460,309)	(102,110)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	(14,749,857)	-	-
Total Other Financing Sources (Uses)	(14,749,857)	-	-
NET CHANGE IN FUND BALANCE	(9,618,716)	(460,309)	(102,110)
Fund balances - beginning	11,348,829	1,781,296	8,631,639
Fund balances - ending	$ 1,730,113	$ 1,320,987	$ 8,529,529

CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2019

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND
Santa Clara Housing Authority	Maintenance	Operating Grants Fund	Public Facilities Financing Corp.
$ -	$ -	$ 930,481	$ -
-	868,429	66,278	-
47,847	10,694	-	15,305
354,929	-	-	-
402,776	879,123	996,759	15,305
72,344	-	-	-
-	1,739,890	-	-
-	-	130,117	-
-	-	353,806	-
-	-	230,136	-
-	-	76,611	-
-	-	204,691	-
-	-	-	1,786,000
-	-	-	712,141
72,344	1,739,890	1,175,152	2,498,141
330,432	(860,767)	(178,393)	(2,482,836)
-	882,133	195,750	2,501,494
-	-	(62)	-
-	882,133	195,688	2,501,494
330,432	21,366	17,295	18,658
2,971,325	854,964	794,411	1,487,827
$ 3,301,757	$ 876,330	$ 811,706	$ 1,506,485

CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the year ended June 30, 2019 (continued)

	CAPITAL PROJECTS FUNDS		
	Parks and Recreation Facilities	Streets and Highways Improvement	Storm Drain Improvement
REVENUES			
Intergovernmental	$ 33,009	$ 5,419,803	$ -
Charges for services	-	-	1,441,021
Interest and rents	325,108	278,914	8,845
Other	4,553,214	2,062,765	-
Total Revenues	4,911,331	7,761,482	1,449,866
EXPENDITURES			
Current:			
General Administration	-	-	-
Public Works	-	5,117,741	215,734
Parks and Recreation	185,809	-	-
Public Safety:			
Police	-	-	-
Fire	-	-	-
Library	-	-	-
Capital outlay	10,647,044	9,168,496	343,016
Debt service:			
Principal payments	-	-	-
Interest and fiscal fees	-	-	-
Total Expenditures	10,832,853	14,286,237	558,750
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,921,522)	(6,524,755)	891,116
OTHER FINANCING SOURCES (USES)			
Transfers in	940,000	15,940,899	1,645,000
Transfers (out)	(34,616)	-	(1,647,000)
Total Other Financing Sources (Uses)	905,384	15,940,899	(2,000)
NET CHANGE IN FUND BALANCE	(5,016,138)	9,416,144	889,116
Fund balances - beginning	27,677,221	22,849,882	2,089,745
Fund balances - ending	$ 22,661,083	$ 32,266,026	$ 2,978,861

CITY OF SANTA CLARA

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

For the year ended June 30, 2019 (continued)

CAPITAL PROJECTS FUNDS					
Fire Department Improvement	Library Department Improvement	Public Facilities	Street Beautification	Special Assessments	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 12,263,780
-	-	-	-	-	2,382,278
-	-	-	-	7,655	1,093,877
-	-	361,275	-	-	8,141,899
-	-	361,275	-	7,655	23,881,834
-	-	5,670,091	-	-	8,269,975
-	-	-	-	-	7,073,365
-	-	-	-	-	315,926
-	-	-	-	-	353,806
454,292	-	-	-	-	684,428
-	12,090	-	-	-	88,701
5,618	1,219,140	8,640,543	-	-	30,228,548
-	-	-	-	-	1,786,000
-	-	-	-	-	712,141
459,910	1,231,230	14,310,634	-	-	49,692,681
(459,910)	(1,231,230)	(13,949,359)	-	7,655	(25,810,847)
673,000	220,000	18,618,667	-	-	41,616,943
(116,487)	(59,619)	(140,068)	(354,317)	-	(17,102,026)
556,513	160,381	18,478,599	(354,317)	-	24,514,917
96,603	(1,070,849)	4,529,240	(354,317)	7,655	(1,295,930)
563,544	1,305,483	18,461,294	354,317	1,068,343	102,240,120
$ 660,147	$ 234,634	$ 22,990,534	$ -	$ 1,075,998	$ 100,944,190

CITY OF SANTA CLARA
SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)
For the year ended June 30, 2019

	Maintenance		
	Budget	Actual Amount Budgetary Basis	Variance Positive (Negative)
REVENUES			
Charges for services	$ 868,549	$ 868,429	$ (120)
Interest and rents	2,179	10,694	8,515
Other	-	-	-
Total Revenues	870,728	879,123	8,395
EXPENDITURES			
Current:			
Total Public Works	2,006,633	1,823,019	183,614
Total Expenditures	2,006,633	1,823,019	183,614
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,135,905)	(943,896)	192,009
OTHER FINANCING SOURCES (USES)			
Transfers in	882,133	882,133	-
Total Other Financing Sources (Uses)	882,133	882,133	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$ (253,772)	(61,763)	$ 192,009
ADJUSTMENTS TO BUDGETARY BASIS:			
Expenditures of prior year encumbrances recognized on the GAAP basis		(102,172)	
Current year encumbrances recognized on the budgetary basis		158,315	
Net change in accrued liabilities recognized on the GAAP basis		26,986	
Beginning Fund balance		854,964	
Ending Fund balance		$ 876,330	

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.

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

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

SANTA CLARA CONVENTION CENTER FUND

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

SPORTS AND OPEN SPACE AUTHORITY FUND (SOSA)

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

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2019

	Solid Waste	Cemetery	Santa Clara Golf and Tennis Club
ASSETS			
Current assets:			
Cash and investments:			
Pooled cash and investments	$ 4,950,275	$ 1,722,988	$ 1,138,263
Receivables (net of allowance for uncollectible):			
Accounts	3,861,926	-	-
Due from other funds	-	201,407	-
Materials, supplies and prepaids	-	-	39,081
Total current assets	8,812,201	1,924,395	1,177,344
Noncurrent assets:			
Restricted cash	1,370,747	-	-
Capital assets:			
Land	-	1,096,874	-
Buildings, infrastructure and land improvements	127,362	1,280,641	23,832,610
Equipment	43,670	33,837	623,404
	171,032	2,411,352	24,456,014
Less accumulated depreciation	69,808	1,126,508	23,770,999
Net capital assets	101,224	1,284,844	685,015
Total noncurrent assets	1,471,971	1,284,844	685,015
Total assets	10,284,172	3,209,239	1,862,359
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	708,286	205,490	-
Total deferred outflows of resources	708,286	205,490	-

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2019

Santa Clara Convention Center	Sports and Open Space Authority	TOTAL Non-Major Enterprise Funds
$ 5,856,848	$ 65,750	$ 13,734,124
1,108,227	-	4,970,153
-	-	201,407
-	-	39,081
6,965,075	65,750	18,944,765
1,291,033	-	2,661,780
-	1,995,998	3,092,872
78,353,492	-	103,594,105
2,905,580	-	3,606,491
81,259,072	1,995,998	110,293,468
55,629,637	-	80,596,952
25,629,435	1,995,998	29,696,516
26,920,468	1,995,998	32,358,296
33,885,543	2,061,748	51,303,061
-	-	913,776
-	-	913,776

(continued)

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2019

	Solid Waste	Cemetery	Santa Clara Golf and Tennis Club
LIABILITIES			
Current liabilities:			
Accrued liabilities	2,169,063	12,162	1,032,627
Unearned revenue	-	-	-
Accrued compensated absences	5,707	10,962	-
Current portion of landfill closure liability	490,000	-	-
Total current liabilities	2,664,770	23,124	1,032,627
Noncurrent liabilities:			
Advance from other funds	-	5,663,976	4,224,133
Long-term compensated absences	64,954	124,759	-
Landfill closure liability	4,392,488	-	-
Net OPEB liability	617,966	179,286	-
Net pension liability	4,365,625	1,266,570	-
Total noncurrent liabilities	9,441,033	7,234,591	4,224,133
Total liabilities	12,105,803	7,257,715	5,256,760
DEFERRED INFLOWS OF RESOURCES			
OPEB related items	102,821	29,830	-
Pension related items	68,972	20,011	-
Total deferred inflows of resources	171,793	49,841	-
NET POSITION			
Net investment in capital assets	101,224	1,284,844	685,015
Restricted for capital projects and other agreements	1,370,747	1,616,270	-
Unrestricted	(2,757,109)	(6,793,941)	(4,079,416)
Total net position (deficit)	$ (1,285,138)	$ (3,892,827)	$ (3,394,401)

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2019

Santa Clara Convention Center	Sports and Open Space Authority	TOTAL Non-Major Enterprise Funds
834,208	33,128	4,081,188
1,473,277	-	1,473,277
-	-	16,669
-	-	490,000
2,307,485	33,128	6,061,134
-	-	9,888,109
-	-	189,713
-	-	4,392,488
-	-	797,252
-	-	5,632,195
-	-	20,899,757
2,307,485	33,128	26,960,891
-	-	132,651
-	-	88,983
-	-	221,634
25,629,435	1,995,998	29,696,516
1,291,033	-	4,278,050
4,657,590	32,622	(8,940,254)
$ 31,578,058	$ 2,028,620	$ 25,034,312

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For the year ended June 30, 2019

	Solid Waste	Cemetery	Santa Clara Golf and Tennis Club
Operating revenues:			
Charges for services	$ 25,448,101	$ 630,736	$ 1,930,609
Other	510,713	3,052	70,477
Total operating revenues	25,958,814	633,788	2,001,086
Operating expenses:			
Salaries and benefits	1,251,827	848,598	-
Materials, services and supplies	24,120,377	393,357	2,067,371
Depreciation	6,357	12,641	797,259
Total operating expenses	25,378,561	1,254,596	2,864,630
Operating income (loss)	580,253	(620,808)	(863,544)
Nonoperating revenues (expenses):			
Interest revenue	272	24,165	-
Rents and royalties	24,103	-	-
Total nonoperating revenues (expenses)	25,549	24,165	-
Income (loss) before contributions and transfers	605,802	(596,643)	(863,544)
Transfers in	200	-	466,266
Transfers (out)	(5,603)	(83,727)	-
Change in net position	600,399	(680,370)	(397,278)
Total net position - beginning	(1,885,537)	(3,212,457)	(2,997,123)
Total net position - ending	$ (1,285,138)	$ (3,892,827)	$ (3,394,401)

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the year ended June 30, 2019

Santa Clara Convention Center	Sports and Open Space Authority	TOTAL Non-Major Enterprise Funds
$ 12,734,378	$ -	$ 40,743,824
-	-	584,242
12,734,378	-	41,328,066
92,907	4,770	2,198,102
11,451,184	4,696	38,036,985
1,536,992	-	2,353,249
13,081,083	9,466	42,588,336
(346,705)	(9,466)	(1,260,270)
86,988	4,138	115,563
-	-	24,103
86,988	4,138	140,840
(259,717)	(5,328)	(1,119,430)
330,020	-	796,486
(1,500,000)	-	(1,589,330)
(1,429,697)	(5,328)	(1,912,274)
33,007,755	2,033,948	26,946,586
$ 31,578,058	$ 2,028,620	$ 25,034,312

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2019

	Solid Waste	Cemetery	Santa Clara Golf and Tennis Club
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 24,543,918	$ 633,788	$ 1,930,609
Payments to suppliers	(24,103,296)	(382,660)	(1,501,010)
Payments to employees for salaries and benefits	(964,262)	(759,014)	-
Rents and royalties received	24,103	-	-
Other receipts	510,713	-	82,312
Net cash provided (used) by operating activities	11,176	(507,886)	511,911
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
(Increase) in due from other funds	-	(30,699)	-
Advances from other funds	-	6,800	-
Transfers in	200	-	466,266
Transfers (out)	(5,603)	(83,727)	-
Cash Flows from Noncapital Financing Activities	(5,403)	(107,626)	466,266
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Landfill closure payments	111,315	-	-
Cash Flows from Capital and Related Financing Activities	111,315	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	1,446	24,165	-
Cash Flows from Investing Activities	1,446	24,165	-
Net increase (decrease) in cash and cash equivalents	118,534	(591,347)	978,177
Cash and cash equivalents at beginning of period	6,202,488	2,314,335	160,086
Cash and cash equivalents at end of period	$ 6,321,022	$ 1,722,988	$ 1,138,263
Cash and cash equivalents:			
Pooled cash and investments	$ 4,950,275	$ 1,722,988	$ 1,138,263
Restricted cash	1,370,747	-	-
Total cash and cash equivalents	$ 6,321,022	$ 1,722,988	$ 1,138,263

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2019

Santa Clara Convention Center	Sports and Open Space Authority	TOTAL Non-Major Enterprise Funds
$ 13,046,973	$ -	$ 40,155,288
(11,079,241)	(2,983)	(37,069,190)
(92,907)	(4,770)	(1,820,953)
-	-	24,103
-	-	593,025
1,874,825	(7,753)	1,882,273
-	-	(30,699)
-	-	6,800
330,020	-	796,486
(1,500,000)	-	(1,589,330)
(1,169,980)	-	(816,743)
-	-	111,315
-	-	111,315
86,988	4,138	116,737
86,988	4,138	116,737
791,833	(3,615)	1,293,582
6,356,048	69,365	15,102,322
$ 7,147,881	$ 65,750	$ 16,395,904
$ 5,856,848	$ 65,750	$ 13,734,124
1,291,033	-	2,661,780
$ 7,147,881	$ 65,750	$ 16,395,904

(continued)

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2019

		Solid Waste		Cemetery		Santa Clara Golf and Tennis Club
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	$	580,253	$	(620,808)	$	(863,544)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
(Decrease) Increase in due to OPEB system		(29,031)		(8,425)		-
(Decrease) Increase in due to retirement system		293,475		85,144		-
Depreciation		6,357		12,641		797,259
Change in assets and liabilities:						
Receivables, net		(904,183)		-		-
Inventory		-		-		11,835
Accrued liabilities		17,081		10,698		566,361
Compensated absences		23,121		12,864		-
Other receipts		24,103		-		-
Net cash provided (used) by operating activities	$	11,176	$	(507,886)	$	511,911

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2019

Santa Clara Convention Center	Sports and Open Space Authority	TOTAL Non-Major Enterprise Funds
$ (346,705)	$ (9,466)	$ (1,260,270)
-	-	(37,456)
-	-	378,619
1,536,992	-	2,353,249
144,995	-	(759,188)
-	-	11,835
371,943	1,713	967,796
-	-	35,985
-	-	24,103
$ 1,874,825	$ (7,753)	$ 1,882,273

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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 Position.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

AUTOMOTIVE SERVICES

This fund accounts for the maintenance and replacement of vehicles and equipment used by all City departments. The source of revenue for this fund is rental fees charged to the various departments.

TECHNICAL EQUIPMENT SERVICES

This fund accounts for the maintenance and replacement of communication and computer equipment used by City departments. The source of revenue for this fund is rental fees charged to the various departments.

SPECIAL LIABILITY INSURANCE CLAIMS

This fund was established to account for the cost of claims and administrative costs for the City's self-insured general liability program.

WORKERS' COMPENSATION INSURANCE CLAIMS

This fund is used to account for the cost of claims for service connected with injuries and illnesses sustained by members of the City's work force.

CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2019

	Automotive Services	Technical Equipment Services	Special Liability Insurance Claims	Workers' Compensation Insurance Claims	TOTAL
ASSETS					
Current assets:					
Cash and investments:					
Pooled cash and investments	$ 6,072,157	$ 1,307,539	$ 5,333,533	$ 3,816,867	$ 16,530,096
Receivables (net of allowance for uncollectible):					
Accounts	30,101	-	28,708	136,238	195,047
Due from other funds	394,880	-	-	-	394,880
Materials, supplies and prepaids	314,592	-	-	-	314,592
Total current assets	6,811,730	1,307,539	5,362,241	3,953,105	17,434,615
Noncurrent assets:					
Capital assets:					
Equipment	36,633,903	3,382,337	-	-	40,016,240
Total capital assets	36,633,903	3,382,337	-	-	40,016,240
Less accumulated depreciation	22,515,630	2,889,070	-	-	25,404,700
Net capital assets	14,118,273	493,267	-	-	14,611,540
Total noncurrent assets	14,118,273	493,267	-	-	14,611,540
Total assets	20,930,003	1,800,806	5,362,241	3,953,105	32,046,155
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	835,077	-	-	-	835,077
Total deferred outflows of resources	835,077	-	-	-	835,077

(continued)

CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2019

	Automotive Services	Technical Equipment Services	Special Liability Insurance Claims	Workers' Compensation Insurance Claims	TOTAL
LIABILITIES					
Current liabilities:					
Accrued liabilities	130,535	-	3,951,594	3,071,896	7,154,025
Due to other funds	1,758,859	642,592	-	-	2,401,451
Accrued compensated absences	26,374	-	-	-	26,374
Total current liabilities	1,915,768	642,592	3,951,594	3,071,896	9,581,850
Noncurrent liabilities:					
Long-term portion estimated claims	-	-	3,030,750	16,997,450	20,028,200
Long-term compensated absences	300,166	-	-	-	300,166
OPEB pension liability	728,588	-	-	-	728,588
Net pension liability	5,147,127	-	-	-	5,147,127
Total noncurrent liabilities	6,175,881	-	3,030,750	16,997,450	26,204,081
Total liabilities	8,091,649	642,592	6,982,344	20,069,346	35,785,931
DEFERRED INFLOWS OF RESOURCES					
OPEB related items	121,228	-	-	-	121,228
Pension related items	81,319	-	-	-	81,319
Total deferred inflows of resources	202,547	-	-	-	202,547
NET POSITION					
Net investment in capital assets	14,118,273	493,267	-	-	14,611,540
Unrestricted	(647,389)	664,947	(1,620,103)	(16,116,241)	(17,718,786)
Total net position (deficit)	$ 13,470,884	$ 1,158,214	$ (1,620,103)	$ (16,116,241)	$ (3,107,246)

CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For the year ended June 30, 2019

	Automotive Services	Technical Equipment Services	Special Liability Insurance Claims	Workers' Compensation Insurance Claims	TOTAL
Operating revenues:					
Charges for services	$ 7,755,160	$ 333,766	$ 3,500,400	$ 4,071,000	$ 15,660,326
Insurance refunds and other	-	-	-	754,367	754,367
Total operating revenues	7,755,160	333,766	3,500,400	4,825,367	16,414,693
Operating expenses:					
Salaries and benefits	2,892,153	-	-	-	2,892,153
Materials, services and supplies	2,431,336	220,455	-	-	2,651,791
General and administrative	-	-	6,929,547	4,217,878	11,147,425
Depreciation	2,767,439	112,084	-	-	2,879,523
Total operating expenses	8,090,928	332,539	6,929,547	4,217,878	19,570,892
Operating income (loss)	(335,768)	1,227	(3,429,147)	607,489	(3,156,199)
Nonoperating revenues (expenses):					
Interest revenue	-	-	35	-	35
Other revenue	213,850	-	123,041	-	336,891
Gain (loss) on retirement of assets	(39,567)	-	-	-	(39,567)
Total nonoperating revenues (expenses)	174,283	-	123,076	-	297,359
Income (loss) before contributions and transfers	(161,485)	1,227	(3,306,071)	607,489	(2,858,840)
Transfers in	49,326	-	2,376,870	-	2,426,196
Transfers (out)	(17,300)	-	-	-	(17,300)
Change in net position	(129,459)	1,227	(929,201)	607,489	(449,944)
Total net position - beginning	13,600,343	1,156,987	(690,902)	(16,723,730)	(2,657,302)
Total net position - ending	$ 13,470,884	$ 1,158,214	$ (1,620,103)	$ (16,116,241)	$ (3,107,246)

CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2019

	Automotive Services	Technical Equipment Services	Special Liability Insurance Claims	Workers' Compensation Insurance Claims	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$7,754,055	$ 333,766	$ 3,500,400	$ 4,440,553	$ 16,028,774
Payments to suppliers	(1,796,177)	(220,455)	-	-	(2,016,632)
Payments to employees for salaries and benefits	(2,497,323)	-	-	-	(2,497,323)
Internal activity - receipts from other funds	143,247	-	-	-	143,247
Claims paid	-	-	(5,446,513)	(4,733,655)	(10,180,168)
Other receipts	213,850	-	117,505	-	331,355
Net cash provided (used) by operating activities	3,817,652	113,311	(1,828,608)	(293,102)	1,809,253
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
(Increase) in due from other funds	(201,267)	-	-	-	(201,267)
Increase in due to other funds	393,767	66,234	-	-	460,001
Transfers in	49,326	-	2,376,870	-	2,426,196
Transfers (out)	(17,300)	-	-	-	(17,300)
Cash Flows from Noncapital Financing Activities	224,526	66,234	2,376,870	-	2,667,630
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets, net	(4,366,617)	-	-	-	(4,366,617)
Cash Flows from Capital and Related Financing Activities	(4,366,617)	-	-	-	(4,366,617)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends	-	-	35	-	35
Cash Flows from Investing Activities	-	-	35	-	35
Net increase (decrease) in cash and cash equivalents	(324,439)	179,545	548,297	(293,102)	110,301
Cash and investments at beginning of period	6,396,596	1,127,994	4,785,236	4,109,969	16,419,795
Cash and investments at end of period	$6,072,157	$ 1,307,539	$ 5,333,533	$ 3,816,867	$ 16,530,096
Cash and cash equivalents:					
Pooled cash and investments	$6,072,157	$ 1,307,539	$ 5,333,533	$ 3,816,867	$ 16,530,096
Total cash and cash equivalents	$6,072,157	$ 1,307,539	$ 5,333,533	$ 3,816,867	$ 16,530,096

(continued)

CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2019

	Automotive Services	Technical Equipment Services	Special Liability Insurance Claims	Workers' Compensation Insurance Claims	TOTAL
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ (335,768)	$ 1,227	$ (3,429,147)	$ 607,489	$ (3,156,199)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
(Decrease) Increase in due to OPEB system	(34,227)	-	-	-	(34,227)
(Decrease) Increase in due to retirement system	346,010	-	-	-	346,010
Depreciation	2,767,439	112,084	-	-	2,879,523
Change in assets and liabilities:					
Receivables, net	(1,105)	-	(5,536)	369,553	362,912
Inventory	780,128	-	-	-	780,128
Accrued liabilities	(1,722)	-	745,195	(180,398)	563,075
Long-term portion estimated claims	-	-	737,839	(1,089,746)	(351,907)
Compensated absences	83,047	-	-	-	83,047
Other receipts	213,850	-	123,041	-	336,891
Net cash provided (used) by operating activities	$3,817,652	$ 113,311	$ (1,828,608)	$ (293,102)	$ 1,809,253
NONCASH TRANSACTIONS:					
Retirement of capital assets	$ (39,567)	$ -	$ -	$ -	$ (39,567)

CITY OF SANTA CLARA
COMBINING FIDUCIARY FUNDS

PRIVATE PURPOSE TRUST FUNDS

Private Purpose Trust Funds are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments. The Private Purpose Trust Funds are described below:

CHARITABLE TRUST

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

SUCCESSOR AGENCY

California State laws ABx1 26 and AB 1484 provided for the dissolution of California Redevelopment Agencies effective January 31, 2012 and the transfer of all non-housing Agency assets to the Successor Agency Redevelopment Obligation Retirement Fund.

AGENCY FUNDS

Agency Funds are presented separately from the Government-wide and Fund financial statements.

Agency Funds account for assets held by the City as an agent for individuals, governmental entities, and non-public organizations. These funds include the following:

EMPLOYEE BENEFIT AND LIABILITY CLEARING

This fund is used to account for monies collected and disbursed related to employees 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.

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CITY OF SANTA CLARA
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2019

	Charitable Trust	Successor Agency	Total Private Purpose Trust
ASSETS			
Pooled cash and investments	$ 644,668	$ 680,364	$ 1,325,032
Receivables (net of allowance for uncollectibles):			
Accounts receivable	-	203,206	203,206
Interest	17,838	-	17,838
Investments with fiscal agent - noncurrent	2,820,132	-	2,820,132
Land held for resale	-	532,542	532,542
Total Assets	3,482,638	1,416,112	4,898,750
LIABILITIES			
Accrued liabilities	-	110,916	110,916
Due to Other Agencies - current	-	675,000	675,000
Due to City	-	4,355,641	4,355,641
Total Liabilities	-	5,141,557	5,141,557
NET POSITION			
Held in trust for private purpose	$ 3,482,638	$ (3,725,445)	$ (242,807)

CITY OF SANTA CLARA
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2019

	Charitable Trust	Successor Agency	Total Private Purpose Trust
ADDITIONS			
Investment income:			
Interest and rent	$ 91,638	$ 9,839,793	$ 9,931,431
Net change in fair value of investments	76,140	-	76,140
Gain from sale of property	-	137,697,788	137,697,788
Total additions	167,778	147,537,581	147,705,359
DEDUCTIONS			
General and administrative	84,000	448	84,448
Land transfer to other agencies	-	1,444,589	1,444,589
Pass through to the County of Santa Clara	-	165,700,149	165,700,149
Total deductions	84,000	167,145,186	167,229,186
CHANGE IN NET POSITION	83,778	(19,607,605)	(19,523,827)
Net position held in trust for private purpose:			
Beginning of year	3,398,860	15,882,160	19,281,020
End of year	$ 3,482,638	$ (3,725,445)	$ (242,807)

CITY OF SANTA CLARA
AGENCY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
June 30, 2019

	Employee Benefit & Liability Clearing	Special Assessments	Deposits	Total
ASSETS				
Pooled cash and investments	$ 9,176,078	$ 2,795,107	$ 11,926,784	$ 23,897,969
Cash and investments with fiscal agents	-	2	-	2
Total Assets	9,176,078	2,795,109	11,926,784	23,897,971
LIABILITIES				
Due to bondholders	-	2,795,109	-	2,795,109
Accrued liabilities	9,176,078	-	-	9,176,078
Refundable deposits	-	-	11,926,784	11,926,784
Total Liabilities	$ 9,176,078	$ 2,795,109	$ 11,926,784	$ 23,897,971

CITY OF SANTA CLARA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the year ended June 30, 2019

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Employee Benefit and Liability Clearing				
Pooled cash and investments	$ 12,540,553	$ 118,340,709	$ 121,705,184	$ 9,176,078
Accrued liabilities	$ 12,540,553	$ 118,340,709	$ 121,705,184	$ 9,176,078
Special Assessments				
Pooled cash and investments	$ 2,784,177	$ 3,870,811	$ 3,859,881	$ 2,795,107
Cash and investments with fiscal agent	2	-	-	2
Total Assets	$ 2,784,179	$ 3,870,811	$ 3,859,881	$ 2,795,109
Due to bondholders	$ 2,784,179	$ 3,870,811	$ 3,859,881	$ 2,795,109
Deposits				
Pooled cash and investments	$ 11,121,334	$ 8,087,128	$ 7,281,678	$ 11,926,784
Refundable deposits	$ 11,121,334	$ 8,087,128	$ 7,281,678	$ 11,926,784
Total Agency Funds				
Pooled cash and investments	$ 26,446,064	$ 130,298,648	$ 132,846,743	$ 23,897,969
Cash and investments with fiscal agent	2	-	-	2
Total Assets	$ 26,446,066	$ 130,298,648	$ 132,846,743	$ 23,897,971
Due to bondholders	$ 2,784,179	$ 3,870,811	$ 3,859,881	$ 2,795,109
Accrued liabilities	12,540,553	118,340,709	121,705,184	9,176,078
Refundable deposits	11,121,334	8,087,128	7,281,678	11,926,784
Total Liabilities	$ 26,446,066	$ 130,298,648	$ 132,846,743	$ 23,897,971

Statistical Section (Unaudited)

CITY OF SANTA CLARA
STATISTICAL SECTION

This part of the City of Santa Clara's Comprehensive Annual Report provides detailed information to better understand the data presented within the financial statements, note disclosures, and required supplementary information.

	TABLES
FINANCIAL TRENDS Contains trend information to help the reader understand how the City's financial performance has changed over time.	1 - 4
REVENUE CAPACITY Contains information to help the reader assess the City's most significant local revenue source, the property tax.	5 - 9
DEBT CAPACITY Presents information to assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	10 - 14
DEMOGRAPHIC AND ECONOMIC INFORMATION Offers information to help the reader understand the environment within which the City's financial activities take place.	15 - 16
OPERATING INFORMATION Contains service and infrastructure data to help the reader understand how the City's financial report relates to the services the City provides and the activities it performs.	17 - 20

CITY OF SANTA CLARA
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

Table 1

	2019	2018	2017	2016	2015 (2)	2014	2013 (1)	2012	2011	2010
Governmental Activities:										
Net Investment in Capital Assets	$ 585,201	$ 553,135	$ 532,255	$ 507,390	$ 524,645	$ 528,043	$ 522,175	$ 520,899	$ 351,410	$ 432,534
Restricted	244,775	246,048	242,393	207,996	198,316	189,618	230,545	213,158	330,675	227,557
Unrestricted	(169,513)	(180,368)	(135,818)	(125,913)	(186,423)	102,421	127,390	172,350	22,747	45,357
Total Governmental Activities Net Assets:	$ 660,463	$ 618,815	$ 638,830	$ 589,473	$ 536,538	$ 820,082	$ 880,110	$ 906,407	$ 704,832	$ 705,448
Business - Type Activities:										
Net Investment in Capital Assets	$ 953,098	$ 917,738	$ 882,187	$ 844,911	$ 760,150	$ 496,107	$ 406,972	$ 445,554	$ 405,806	$ 388,822
Restricted	185,267	174,595	142,459	133,718	93,891	96,318	90,437	8,214	8,214	-
Unrestricted	31,258	(24,141)	(13,132)	(61,843)	(1,573)	325,633	382,992	430,774	420,310	403,931
Total Business - Type Activities Net Position	$ 1,169,623	$ 1,068,192	$ 1,011,514	$ 916,786	$ 852,468	$ 918,058	$ 880,401	$ 884,542	$ 834,330	$ 792,753
Primary Government										
Net Investment in Capital Assets	$ 1,538,299	$ 1,470,873	$ 1,414,442	$ 1,352,301	$ 1,284,795	$ 1,024,150	$ 929,147	$ 966,453	$ 757,216	$ 821,356
Restricted	430,042	420,643	384,852	341,714	292,207	285,936	320,982	221,372	338,889	227,557
Unrestricted	(138,255)	(204,509)	(148,950)	(187,756)	(187,996)	428,054	510,382	603,124	443,057	449,288
Total Primary Government Net Position	$ 1,830,086	$ 1,687,007	$ 1,650,344	$ 1,506,259	$ 1,389,006	$ 1,738,140	$ 1,760,511	$ 1,790,949	$ 1,539,162	$ 1,498,201

Note:

(1) Certain amounts in the prior year have been reclassified due to the implementation of GASB Statement No. 65.

(2) Certain amounts cannot be compared to fiscal year 2015 due to the implementation of GASB Staetment No. 68.

Source: Finance Office, City of Santa Clara.

CITY OF SANTA CLARA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

Table 2

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses:										
Governmental Activities:										
General Administration	$ 30,328	$ 25,467	$ 20,636	$ 22,692	$ 18,310	$ 15,208	$ 15,799	$ 8,703	$ 9,142	$ 9,917
City Clerk	1,263	864	1,020	309	389	263	388	179	790	674
City Attorney	1,700	1,000	860	270	194	102	100	303	1,187	1,310
Human Resources	2,011	1,886	1,675	748	654	502	367	486	1,978	1,815
Finance	7,111	6,253	5,323	1,633	1,357	844	1,270	1,680	6,713	7,685
Public Works	45,725	38,276	34,314	30,365	29,713	30,287	29,337	28,802	29,339	29,344
Parks and Recreation	23,285	21,369	18,616	17,106	16,135	15,913	15,858	15,567	15,410	15,572
Public Safety:										
Police	72,449	76,742	63,612	58,599	54,252	47,105	45,120	43,516	44,138	45,143
Fire	58,120	55,372	43,384	37,120	35,341	34,099	33,162	31,702	33,594	34,457
Planning and Inspection	12,879	10,614	9,162	7,855	7,593	6,848	6,383	5,838	5,779	5,918
Library	12,687	12,302	10,553	10,718	8,851	8,161	7,712	7,728	8,090	8,470
Interest on long term debt	630	695	749	803	853	1,125	2,107	6,991	10,437	9,856
Supplemental Educational Revenue Augmentation Fund	-	-	-	-	-	-	-	-	2,025	9,834
Pass Through Payments	-	-	-	-	-	-	-	1,085	-	-
Total Governmental Activities Expenses (Net)	268,188	250,840	209,904	188,218	173,642	160,457	157,603	152,580	168,622	179,995
Business-Type Activities:										
Utilities:										
Electric -										
Retail	386,293	402,006	367,780	364,557	344,382	333,432	314,069	283,142	281,342	280,512
Wholesale	22,519	35,413	35,197	21,682	32,635	28,871	24,717	32,115	50,754	73,727
Water	46,067	41,777	35,649	32,254	29,482	28,181	26,683	25,076	23,078	23,067
Sewer	29,462	25,689	23,047	19,081	17,981	17,237	16,054	15,348	16,296	14,222
Water Recycling	5,909	4,972	4,858	2,672	2,902	2,030	1,979	3,326	8,304	3,256
Solid Waste	25,393	23,363	26,621	20,142	19,717	18,486	19,222	17,322	16,192	15,842
Cemetery	1,257	1,174	820	781	676	901	991	958	935	960
Sports and Open Space Authority	9	10	53	102	97	95	44	48	48	18
Santa Clara Golf and Tennis Club	2,837	2,951	2,772	2,777	2,754	2,827	2,662	2,759	2,706	2,724
Santa Clara Convention Center	12,967	8,423	8,478	9,075	9,006	8,926	8,553	8,073	7,786	7,121
Santa Clara Stadium Authority	103,899	111,210	105,593	147,435	98,363	21,913	27,442	5,393	-	-
Total Business-Type Activities Expenses	636,612	656,988	610,868	620,558	557,995	462,899	442,416	393,560	407,441	421,449
Total Primary Expenses	$ 904,800	$ 907,828	$ 820,772	$ 808,776	$ 731,637	$ 623,356	$ 600,019	$ 546,140	$ 576,063	$ 601,444

Source: Finance Office, City of Santa Clara

CITY OF SANTA CLARA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)
(continued)

Table 2

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Program Revenues:										
Governmental Activities:										
Charges for Services:										
General Administration	$ 7,904	$ 398	$ 1,651	$ 1,247	$ 416	$ 355	$ 562	$ 680	$ 6,611	$ 9,596
Parks and Recreation	3,431	3,126	3,169	3,114	4,207	3,157	2,825	2,868	2,868	2,940
Planning and Inspection	19,048	12,837	13,658	15,065	13,944	9,299	6,872	12,509	5,307	3,549
Other Programs	17,476	21,303	19,658	23,022	16,281	12,296	9,352	10,397	9,508	6,956
Operating Grants and Contributions	8,457	7,172	4,723	5,809	8,240	6,566	3,922	4,444	4,028	4,105
Capital Gains and Contributions	23,634	20,273	14,280	12,100	5,848	10,347	4,490	4,737	4,467	5,775
Total Governmental Activities Program Revenues	79,950	65,109	57,139	60,357	48,936	42,020	28,023	35,635	32,789	32,921
Business-Type Activities:										
Utilities:										
Electric -										
Retail	432,555	440,440	423,687	395,162	354,557	335,658	322,749	329,518	304,024	270,834
Wholesale	27,708	34,994	36,162	17,279	27,301	28,622	22,296	29,149	50,124	67,840
Equity in income (losses) of joint ventures (1)	-	-	-	-	(4,719)	4,214	6,111	(3,576)	-	-
Water	47,017	46,685	39,953	31,955	31,462	30,979	30,177	28,232	25,682	23,744
Sewer	44,763	50,942	43,176	41,659	43,400	34,585	32,090	27,036	22,380	9,443
Equity in income (losses) of joint ventures (1)	-	-	-	-	(10,036)	(3,383)	(3,654)	(2,239)	-	-
Water Recycling	6,299	5,479	4,834	3,841	3,381	3,136	2,774	4,319	8,919	4,363
Solid Waste	25,983	23,544	22,585	21,854	20,404	20,154	19,575	18,460	17,142	15,843
Cemetery	634	666	799	693	649	528	632	519	426	454
Sports and Open Space Authority	-	-	58	72	66	82	420	2,056	1,415	1,506
Santa Clara Golf and Tennis Club	2,001	1,991	1,780	1,666	2,207	2,857	2,929	2,973	2,795	2,917
Santa Clara Convention Center	12,734	9,061	9,581	7,399	7,112	7,240	6,933	6,119	6,086	6,845
Santa Clara Stadium Authority	112,550	112,039	110,059	146,619	102,908	33,193	-	5	-	-
Total Business-Type Activities Program Revenues	712,244	725,841	692,674	668,199	578,692	497,865	443,032	442,571	438,993	403,789
Total Primary Government Program Revenues	792,194	790,950	749,813	728,556	627,628	539,885	471,055	478,206	471,782	436,710
Net (Expense) Revenue:										
Governmental Activities	(188,238)	(185,731)	(152,765)	(127,861)	(124,706)	(118,437)	(129,580)	(116,945)	(135,833)	(147,074)
Business-Type Activities	75,632	68,853	81,806	47,641	20,697	34,966	616	49,011	31,552	(17,660)
Total Primary Government Net (Expense) Revenue	$ (112,606)	$ (116,878)	$ (70,959)	$ (80,220)	$ (104,009)	$ (83,471)	$ (128,964)	$ (67,934)	$ (104,281)	$ (164,734)

Note:
(1) Equity in income (losses) of joint ventures were included in the Electric and Sewer Business-Type Activities beginning in fiscal year 2016
Source: Finance Office, City of Santa Clara

CITY OF SANTA CLARA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)
(continued)

Table 2

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Revenue and other changes in Net Position										
Governmental Activities:										
Taxes:										
Sales	$ 65,036	$ 56,320	$ 55,751	$ 57,797	$ 49,648	$ 46,736	$ 44,159	$ 41,280	$ 35,846	$ 31,875
Ad Valorem Property	58,502	54,965	50,943	45,627	37,574	39,187	31,651	43,880	57,172	61,834
Transient occupancy	23,229	20,580	20,484	20,557	18,186	15,141	13,673	11,755	9,910	8,302
Other	5,955	6,392	5,671	5,510	5,173	5,191	4,333	3,034	3,731	3,049
Internal Governmental, unrestricted:										
Motor Vehicle in-lieu	-	-	55	49	50	-	51	120	539	345
Contribution in-lieu of taxes	21,304	21,986	21,117	19,057	17,493	16,591	15,219	15,343	14,913	13,448
Investment earnings	6,990	4,600	3,466	2,178	1,702	3,380	6,058	7,900	21,770	18,179
Net increase (decrease) in the fair value of investments	8,082	(2,452)	(3,217)	1,049	496	1,815	(3,567)	(707)	(8,905)	413
Equity in income (losses) of joint ventures	28	25	49	44	(40)	(106)	(286)	(285)	(225)	(1)
Rents and royalties	9,762	10,494	11,410	13,642	11,189	3,781	13,658	13,115	2,851	3,274
Gain (loss) on retirement of assets	-	-	-	-	-	-	-	-	4,651	2
Other	30,257	16,243	39,956	8,551	12,154	4,317	4,434	4,104	2,989	2,917
Co-op Agreements Activities	-	-	-	-	-	-	-	(5)	-	-
Special item	-	-	-	(24,451)	(9,224)	(80,152)	(29,563)	106,602	-	-
Total Government General Revenue, Transfers, and Special Item	229,145	189,153	205,685	149,610	144,401	55,881	99,820	246,136	145,242	143,637
Business-Type Activities: (2)										
Investment earnings	16,618	15,755	13,031	16,894	15,602	2,863	3,403	5,922		
Net increase (decrease) in the fair value of investments	9,921	(3,584)	(3,672)	1,218	544	2,356	(4,695)	(874)		
Gain (loss) on retirement of assets	-	-	-	29,751	64	-	(2)	71,662		
Total Business-Type General Revenue and Transfers	26,539	12,171	9,359	47,863	16,210	5,219	(1,294)	76,710		
Total Primary Government General Revenue and Transfers	255,684	201,324	215,044	197,473	160,611	61,100	98,526	322,846		
Change in Net Position - Total Primary Government	143,078	84,446	144,085	117,253	56,602	(22,371)	(30,438)	254,912	40,961	(21,097)
Net Position - Beginning of Year (2012 & 2015 Adjusted	1,687,007	1,650,344	1,506,259	1,389,006	1,738,140	1,760,511	1,790,949	1,536,037	1,498,201	1,519,298
GASB68 Implementation	-	-	-	-	(405,736)	-	-	-	-	-
GASB75 Implementation	-	(47,783)	-	-	-	-	-	-	-	-
Net Position - End of Year - Total Primary Government	$ 1,830,085	$ 1,687,007	$ 1,650,344	$ 1,506,259	$ 1,389,006	$ 1,738,140	$ 1,760,511	$ 1,790,949	$ 1,539,162	$ 1,498,201

Notes:
(1) Equity in income (losses) of joint ventures was restated in Fiscal Year 2011-12 to be presented in the Program Revenues of the Business-Type Activities.
(2) Amounts shown for fiscal year 2011 were restated to separately present General Revenues of Business-Type Activities.
Source: Finance Office, City of Santa Clara

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

Table 3

	2019	2018	2017	2016	2015	2014	2013	2012	2011 (1)	2010
General Fund:										
Nonspendable	$ 24,421	$ 25,002	$ 13,837	$ 13,517	$ 13,247	$ 12,850	$ 12,785	$ 12,466	$ 46,015	$ -
Restricted	17,652	13,585	7,083	11,865	9,546	9,641	7,191	10,922	3,670	-
Committed	30,902	41,914	58,580	64,111	55,121	78,125	86,949	86,942	1,675	-
Assigned	7,879	7,473	4,639	4,875	6,761	4,752	4,927	4,033	1,157	-
Unassigned	147,739	107,801	107,404	103,430	58,946	23,910	38,522	33,393	21,138	-
Reserved	-	-	-	-	-	-	-	-	-	24,778
Unreserved:										
Designated	-	-	-	-	-	-	-	-	-	25,938
Undesignated	-	-	-	-	-	-	-	-	-	-
Total General Fund	228,593	195,775	191,543	197,798	143,621	129,278	150,374	147,756	73,655	50,716
All other Governmental Funds:										
Nonspendable	-	-	-	-	-	-	-	-	11,122	-
Restricted	86,531	91,290	89,818	67,612	76,848	60,489	105,785	125,100	188,584	-
Committed	45,344	40,473	44,936	38,953	20,237	25,697	21,351	32,007	34,794	-
Assigned	-	-	-	-	-	-	-	-	1,418	-
Unassigned	-	-	-	-	-	-	-	-	(22,834)	-
Reserved	-	-	-	-	-	-	-	-	-	93,119
Unreserved, reported in:										
Capital projects funds	-	-	-	-	-	-	-	-	-	113,632
Special revenue funds	-	-	-	-	-	-	-	-	-	602
Other purposes	-	-	-	-	-	-	-	-	-	19,305
Total All Other Governmental Funds	131,875	131,763	134,754	106,565	97,085	86,186	127,136	157,107	213,084	226,658
Total Governmental Funds	$ 360,468	$ 327,538	$ 326,297	$ 304,363	$ 240,706	$ 215,464	$ 277,510	$ 304,863	$ 286,739	$ 277,374

Note:
(1) The City implemented GASB Statement No. 54 in fiscal year 2011.
Source: Finance Office, City of Santa Clara.

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

Table 4

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
REVENUES:										
Taxes:										
Sales	$ 65,036	$ 56,321	$ 55,750	$ 57,796	$ 49,649	$ 46,736	$ 44,160	$ 41,280	$ 35,845	$ 31,876
Ad valorem property	58,502	54,965	50,943	45,627	37,574	39,187	31,651	43,880	57,172	61,834
Transient occupancy	23,229	20,580	20,484	20,557	18,186	15,141	13,673	11,755	9,910	8,302
Other	5,955	6,392	5,671	5,510	5,173	5,191	4,333	4,139	3,731	4,099
Licenses, permits, fees and penalties	16,478	8,665	10,536	11,530	9,508	6,860	6,523	9,222	5,690	4,286
Intergovernmental	29,685	13,920	15,269	8,570	13,766	10,611	6,838	8,091	8,017	9,359
Charges for services	49,067	45,237	42,941	46,938	39,012	32,749	26,621	32,767	28,395	24,647
Contribution in-lieu of taxes	21,304	21,986	21,117	19,057	17,493	16,591	15,219	15,343	14,912	13,448
Interest and rents	16,927	15,223	14,636	15,617	10,692	7,672	20,026	21,329	25,220	25,477
Net increase (decrease) in the fair value of investments	8,082	(2,452)	(3,217)	1,049	496	1,815	(3,567)	(707)	(3,571)	449
Other	15,021	11,957	32,209	9,578	13,792	6,740	4,627	3,645	2,515	2,829
TOTAL REVENUES	$ 309,286	$ 252,794	$ 266,339	$ 241,829	$ 215,341	$ 189,293	$ 170,104	$ 190,744	$ 187,836	$ 186,606

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
EXPENDITURES										
Current:										
General Administration	$ 36,093	$ 28,997	$ 24,265	$ 23,743	$ 18,684	$ 17,101	$ 17,615	$ 26,430	$ 31,829	$ 31,524
City Clerk	1,440	1,361	1,594	1,007	1,060	863	970	703	777	662
City Attorney	2,006	1,690	1,658	1,500	1,329	1,335	1,226	1,328	1,172	1,314
Human Resources	3,151	3,175	2,993	2,616	2,322	2,279	2,055	1,979	1,947	1,804
Finance	11,697	10,484	9,725	9,319	8,455	8,231	7,876	7,588	7,170	7,535
Public Works	31,595	25,595	24,018	20,088	18,424	17,562	16,765	16,231	17,133	17,178
Parks and Recreation	20,026	18,882	17,364	16,162	14,506	14,428	14,063	14,124	13,844	13,906
Public Safety:										
Police	62,799	67,841	62,290	61,015	54,344	45,584	42,991	41,912	42,520	43,959
Fire	50,975	49,043	42,550	39,129	35,144	33,267	32,370	31,522	32,214	33,768
Planning and Inspection	11,521	9,896	9,156	8,231	7,620	6,938	6,268	5,725	5,680	5,726
Library	10,234	10,426	9,113	9,479	7,611	7,206	6,564	6,594	6,932	7,406
Capital Outlay	30,382	19,933	29,329	13,434	10,730	8,736	15,060	46,490	15,361	13,022
Debt Service:										
Principal payments	1,786	1,731	1,674	1,620	1,576	8,520	24,302	4,294	29,720	10,555
Interest and fiscal fees	983	767	825	879	925	1,174	2,009	7,038	10,335	10,128
Bond issuance cost	-	7	2	1	2	5	411	5	490	8
Supplemental Educational Revenue Augmentation Fund	-	-	-	-	-	-	-	-	2,025	9,834
Pass Through Payments	-	-	-	-	-	-	-	1,085	-	-
TOTAL EXPENDITURES	274,688	249,828	236,556	208,223	182,732	173,229	190,545	213,048	219,149	208,329
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	34,598	2,966	29,783	33,606	32,609	16,064	(20,441)	(22,304)	(31,313)	(21,723)
OTHER FINANCING SOURCES (USES):										
Sale of Capital Assets	-	-	-	-	-	-	-	-	-	2
Co-op Agreements Activities	-	-	-	-	-	-	-	(5)	(8,297)	-
Proceeds from Bond Issuance	-	-	-	-	-	-	19,572	-	41,451	-
Transfers in	43,334	21,381	44,983	58,473	14,152	27,961	17,525	96,634	25,705	31,493
Transfers out	(45,001)	(23,106)	(52,832)	(27,581)	(12,295)	(25,918)	(14,446)	(20,180)	(23,661)	(29,521)
TOTAL OTHER FINANCING SOURCES (USES)	(1,667)	(1,725)	(7,849)	30,892	1,857	2,043	22,651	76,449	35,198	1,974
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM	$ 32,931	$ 1,241	$ 21,934	$ 64,498	$ 34,466	$ 18,107	$ 2,210	$ 54,145	$ 3,885	$ (19,749)
SPECIAL ITEM-ASSET TRANSFERRED TO LIABILITIES ASSUMED BY SUCCESSOR AGENCY	-	-	-	(842)	(9,224)	(80,152)	(29,563)	(31,847)	-	-
NET CHANGE IN FUND BALANCES AFTER SPECIAL ITEM	$ 32,931	$ 1,241	$ 21,934	$ 63,656	$ 25,242	$ (62,045)	$ (27,353)	$ 22,298	$ 3,885	$ (19,749)
DEBT SERVICE AS A PERCENTAGE OF NON-CAPITAL EXPENDITURES	1%	1%	1%	1%	1%	6%	15%	7%	21%	15%

Source: Finance Office, City of Santa Clara.

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

Table 5

Fiscal Year Ending June 30	Net Local Secured Roll [1]	State Assessed Valuation	Net Unsecured Roll	Net Assessed Valuation	Total Assessed Valuation	Ratio of Net Assessed Valuation To Total Assessed Valuation	% of Growth of Assessed Valuation	Total Direct Tax Rate
2009 / 10	$ 20,707,612	$ 3,689	$ 3,844,940	$24,556,241	$ 24,674,410	99.52%	0.80%	1.13%
2010 / 11	19,949,252	3,689	3,634,484	23,587,425	23,704,433	99.51%	-3.95%	1.11%
2011 / 12	19,818,648	4,641	3,892,148	23,715,437	23,830,461	99.52%	0.54%	1.14%
2012 / 13	20,475,348	4,641	4,702,675	25,182,664	25,295,792	99.55%	6.19%	1.16%
2013 / 14	22,216,962	4,641	4,680,536	26,902,139	27,012,697	99.59%	6.83%	1.14%
2014 / 15	24,294,056	4,183	4,352,204	28,650,443	28,758,679	99.62%	6.50%	1.13%
2015 / 16	27,659,960	4,183	5,157,346	32,821,489	32,927,777	99.68%	14.56%	1.16%
2016 / 17	30,672,596	4,183	5,856,885	36,533,664	36,638,297	99.71%	11.31%	1.15%
2017 / 18	33,449,607	3,896	6,553,560	40,007,063	40,109,539	99.74%	9.51%	1.16%
2018 / 19	36,596,483	354	7,266,592	43,863,429	43,964,914	99.77%	9.64%	1.13%

Note:
(1) Net of Home Owner Property Tax Relief.
Source: County of Santa Clara, Department of Finance

CITY OF SANTA CLARA
PROPERTY TAX RATES
(Per $100 Assessed Valuation)
Direct and Overlapping Governments
Last Ten Fiscal Years

Table 6

Fiscal Year Ending June 30	Santa Clara County	School Districts	Special Districts	Total
2009 / 10	1.0388%	0.0841%	0.0074%	1.1303%
2010 / 11	1.0388%	0.0658%	0.0072%	1.1118%
2011 / 12	1.0388%	0.0973%	0.0064%	1.1425%
2012 / 13	1.0388%	0.1108%	0.0069%	1.1565%
2013 / 14	1.0388%	0.0962%	0.0070%	1.1420%
2014 / 15	1.0388%	0.0824%	0.0065%	1.1277%
2015 / 16	1.0388%	0.1174%	0.0057%	1.1619%
2016 / 17	1.0388%	0.1014%	0.0086%	1.1488%
2017 / 18	1.0388%	0.1028%	0.0062%	1.1478%
2018 / 19	1.0388%	0.0905%	0.0042%	1.1335%

Tax rate limit: A state constitutional amendment (Proposition 13) commencing with fiscal 1979 provided that the tax rate was limited to 1% of full cash value, levied only by the County and shared with all other jurisdictions. All jurisdictions may levy a tax rate for voter approved debt.

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

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

Collected by government unit: County of Santa Clara.

Basis upon which collections are distributed: Taxing jurisdictions assessed valuations and tax rates for voter approved debt to taxing jurisdictions, County rate (1% of full cash value) shared by all jurisdictions.

Compensation paid to collecting government unit for fiscal year 2018-19 is $355,617

Note: Tax rates stated are the rates applicable to the tax rate area 7-000 as typical tax rate area within the City. Rates are based on $100 assessed valuation.

Source: County of Santa Clara, Department of Finance

CITY OF SANTA CLARA
PRINCIPAL PROPERTY TAX PAYERS
2018-19 AND 2010-11 COMPARISON FOR GENERAL FUND
(In Thousands)

Table 7

Taxpayers	2018-19 Assessed Valuation	2018-19 Percentage of Total Assessed Valuation	2010-11 Assessed Valuation	2010-11 Percentage of Total Assessed Valuation
Intel Corporation	$ 1,679,710	3.82%	$ 974,576	4.71%
Forty Niners SC Stadium Company LLC	1,392,818	3.17%	-	0.00%
Sobrato Interest (Sobrato Development Company)	864,176	1.97%	308,442	1.49%
Microsoft Corporation	547,106	1.24%	-	0.00%
Apple Inc	533,828	1.21%	-	0.00%
Vantage Data Centers LLC	517,390	1.18%	-	0.00%
Xeres Ventures LLC	486,495	1.11%	-	0.00%
3515-3585 Monroe Street LLC	468,303	1.07%	-	0.00%
County of Santa Clara	454,531	1.03%	-	
Augustine Bowers LLC	453,855	1.03%	-	
Agilent Technologies	-	0.00%	306,451	1.48%
Applied Materials, Inc.	-	0.00%	238,795	1.16%
Oracle America Inc (formerly Sun Microsystems)	-	0.00%	210,109	1.02%
Marvell Technology Inc	-	0.00%	200,350	0.97%
Silicon Valley California LLC	-	0.00%	194,215	0.94%
Harvest 2400 LLC	-	0.00%	177,420	0.86%
Nvidia Corporation (formerly Nvidia Land Development LLC)	-	0.00%	170,066	0.82%
National Semiconductor Corporation	-	0.00%	168,780	0.82%
Top Ten Total	$ 7,398,212	16.83%	$ 2,949,204	14.27%
City Total	$ 43,964,914		$ 20,672,989	

Sources: Santa Clara County Assessor 2018-19 and 2010-11 Combined Tax Rolls through HdL Coren & Cone.
Principal property taxpayers information for 2009-10 is not available.

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
2009 / 10	$ 21,674	$ 21,631	99.80%	-	$ 21,631	99.80%
2010 / 11	20,894	20,867	99.87%	-	20,867	99.87%
2011 / 12	21,044	21,044	100.00%	-	21,044	100.00%
2012 / 13	22,313	22,313	100.00%	-	22,313	100.00%
2013 / 14	24,027	24,027	100.00%	-	24,027	100.00%
2014 / 15	25,550	25,550	100.00%	-	25,550	100.00%
2015 / 16	27,603	27,603	100.00%	-	27,603	100.00%
2016 / 17	30,605	30,605	100.00%	-	30,605	100.00%
2017 / 18	33,312	33,312	100.00%	-	33,312	100.00%
2018 / 19	37,374	37,374	100.00%	-	37,374	100.00%

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

CITY OF SANTA CLARA
PRINCIPAL SALE/USE TAX CONTRIBUTORS
June 30, 2019

Table 9

This list is in alphabetical order and represents sales from July 2018 to June 2019
The Top 25 Sales / Use Tax contributors generate 45% of Santa Clara's total sales and use tax revenue

APPLIED MATERIALS
ARISTA NETWORKS
AUTONATION ACURA STEVENS CREEK
BLOOM ENERGY
COSTCO WHOLESALE
ENTERPRISE RENT-A-CAR
EOS IT MANAGEMENT SOLUTIONS
FINANCIAL SERVICES VEHICLE TRUST
FISHER SCIENTIFIC
FRONTIER FORD
HOME DEPOT
ICPC
INTEL CORPORATION
LEVI'S STADIUM
LEXUS OF STEVENS CREEK
MACY'S MENS & HOME
NORMAN S. WRIGHT MECHANICAL EQUIPMENT CORPORATION
NVIDIA CORPORATION
ONE WORKPLACE L. FERRARI
PIVOT INTERIORS
PORSCHE STEVENS CREEK
STEVENS CREEK AUTO IMPORTS
STEVENS CREEK BMW
TARGET STORES
WORLD WIDE TECHNOLOGY

Sources: From Muni Services Sales Tax Digest Summary.

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

Table 10

Fiscal Year Ending June 30	Governmental Activities — Public Facilities Financing Corporation: Certificates of Participation	Governmental Activities — Public Facilities Financing Corporation: Insurance Funding Bonds	Governmental Activities: Assessment Bonds	Governmental Activities: Total Governmental Activities	Former Redevelopment Agency: Tax Allocation Bonds [1]	Business Activities: Revenue Bonds	Santa Clara Stadium Authority: Revenue Bonds	Total Primary Government	Population	Debt per Capita	Total Personal Income ($000)	Debt/ Income Ratio
2009 / 10	$ 48,620	$ -	$ 2,155	$ 50,775	$ 119,660	$ 223,170	$ -	$ 393,605	118,830	$ 3,312	$ 4,291,695	9.17%
2010 / 11	43,822	-	-	43,822	138,511	223,920	-	406,253	118,169	3,438	4,727,907	8.59%
2011 / 12	39,528	-	-	39,528	-	210,646	132,630	382,804	118,813	3,222	4,399,786	8.70%
2012 / 13	34,784	-	-	34,784	-	199,676	396,140	630,600	120,284	5,243	4,530,093	13.92%
2013 / 14	26,210	-	-	26,210	-	227,163	653,367	906,740	121,229	7,480	4,739,710	19.13%
2014 / 15	24,579	-	-	24,579	-	226,828	561,556	812,963	120,973	6,720	4,952,711	16.41%
2015 / 16	22,905	-	-	22,905	-	229,719	464,720	717,344	123,752	5,797	5,194,006	13.81%
2016 / 17	21,177	-	-	21,177	-	220,800	429,773	671,750	123,983	5,418	5,454,137	12.32%
2017 / 18	19,392	-	-	19,392	-	208,117	394,827	622,336	129,604	4,802	6,064,143	10.26%
2018 / 19	17,551	-	-	17,551	-	189,158	340,217	546,926	128,717	4,249	6,121,909	8.93%

Notes:

(1) Beginning fiscal year 2011-12, Tax Allocation Bonds Direct Debt amounts for the Former Redevelopment Agency are shown in the Successor Agency of the City of Santa Clara's Statistical Section, Table 4.

Sources: Finance Office, City of Santa Clara and MuniServices LLC.

CITY OF SANTA CLARA
POPULATION AND ASSESSED VALUATION
Last Ten Fiscal Years
(In Thousands)

Table 11

Fiscal Year Ending June 30	Population	Total Assessed Valuation
2009 / 10	116.3 (1)	24,674,410
2010 / 11	118.2	23,704,433
2011 / 12	118.8	23,830,461
2012 / 13	120.3	25,295,792
2013 / 14	121.2	27,012,697
2014 / 15	121.0	28,758,679
2015 / 16	123.8	32,927,777
2016 / 17	123.9	36,638,297
2017 / 18	128.8	40,109,539
2018 / 19	128.7	43,964,914

Note: (1) Population was revised based on 2010 U.S. Census results.
Sources: State of California, Department of Finance
County of Santa Clara, Department of Finance

CITY OF SANTA CLARA
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
June 30, 2019

Table 12

Description	% Applicable	Debt
Direct Debt:		
2010 Lease Financing	100%	3,089,000
2013 Refunding Certificates of Participation	100%	13,770,000
Total Gross Direct Debt		**16,859,000**
Unamortized Premium/Discount	100%	692,284
Total Net Direct Debt		**17,551,284**
Overlapping Debt:		
Santa Clara County General Fund Obligations		64,694,587
Santa Clara County Pension Fund Obligations		32,084,097
Santa Clara Valley Water District Benefit Assessment District		6,698,549
Santa Clara County Board of Education Certificates of Participation		387,418
San Jose-Evergreen Community College District Pension Obligations		28,470
West Valley-Mission Community College District General Fund Obligations		18,458,472
Foothill-DeAnza Community College District		333,770
San Jose-Evergreen Community College District		279,999
West Valley Community College District		188,534,596
Fremont Union High School District		15,522,621
Campbell Union High School District General Fund Obligations		206,800
Campbell Union School District		8,671,394
Campbell Union High School District		8,051,655
Campbell Union School District Certificates of Participation		119,314
El Camino Hospital District		1,447,819
San Jose Unified School District		863,658
Cupertino Union School District		13,498,009
Santa Clara Unified School District		676,011,138
San Jose Unified School District Certificates of Participation		18,693
Santa Clara County		86,244,381
Foothill-DeAnza Community College District Certificates of Participation		7,745,597
Santa Clara Unified School District Certificates of Participation		8,650,902
Santa Clara County Vector Control District Certificates of Participation		204,407
Total Overlapping Debt		**1,138,756,346**
Total Gross Direct and Overlapping Bonded Debt (1)		**1,155,615,346**
Direct Unamortized Premium/Discount		-
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT		**$ 1,155,615,346**

2018 / 19 Assessed Value	$ 43,964,913,741	
Ratios to Assessed Valuation:		
Direct Debt	$ (17,551,284)	0.040%
Total Gross Debt		2.630%
Total Net Debt		2.560%

Note: (1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds.
Source: California Municipal Statistics, Inc.

CITY OF SANTA CLARA
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(In Thousands)

Table 13

Fiscal Year Ending June 30	Net Assessed Valuation	Debt Limit- 15% of Assessed Valuation (1)	Debt Applicable to Limit	Legal Debt Margin
2009 / 10	$ 24,556,241	$ 3,683,436	$ -	$ 3,683,436
2010 / 11	23,587,425	3,538,114	-	3,538,114
2011 / 12	23,715,437	3,557,316	-	3,557,316
2012 / 13	25,182,664	3,777,400	-	3,777,400
2013 / 14	26,902,139	4,035,321	-	4,035,321
2014 / 15	28,650,444	4,297,567	-	4,297,567
2015 / 16	32,821,489	4,923,223	-	4,923,223
2016 / 17	36,533,664	5,480,050	-	5,480,050
2017 / 18	40,007,063	6,001,059	-	6,001,059
2018 / 19	43,863,429	6,579,514	-	6,579,514

Note:
(1) Section 1309 of the City Charter of the City states: "Bonded Debt Limit. The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen percent (15%) of the total assessed valuation of property within the City, exclusive of revenue bonds or any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending, or maintaining municipally owned utilities for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to the provisions of the State Constitution and this Charter."
Sources: County of Santa Clara, Department of Finance and City of Santa Clara

CITY OF SANTA CLARA
PLEDGED REVENUE COVERAGE
ELECTRIC REVENUE BOND
Last Ten Fiscal Years
(In Thousands)

Table 14

Fiscal Year Ending June 30	Gross Revenue	Less Operating Expense	Net Revenue Available For Debt Service	Principal	Interest	Letter Of Credit Fees	Total	Coverage [1]
2009 / 10	$ 296,833	$ 276,402	$ 20,431	$ 4,220	$ 7,235	$ 838	$ 12,293	1.66
2010 / 11	269,610	233,939	35,671	4,425	8,022	1,793	14,240	2.50
2011 / 12	300,216	238,074	62,142	6,255	9,616	1,017	16,888	3.68
2012 / 13	298,522	266,246	32,276	6,560	9,899	813	17,272	1.87
2013 / 14	314,847	288,954	25,893	3,550	7,994	637	12,181	2.13
2014 / 15	332,178	297,846	34,332	6,485	7,990	459	14,934	2.30
2015 / 16	359,084	316,578	42,506	8,958	8,348	358	17,664	2.41
2016 / 17	352,828	317,237	35,591	7,640	8,434	335	16,409	2.17
2017 / 18	383,662	346,825	36,837	11,416	6,594	302	18,312	2.01
2018 / 19	414,975	331,141	83,834	11,897	11,565	607	24,069	3.48

Notes:

(1) The required coverage is 1.00.

Source: City of Santa Clara

CITY OF SANTA CLARA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years

Table 15

Year	Population	Personal Income ($000)	Per Capita Buying Income	Median Age	Public School Enrollment	County Unemployment Rate	City Unemployment Rate
2009 / 10	116,308	$ 4,291,695	$ 36,607	34.9	14,446	11.3%	10.4%
2010 / 11	118,169	4,727,907	40,010	34.3	14,731	10.3%	9.4%
2011 / 12	118,813	4,399,786	37,031	33.8	14,686	8.7%	8.0%
2012 / 13	120,284	4,530,093	37,662	34.1	14,705	6.8%	6.2%
2013 / 14	121,229	4,739,710	39,097	35.0	15,169	5.4%	4.9%
2014 / 15	120,973	4,952,711	40,941	34.4	15,169	3.9%	3.6%
2015 / 16	123,752	5,194,006	41,971	34.3	15,388	4.2%	3.7%
2016 / 17	123,983	5,454,137	43,991	34.3	15,409	3.8%	3.4%
2017 / 18	129,604	6,064,143	46,790	34.3	15,509	2.9%	2.7%
2018 / 19	128,717	6,121,909	47,561	33.9	15,387	2.1%	1.9%

Sources: MuniServices, LLC

(1) Population data by the California Department of Finance Projections.

(2) The California Department of Finance demographics estimates now incorporate 2010 Census counts as a benchmark.

(3) Unemployment and Total Employment Data are provided by the EDD's Bureau of Labor Statistics Department.

(4) Student Enrollment reflects the total number of students enrolled in the Santa Clara Unified School District.

CITY OF SANTA CLARA
PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago

Table 16

Company	2019 Number of Employees	2019 Percentage of Total City Employment	2010 Number of Employees	2010 Percentage of Total City Employment
Applied Materials, Inc.	8,500	22.8%	3,746	6.7%
Intel Corporation	7,801	20.9%	5,734	10.3%
Advanced Micro Devices Inc.	3,000	8.0%		
California's Great America	2,500	6.7%		
Avaya Inc.	2,000	5.4%		
Santa Clara University	2,000	5.4%	1,350	2.4%
City of Santa Clara	1,955	5.2%		
Kaiser Foundation Hospitals	1,459	3.9%	5,630	10.1%
Macy's	1,200	3.2%		
Catalyst Semiconductor Inc.	1,100	2.9%		
Sra Oss Inc.	-	0%		
Oracle Corporation (Sun Microsystems)	-	0%	2,700	4.9%
Nvidia Corporation	-	0%	2,657	4.8%
BAE Systmes Land & Armaments	-	0%	1,914	3.4%
National Semiconductor Inc.	-	0%	1,500	2.7%
Agilent Technologies	-	0%	1,384	2.5%
Pacific Maintenance Company	-	0%	1,000	1.8%
Total Top Ten	31,515	84.4%	27,615	49.6%
All Others	5,801	15.6%	27,985	50.4%
Total Employment	37,316	100%	55,600	100%

Sources: Fiscal year 2019: ReferenceUSA database, Infogroup, Inc., Papillion, Nebraska
Sources: Fiscal year 2010: Santa Clara Business License Department

CITY OF SANTA CLARA
FULL-TIME EQUIVALENT BUDGETED CITY EMPLOYEES BY PROGRAM/FUNCTION
Last Ten Fiscal Years

Table 17

	Fiscal Year Ending June 30									
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
City Council	10.00	11.00	10.00	9.00	8.50	8.50	8.50	8.50	8.50	8.50
City Clerk	6.00	7.00	7.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00
City Attorney	7.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	7.00	7.00
City Manager	13.00	14.00	13.00	16.00	9.00	9.00	8.00	8.00	8.00	9.00
Information Technology	7.00	7.00	7.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00
Human Resources	15.00	15.00	15.00	14.50	14.50	14.50	14.50	14.50	14.50	15.00
Finance	61.00	61.00	61.75	60.25	58.25	58.00	58.00	58.00	58.00	62.00
Parks & Recreation	80.75	80.75	79.00	82.75	82.75	82.00	82.00	82.00	82.00	83.00
Library	46.75	45.50	45.50	47.00	46.50	46.50	42.00	42.00	42.75	42.75
Community Development	65.00	64.00	56.00	42.00	44.00	40.00	40.00	40.00	40.00	40.00
Engineering	39.92	40.92	39.25	38.25	38.00	38.00	38.00	38.00	38.00	38.00
Building Maintenance	13.23	13.23	12.90	10.90	11.40	11.50	11.50	11.50	12.50	13.50
Street	58.60	58.60	59.60	65.35	63.10	62.00	63.00	63.00	63.00	64.00
Automotive Services	15.75	15.75	15.75	15.00	15.00	15.00	16.00	18.00	18.00	19.00
Police	239.00	239.00	231.00	222.00	219.00	222.00	222.00	222.00	227.00	227.00
Fire	167.25	167.50	166.50	179.50	179.50	179.50	179.50	179.50	179.50	179.50
Non-Departmental	4.00	-	-	-	-	-	-	-	-	-
Electric Utility	189.00	186.00	179.00	166.00	156.00	142.00	135.00	135.00	144.00	144.00
Water Utility	50.35	50.85	52.70	50.10	47.10	45.40	45.80	45.80	46.15	45.45
Sewer Utility	22.65	22.15	21.30	19.90	17.90	15.60	14.20	14.20	13.85	14.55
TOTAL	1,111.25	1,105.25	1,078.25	1,054.50	1,026.50	1,004.50	992.00	994.00	1,010.75	1,020.25

Source: City of Santa Clara Annual Budget

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

Table 18

	Fiscal Year Ending June 30									
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Culture and Recreation:										
Number of library items circulated	2,509,201	2,612,102	2,700,315	2,479,126	2,491,553	2,260,844	2,525,555	2,527,883	2,466,152	2,782,561
Fire Protection:										
Number of calls answered	9,456	8,849	8,850	8,933	8,403	8,336	8,232	8,135	8,659	8,671
Number of inspections conducted	6,404	8,470	9,696	8,260	8,067	8,784	9,097	9,775	10,234	8,565
Police Protection:										
Number of calls for service (1)	58,912	53,865	50,429	51,853	60,208	59,474	59,158	57,018	62,004	64,797
Electric System:										
Maximum annual demand (MW)	587.8	586.6	568.1	526.4	491.1	482.4	471.1	463.01	471.37	459.8
Total annual energy (Mwh)	3,693,251	3,733,800	3,628,200	3,488,004	3,238,372	3,145,100	3,102,166	3,052,818	2,950,301	2,909,151
Sewer System:										
Number of service connections	25,481	26,236	26,162	25,744	25,656	25,660	25,530	25,300	25,420	25,540
Peak flow (5-day average, WPCP) (MG)	110	110	110	110	121	121	121	121	120	109
Maximum daily capacity of treatment plant (WPCP) (MGD)	167	167	167	167	167	167	167	167	167	167
Peak flow (5-day average, City) (MGD)	16	16	16	16	16	16	16	16	16	16
Water System:										
Number of service accounts	25,293	25,670	25,714	25,716	25,656	25,530	25,530	25,300	25,420	25,540
Daily Average consumption (MG)	16	15	15	15	16.8	18.8	19	19	18.6	18.1
Maximum daily capacity of plant:										
Potable Water (MGD)	80	80	80	96	87	87	87	87	87	87
Recycled Water (MGD)	15	15	30	14	15	15	15	15	15	15

Note: (1) Data Based on Calendar Year
Source: City of Santa Clara

CITY OF SANTA CLARA
CAPITAL ASSETS STATISTICS BY FUNCTION
Last Ten Fiscal Years

Table 19

	Fiscal Year Ending June 30									
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Culture and Recreation:										
Number of community centers	4	4	4	4	4	4	4	4	4	4
Number of parks	39	39	35	34	34	32	32	32	32	32
Park acreage	254	311	330	274	273	273	273	273	273	273
Number of golf courses	1	1	1	1	1	1	1	1	1	1
Number of swimming pools	11	11	11	5	5	5	5	5	5	5
Number of tennis courts	28	28	28	28	28	28	28	28	28	28
Number of lawn bowling greens	1	1	1	1	1	1	1	1	1	1
Number of lighted soccer fields	3	3	3	3	3	3	3	3	3	3
Number of lighted softball fields	7	7	7	7	7	7	7	7	7	7
Number of neighborhood park buildings	8	8	8	8	8	8	8	8	8	8
Number of gymnastic centers	1	1	1	1	1	1	1	1	1	1
Number of skate parks	1	1	1	1	1	1	1	1	1	1
Number of community theaters	1	1	1	1	1	1	1	1	1	1
Number of libraries	3	3	3	3	2	2	2	2	2	2
Cemetery	2	2	2	2	2	2	2	2	2	2
Fire Protection:										
Number of stations	10	10	10	10	10	10	10	10	10	10
Police Protection:										
Number of stations	2	2	2	2	2	2	2	2	2	2
Electric System:										
Number of meters	55,971	55,139	54,942	53,824	53,360	52,775	52,957	52,867	52,327	52,090
Miles of high voltage lines	613	612	608	605	591	590	586	582	579	573
Number of substations	28	27	27	27	27	26	26	26	26	24
Sewerage System:										
Miles of sanitary sewers	288	288	288	288	288	288	288	286	285	285
Miles of storm sewers	195	195	195	195	195	-	141	141	140	140
Number of treatment plants	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary
Water System:										
Miles of water mains	335	335	335	310	335	335	335	335	335	335
Number of fire hydrants	3,404	3,382	3,501	3,383	3,315	3,315	3,315	3,315	3,315	3,315
Miles of recycled watermains	33	33	33	33	33	33	33	33	23	21
Streets:										
Miles of Streets	252	252	252	252	252	249	249	249	249	249
Number of Street Lights	8,187	8,118	8,112	8,103	8,097	8,054	8,077	8,046	7,993	7,990
Number of Traffic Signals	207	207	207	206	200	196	191	188	188	188

Source: City of Santa Clara

CITY OF SANTA CLARA
STATEMENT OF INSURANCE COVERAGE
June 30, 2019

Table 20

TYPE OF POLICY	INSURANCE COMPANY	LIMITS (1)	ANNUAL PREMIUM	TERM YEARS	EXPIRATION DATE (2)
Liability					
Comprehensive General	Self-insured (Since 1987)	$3 million	n/a	-	Ongoing
Excess Liability	CSAC Excess Ins. Authority and various other carriers	$60 million	$516,679	1	7/1/2019
Workers' Compensation	Self-insured (since 1973)	$500 thousand	n/a	-	Ongoing
Excess Workers' Compensation	CSAC Excess Ins. Authority	$5 million	$1,029,442	1	7/1/2019
Property Coverage					
All Risks, including flood, excluding earthquake	Alliant Property Insurance Program (APIP) Various excess carriers	$1 billion	$495,574	1	7/1/2019
Boiler and Machinery	Alliant Property Insurance Program (APIP) Various excess carriers	$100 million	$8,501	1	7/1/2019
Financial Loss Bonds					
Crime Coverage Bond	CSAC Excess Insurance Authority	$15 million	$9,057	1	6/30/2019

Notes:
(1) Limits are per occurrence
(2) All policies have been renewed

Source: City of Santa Clara

SUCCESSOR AGENCY CITY OF SANTA CLARA
STATISTICAL SECTION

This part of the City of Santa Clara's Comprehensive Annual Report provides detailed information to better understand the data presented within the financial statements, note disclosures, and required supplementary information.

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SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA
BAYSHORE NORTH PROJECT AREA
HISTORICAL TAX INCREMENT
Last Ten Fiscal Years
(In Thousands)

Table 1

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Real Property Value	$ 6,024,538	$ 6,136,642	$ 5,769,029	$ 4,474,185	$ 2,504,578	$ 2,428,787	$ 2,443,683	$ 2,337,717	$ 2,302,910	2,627,293
Other Property Value	22,913	25,857	27,877	796,082	551,425	450,943	468,788	492,292	423,299	388,607
Total Project Value	6,047,451	6,162,499	5,796,906	5,270,267	3,056,003	2,879,730	2,912,471	2,830,009	2,726,209	3,015,900
Less Base Value	(8,838)	(8,838)	(8,838)	49,632	49,322	(8,829)	(8,838)	(8,838)	(8,838)	(8,838)
Increment Over Base Value	6,038,613	6,153,661	5,788,068	5,319,899	3,105,325	2,870,901	2,903,633	2,821,171	2,717,371	3,007,062
Redevelopment Property Tax Trust Fund (RPTTF) [1]	-	-	-	5,697	9,365	26,759	13,366	-	-	-
Tax Increment Revenue	-	-	-	-	-	-	-	15,035	28,629	31,656
Supplemental Tax Revenue	-	-	-	-	-	-	-	-	(37)	94
Total Tax Revenue	-	-	-	5,697	9,365	26,759	13,366	15,035	28,592	31,750
Less:										
AB 1484 True-Up Payment [2]	-	-	-	-	-		(378)	-	-	-
Pass Through Payments	-	-	-	-	-	-	-	(1,085)	-	-
SERAF Payment	-	-	-	-	-	-	-	-	(1,975)	(9,592)
Housing Set-Aside	-	-	-	-	-	-	-	(3,007)	(8,578)	(9,525)
County Administrative Charge	-	-	-	-	-	-	-	-	(312)	(321)
Net Tax Revenue	$ -	$ -	$ -	$ 5,697	$ 9,365	$ 26,759	$ 12,988	$ 10,943	$ 17,727	$ 12,312

Notes:

(1) With the State dissolving all RDAs on 02/01/2012, the structure of Tax Increment Revenue has changed. Starting in fiscal year 2012-13, the County's property tax distribution to the Successor Agency was changed to the Redevelopment Property Tax Trust Fund (RPTTF). The RPTTF reported in this table is the amount calculated by the County Auditor-Controller. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations.

(2) On June 28, 2012, AB 1484 became law which made a number of significant changes to ABX1 26. In particular, the new Health and Safety Code Section 34183.5 required the Santa Clara County Auditor-Controller to conduct a "true-up" of the June 1, 2012 distribution from the RPTTF for each former RDA. In accordance with the new law, the Successor Agency was required to make a "true-up" payment of $378,540.37 by July 12, 2012.

Source: City of Santa Clara / Santa Clara County Auditor

SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA
BAYSHORE NORTH PROJECT AREA
TEN LARGEST ASSESSEES - TAXABLE VALUE
June 30, 2019

Table 2

	ASSESSEE	ASSESSED PROPERTY USE	ASSESSED PROPERTY VALUATION	PERCENT OF TOTAL
1	Forty Niners SC Stadium Company LLC	Commercial Office Building	$ 1,392,817,568	23.03%
2	SI LLC	Commercial Office Building	513,226,734	8.49%
3	The Irvine Company	Commercial Office Building	219,873,155	3.64%
4	Leeco Real Estate Group LLC	Commercial Office Building	219,005,032	3.62%
5	PC Santa Clara Gateway 2 LLC	Commercial Office Building	204,470,065	3.38%
6	PR 3975 Freedom Circle	Commercial Office Building	160,424,499	2.65%
7	RAR2 - Stadium Techcter 123 LLC	Commercial Office Building	155,799,248	2.58%
8	PR II TWRS of GRT America Owner	Commercial Office Building	150,202,791	2.48%
9	Freedom Circle LLC	Commercial Office Building	139,739,567	2.31%
10	PR3976 Freedom Circle LLC	Commercial Office Building	136,375,231	2.26%
		TOTAL	$ 3,291,933,890	54.44%
		TOTAL AGENCY ASSESSED VALUE	$ 6,038,612,937	

Source: HDL Coren & Cone

SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA
BAYSHORE NORTH PROJECT AREA
ASSESSMENT APPEAL ACTIVITY OF TOP 20 ASSESSEES
2018-19 Impacts

Table 3

TAX ROLL NUMBER	ASSESSEE	ASSESSED VALUATION/ORIGINAL	S/U (1)	APPEAL NUMBER	HEARING DATE DEADLINE	STATUS	APPLICANT'S OPINION VALUATION	LAND USE
984-92-103	FORTY NINERS	$ 554,267,314		17.0232			$ 140,000,000	Commerical
984-92-104	FORTY NINERS	554,267,314		17.0233			$ 140,000,000	Commerical
984-92-104	FORTY NINERS	548,980,708		16.0256			$ 100,000,000	Commerical
984-92-103	FORTY NINERS	548,980,708		16.0257			$ 100,000,000	Commerical
984-92-103	FORTY NINERS	253,784,158		18.1918			$ 250,000,000	Commerical
18-042919	FORTY NINERS	107,998,183		SU-171871			70,000,000	N/A
16-081995	TELLABS OPER	96,468,721		16.G209			30,000,001	N/A
18-024043	ARISTA NETWO	90,246,611		18.1149			67,684,958	N/A
104-04-077	DIGITAL-PR O	64,403,447		18.0931			32,201,724	Commerical
104-04-077	DIGITAL-PR O	63,140,635		17.054			31,570,318	Commerical
104-04-077	DIGITAL-PR O	61,902,584		16.0395			30,951,292	Commerical
104-04-077	DIGITAL-PR O	60,688,809		15.2483			30,344,405	Commerical
104-04-077	DIGITAL-PR O	59,778,380		15.2459			29,889,190	Commerical
104-04-077	DIGITAL-PR O	59,500,000		15.2482			29,750,000	Commerical
17.1041	CEDAR FAIR S	59,280,246		17-018611			52,107,679	N/A
18.0594	CEDAR FAIR S	58,493,748		18-018278			45,139,625	N/A
18-018278	CEDAR FAIR S	58,493,748		18-018278			45,139,625	N/A
18-028549	QUALITY TECH	48,009,851		18-028549			4,800,985	N/A
10-037856	SAVVIS COMMU	45,935,890		10-037856			40,000,000	N/A
14-032002	SAVVIS COMMU	44,195,581		14-032002			22,000,000	N/A
		$ 3,438,816,636					$ 1,291,579,802	

Note:

(1) S=secured roll, U=unsecured roll

Source: Santa Clara County Assessor's Office

SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA
BAYSHORE NORTH PROJECT AREA
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
June 30, 2019

Table 4

2018-19 Assessed Valuation:	$ 6,047,450,893
Base Year Valuation:	(8,837,956)
Incremental Valuation:	$ 6,038,612,937

	Total Debt 6/30/2019	% Applicable	Project Area's Share of Debt 6/30/19
DIRECT DEBT:			
2003 Tax Allocation Bonds		100%	
2011 Tax Allocation Bonds		100%	-
TOTAL DIRECT DEBT			$ -
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Santa Clara Unified School District	$ 1,067,830,000	9.388%	100,247,880
West Valley-Mission Community College District	635,310,000	4.295%	27,286,565
Santa Clara County	947,220,000	1.252%	11,859,194
Santa Clara Valley Water District Benefit Assessment District	73,570,000	1.252%	921,096
El Camino Hospital District	124,490,000	0.009%	11,204
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			$ 140,325,939
OVERLAPPING GENERAL FUND DEBT:			
Santa Clara County General Fund Obligations	$ 710,539,120	1.252%	$ 8,895,950
Santa Clara County Pension Obligations	352,378,882	1.252%	$ 4,411,784
Santa Clara County Board of Education Certificates of Participation	4,255,000	1.252%	$ 53,273
West Valley-Mission Community College District Certificates of Participation	62,200,000	4.295%	$ 2,671,490
Santa Clara Unified School District Certificates of Participation	13,665,000	9.388%	$ 1,282,870
City of Santa Clara General Fund Obligations	16,859,000	13.755%	$ 2,318,955
Santa Clara County Vector Control District Certificates of Participation	2,245,000	1.252%	$ 28,107
TOTAL OVERLAPPING GENERAL FUND DEBT			$ 19,662,429
Less: Santa Clara County supported obligations			$ (4,029,793)
COMBINED TOTAL DIRECT AND OVERLAPPING DEBT			$ 159,988,368
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT			$ 155,958,575

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the project area
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations

Ratios to 2018-19 Assessed Valuation:

Combined Total Direct and Overlapping Debt	2.65%
Net Combined Total Direct and Overlapping Debt	2.58%

CITY OF SANTA CLARA
ELECTRIC UTILITY ENTERPRISE FUND
(SILICON VALLEY POWER)
FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
CITY OF SANTA CLARA, CALIFORNIA
1500 WARBURTON AVENUE
SANTA CLARA, CA 95050-3796

PREPARED BY DEPARTMENT OF FINANCE

CITY OF SANTA CLARA ELECTRIC UTILITY ENTERPRISE FUND
(SILICON VALLEY POWER)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Santa Clara Electrical Utility Enterprise Fund (Silicon Valley Power) of the City of Santa Clara, California, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Northern California Power Agency (NCPA) and Transmission Agency of Northern California (TANC) as of and for the years ended June 30, 2017 and 2018, related to the calculation of the Investments in Joint Ventures. At June 30, 2018, the Investment in these Joint Ventures collectively represents 4.6%, 6.7% and 1.6%, respectively, of total assets, net position and revenues of Silicon Valley Power, and at June 30, 2017, the Investment in these Joint Ventures collectively represented 4.0%, 5.8% and 0.9%, respectively, of total assets, net position and revenues of Silicon Valley Power. The financial statements of the NCPA and TANC were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the calculation of the Investments in Joint Ventures, is based solely on the reports of the other auditors.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Silicon Valley Power as of June 30, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only Silicon Valley Power and do not purport to, and do not present fairly the financial position of the City as of June 30, 2018 and 2017, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which became effective during the year ended June 30, 2018 and required the restatement of beginning net position as discussed in Notes 2R and 8 to the financial statements.

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018, on our consideration of the City of Santa Clara's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Santa Clara's internal control over financial reporting and compliance.

Pleasant Hill, California
December 3, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Silicon Valley Power (SVP) financial statements presents a narrative overview and analysis of the financial activities for the fiscal year. Please read this document in conjunction with the accompanying Basic Financial Statements.

SVP is a separate enterprise fund of the City of Santa Clara (the City), and was established to account for the electric power transactions of the City. SVP owns power generation facilities, has investments in joint ventures that produce electric power, and trades power on the open market. These efforts are directed toward ensuring its retail customers—the citizens, organizations and businesses of the City—have a reliable source of electric power at reasonable rates.

SVP has been affected by the deregulation of the electric power industry in California, as discussed in detail in Note 9 to its financial statements.

OVERVIEW OF SVP'S BASIC FINANCIAL STATEMENTS

The Basic Financial statements are in two parts:

1. Management's Discussion and Analysis (this part),
2. The Basic Financial Statements, along with the Notes to these Financial Statements.

The Basic Financial Statements provide both a short-term and a long-term view of SVP's financial activities and financial position.

The Financial Statements are comprised of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows. The Statements of Net Position provide information about the financial position of SVP as a whole, including all its long-term liabilities on the full accrual basis. The Statements of Revenues, Expenses and Changes in Net Position provide information about all SVP's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of the program. The Statements of Cash Flows provide information about cash activities for the year.

During the fiscal year 2017-18, SVP implemented Governmental Accounting Standard Board Statement (GASB) No. 75 for Other Post Employment Benefits (OPEB) accounting and financial reporting. As a result, SVP recorded a net OPEB liability of $16.7 million. Additional information can be found in Note 8 to the financial statements.

FISCAL YEAR 2018-19 FINANCIAL HIGHLIGHTS

The following is summarized financial information from the Statements of Net Position (Table1) and the Statements of Revenues, Expenses and Changes in Net Position (Table 2).

Table 1
Net Position
June 30, 2019 and 2018
(in millions)

			Increase (Decrease)		
Description	**2019**	**2018**	**Amount**	**%**	**2017 (1)**
Pooled cash and investments	$ 354.2	$ 314.3	$ 39.9	12.7%	$ 280.5
Other assets	149.8	139.8	10.0	7.2%	138.2
Capital assets	576.5	575.2	1.3	0.2%	572.1
Total Assets	1,080.5	1,029.3	51.2	5.0%	990.8
Deferred outflows on derivative instruments	-	4.3	(4.3)	-100.0%	6.8
Deferred outflows on refunding	4.5	5.1	(0.6)	-11.8%	5.6
Deferred outflows on pension related items	15.3	19.5	(4.2)	-21.5%	15.1
Total Deferred Outflows of Resources	19.8	28.9	(9.1)	-31.5%	27.5
Long-term liabilities outstanding (including current portion)	189.5	205.8	(16.3)	-7.9%	220.0
Net OPEB liability	13.3	16.3	(3.0)	-18.4%	-
Net pension liabilities	94.2	92.7	1.5	1.6%	84.6
Other liabilities	28.7	36.6	(7.9)	-21.6%	29.9
Total Liabilities	325.7	351.4	(25.7)	-7.3%	334.5
Deferred inflows on derivative instruments	-	-	-	N/A	-
Deferred inflows on refunding	0.4	0.4	-	0.0%	0.5
Deferred inflows on pension related items	1.5	0.8	0.7	87.5%	1.5
Deferred inflows on OPEB related items	2.2	-	2.2	N/A	-
Total Deferred Inflows of Resources	4.1	1.2	2.9	241.7%	2.0
Net Position:					
Net investment in capital assets	412.3	401.6	10.7	2.7%	386.2
Restricted for pension benefits	4.3	3.5	0.8	22.9%	-
Unrestricted	353.9	300.5	53.4	17.8%	295.6
Total Net Position	$ 770.5	$ 705.6	$ 64.9	9.2%	$ 681.8

Table 2
Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2019 and 2018
(in millions)

Description	2019	2018	Increase (Decrease) Amount	Increase (Decrease) %	2017 [1]
Revenues:					
Retail	$ 406.9	$ 403.7	$ 3.2	0.8%	$ 390.4
Wholesale	27.7	35.0	(7.3)	-20.9%	36.2
Interest Revenue	6.0	4.2	1.8	42.9%	3.1
Net increase (decrease) in fair value of investments	7.4	(2.6)	10.0	384.6%	(2.7)
Rents and royalties	3.7	4.2	(0.5)	-11.9%	3.3
Renewable energy credits	4.4	3.5	0.9	25.7%	6.2
Other	27.6	29.0	(1.4)	-4.8%	28.6
Total Revenues	483.7	477.0	6.7	1.4%	465.1
Expenses:					
Retail	368.1	387.3	(19.2)	-5.0%	351.3
Wholesale	22.5	35.4	(12.9)	-36.4%	35.2
Interest on long term debt	11.7	8.1	3.6	44.4%	8.7
Other	17.5	5.8	11.7	201.7%	6.8
Total Expenses	419.8	436.6	(16.8)	-3.8%	402.0
Increase (decrease) in net position before transfers	63.9	40.4	23.5	58.2%	63.1
Transfers in (out)	1.0	0.1	0.9	900.0%	(0.6)
Increase (decrease) in net position	64.9	40.5	24.4	60.2%	62.5
Net Position - July 1 as adjusted [2]	705.6	665.1	40.5	6.1%	619.3
Net Position - June 30	$ 770.5	$ 705.6	$ 64.9	9.2%	$ 681.8

[1] Not restated for the effects of GASB Statement No. 75.

[2] Amount for July 1, 2017 was adjusted due to the implementation of GASB Statement No. 75.

SVP retail operating revenues were $406.9 million in fiscal year 2018-19, $403.7 million in fiscal year 2017-18, and $390.4 million in fiscal year 2016-17, reflecting increases of approximately 0.8% and 3.4% from fiscal years 2017-18 and 2016-17, respectively. The main reason for the increase in fiscal year 2018-19 was due to a 2% rate increase effective January 1, 2019.

Retail operating expenses were $368.1 million in fiscal year 2018-19, $387.3 million in fiscal year 2017-18, and $351.3 million in fiscal year 2016-17, reflecting a decrease of $19.2 million or 5% from fiscal years 2017-18 and an increase of $36.0 million or 10.2% from fiscal years 2016-17, respectively. The retail operating expenses for fiscal year 2018-19 were lower primarily due to decrease in purchased power of $24.5 million and increases in operation costs of $5 million.

Revenues from wholesale resources (include gas and power) sales were $27.7 million in fiscal year 2018-19, $35.0 million in fiscal year 2017-18, and $36.2 million in fiscal year 2016-17. Concurrently, the cost of wholesale resources purchases was $22.5 million in fiscal year 2018-19, $35.4 million in fiscal year 2017-18, and $35.2 million in fiscal year 2016-17. The decrease of wholesale power purchases and sales in fiscal year 2018-19 was due to less contracted purchases from specified power purchase agreements sold in the wholesale market.

Interest income was $6.0 million in fiscal year 2018-19, $4.2 million in fiscal year 2017-18, and $3.1 million in fiscal year 2016-17. The increase in the current fiscal year was primarily the result of higher fair market value of investments as of June 30, 2019. Interest expense was $11.7 million in fiscal year 2018-19, $8.1 million in fiscal year 2017-18, and $8.7 million in fiscal year 2016-17. The increase of interest expenses in fiscal year 2018-19 was due to refunding of 2008 series B Bond and terminating a related swap agreement. Further detail maybe found in Note 5 to the financial statements.

SVP had a net position of $770.5 million at June 30, 2019, an increase of $64.9 million, as adjusted, from the prior fiscal year. Of this amount, $10.7 million was an increase in net investment in capital assets, $0.8 million was an increase of restricted for pension benefits, and $53.4 million was an increase of unrestricted net position. The adjusted net position at July 1, 2017 of $665.1 million reflected a decrease of $16.7 million as a result of the implementation of GASB 75.

CAPITAL ASSETS

At the end of fiscal year 2018-19, SVP had $576.5 million, net of depreciation, invested in capital assets, with a significant amount in power generation facilities and the remainder in transmission and distribution assets. At June 30, 2019, SVP had various projects completed or under construction. In fiscal year 2018-19, the Capital Improvement Projects Budget included appropriations for significant investments in substation improvements in the coming years.

Further detail may be found in Note 4 to the financial statements.

DEBT ADMINISTRATION

Each of SVP's debt issues is discussed in detail in Note 5 to the financial statements. At June 30, 2019, SVP's debt is comprised of three issues of Revenue Bonds and one loan agreement with carrying balances of $185.3 million at that date. These Bonds are secured by electric revenues earned by SVP and mature in fiscal years through 2033.

In fiscal year 2018-19, SVP issued Electric Revenue Refunding Bonds, Series 2018A to refinance Variable Rate Demand Electric Revenue Refunding Bonds, Series 2008B. Further detail may be found in Note 5 to the financial statements.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The economy of the City and its major initiatives for the coming year are discussed in detail in the Letter of Transmittal Section of the City's Comprehensive Annual Financial Report for the year ended June 30, 2019.

CONTACTING SVP'S FINANCIAL MANAGEMENT

These Basic Financial Statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the SVP's finances. Questions about these Statements should be directed to the City Finance Department, at 1500 Warburton Avenue, Santa Clara, CA 95050-3796.

CITY OF SANTA CLARA ELECTRIC UTILITY ENTERPRISE FUND
(SILICON VALLEY POWER)
STATEMENTS OF NET POSITION
June 30, 2019
with Comparative Totals as of June 30, 2018

ASSETS	**2019**	**2018**
Current Assets:		
Pooled cash and investments (Note 3)	$ 354,201,689	$ 314,266,316
Investments with fiscal agent (Note 3)	5,254,585	9,741,699
Receivables (net of allowances)		
Accounts	68,948,537	50,356,049
Interest	1,450,793	1,118,473
Due from the City of Santa Clara (Note 2E)	1,459,309	1,168,221
Inventory of materials and supplies (Note 2F)	11,686,632	11,296,108
Derivative Instrument (Note 5G)	-	21,505
Total Current Assets	443,001,545	387,968,371
Noncurrent Assets:		
Capital assets (Note 4)		
Land	14,371,743	14,371,743
Construction in progress	85,508,434	72,993,391
Buildings, improvements and infrastructure	922,025,097	913,208,421
Equipment	9,896,202	9,619,849
Accumulated depreciation	(455,329,010)	(435,007,942)
Total Capital Assets (Net of Accumulated Depreciation)	576,472,466	575,185,462
Other Noncurrent Assets:		
Restricted cash (Note 3)	4,329,866	3,512,023
Investments in joint ventures (Note 6)	37,332,312	47,491,705
Investments with fiscal agent (Note 3)	15,873,428	14,208,708
Deposits (Note 3)	1,405,371	919,873
Total Other Noncurrent Assets	58,940,977	66,132,309
Total Noncurrent Assets	635,413,443	641,317,771
Total Assets	1,078,414,988	1,029,286,142
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging instruments (Note 5G)	-	4,307,888
Deferred outflow on refunding of debt	4,563,668	5,098,929
Deferred outflows on pension related items (Note 7)	15,289,344	19,385,816
Deferred outflows on OPEB (Note 8)	-	100,014
Total Deferred Outflows of Resources	19,853,012	28,892,647

See accompanying notes to financial statements

CITY OF SANTA CLARA ELECTRIC UTILITY ENTERPRISE FUND
(SILICON VALLEY POWER)
STATEMENTS OF NET POSITION
June 30, 2019
with Comparative Totals as of June 30, 2018

LIABILITIES	**2019**	**2018**
Current Liabilities:		
Accrued liabilities	22,117,491	33,147,297
Interest payable	4,066,839	2,986,457
Accrued compensated absences	370,517	389,735
Unearned Revenue	-	-
Current portion of long-term debt (Note 5)	11,700,000	11,897,000
Current portion derivative financial instruments (Note 5G)	-	109,674
Total Current Liabilities	38,254,847	48,530,163
Noncurrent Liabilities:		
Long-term derivative financial instruments (Note 5G)	-	4,198,214
Long-term portion accrued compensated absences	4,216,912	4,072,391
Net pension liability (Note 7)	94,238,259	92,735,319
Net OPEB liability (Note 8)	13,339,656	16,285,879
Long-term debt (Note 5)	173,608,705	185,630,418
Total Noncurrent Liabilities	285,403,532	302,922,221
Total Liabilities	323,658,379	351,452,384
DEFERRED INFLOWS OF RESOURCES		
Accumulated increase in fair value of hedging instruments (Note 5G)	-	21,505
Deferred inflow on refunding of debt	363,420	403,800
Deferred inflows pension related items (Note 7)	1,488,846	753,184
Deferred inflows OPEB related items (Note 8)	2,219,545	-
Total Deferred Inflows of Resources	4,071,811	1,178,489
NET POSITION		
Net investment in capital assets	412,291,774	401,608,451
Restricted for Pension Rate Stabilization Program	4,329,866	3,512,023
Unrestricted net position	353,916,170	300,427,442
Total Net Position	$ 770,537,810	$ 705,547,916

See accompanying notes to financial statements

CITY OF SANTA CLARA ELECTRIC UTILITY ENTERPRISE FUND
(SILICON VALLEY POWER)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2019
with Comparative Totals as of June 30, 2018

	2019	2018
Operating Revenues:		
Residential sales	$ 29,733,896	$ 29,082,470
Commercial sales	15,377,858	15,774,292
Industrial sales	359,407,268	355,279,069
Other operating revenues	2,427,883	3,562,434
Total Operating Revenues	406,946,905	403,698,265
Operating Expenses:		
Operations	85,448,663	80,358,210
Maintenance	15,634,935	15,602,917
Purchased power	246,696,951	271,189,553
Depreciation	20,365,184	20,142,727
Total Operating Expenses	368,145,733	387,293,407
Operating Income	38,801,172	16,404,858
Nonoperating Revenues (Expenses):		
Interest revenue	5,984,471	4,218,654
Net changes in the fair value of investments	7,394,823	(2,634,914)
Interest expense	(7,984,988)	(8,103,432)
Swap termination expense	(3,738,000)	-
Renewable energy credits	4,367,168	3,499,127
Wholesale resources sales (Note 9)	27,708,493	34,993,878
Wholesale resources purchases (Note 9)	(22,519,497)	(35,412,937)
Equity in income (losses) of joint ventures	(10,159,393)	7,827,938
Rents and royalties	3,748,300	4,174,371
Mandated program receipts and other revenues	27,651,893	21,241,538
Gain (loss) on retirement of assets	-	-
Mandated program disbursements and other expenses	(7,257,993)	(5,809,096)
Total Nonoperating Revenues, net	25,195,277	23,995,127
Income Before Transfers	63,996,449	40,399,985
Transfers from the City of Santa Clara	1,156,129	1,108,000
Transfers to the City of Santa Clara	(162,684)	(993,298)
Net Income	64,989,894	40,514,687
Net Position, Beginning of Year	705,547,916	665,033,229
Net Position, End of Year	$ 770,537,810	$ 705,547,916

See accompanying notes to financial statements

CITY OF SANTA CLARA ELECTRIC UTILITY ENTERPRISE FUND
(SILICON VALLEY POWER)
STATEMENTS OF CASH FLOWS
For the year ended June 30, 2019
with Comparative Totals as of June 30, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 385,938,582	$ 414,938,939
Payments to suppliers	(317,626,623)	(321,962,395)
Payments to employees for salaries and benefits	(37,276,593)	(35,765,427)
Rents and royalties received	4,020,570	3,108,072
Other receipts	22,079,661	9,533,804
Net Cash from Operating Activities	57,135,597	69,852,993
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Wholesale resources sales	27,708,493	34,993,878
Wholesale resources purchases	(22,519,497)	(35,412,937)
Renewable energy credits	4,367,168	3,499,127
Increase (decrease) in due from other funds	(291,088)	237,244
Wholesale trading escrow	(697,415)	163,708
Changes in Restricted Cash	817,843	3,512,023
Transfers in	1,156,129	1,108,000
Transfers out	(162,684)	(993,298)
Cash Flows from Noncapital Financing Activities	10,378,949	7,107,745
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets, net	(20,463,345)	(22,555,110)
Proceeds from debt issuance	48,800,000	-
Premium on issuance of debt	6,402,481	-
Debt Retirement	(54,580,000)	-
Principal payments on debt	(11,897,000)	(11,416,000)
Termination payment on swap	(3,738,000)	-
Cost of Issuance	(324,637)	-
Interest paid on debt	(7,042,114)	(8,280,199)
Cash Flows from Capital and Related Financing Activities	(42,842,615)	(42,251,309)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	5,864,067	5,531,387
Net decrease in the fair value of investments	7,394,823	(2,634,914)
Payments made by fiscal agent	14,333,367	13,976,358
Deposits made with fiscal agent	(11,510,972)	(14,334,857)
Cash Flows from Investing Activities	16,081,285	2,537,974
Net Increase (Decrease) in Cash and Cash Equivalents	40,753,216	37,247,403
Cash and cash equivalent at Beginning of Period	317,778,339	280,530,936
Cash and cash equivalent at End of Period	$ 358,531,555	$ 317,778,339

See accompanying notes to financial statements

CITY OF SANTA CLARA ELECTRIC UTILITY ENTERPRISE FUND
(SILICON VALLEY POWER)
STATEMENTS OF CASH FLOWS
For the year ended June 30, 2019
with Comparative Totals as of June 30, 2018

	2019	2018
Reconciliation of Operating Gain(Loss) to Net Cash Provided (Used) by Operating activities:		
Operating income	$ 38,801,172	$ 16,404,858
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Decrease) Increase in due to OPEB system	(626,664)	(523,850.00)
(Decrease) Increase in due to retirement system	6,335,074	3,035,648
Depreciation	20,365,184	20,142,727
Change in assets and liabilities:		
Receivable, net	(18,592,488)	9,815,450
Inventory	(390,524)	(1,503,044)
Accrued liabilities	(12,205,817)	6,798,291
Restricted cash	(817,843)	(3,512,023)
Compensated absences	125,303	355,849
Unearned revenues	-	(767,726)
Other receipts	31,400,193	25,415,909
Other expenses	(7,257,993)	(5,809,096)
Net Cash Provided by Operating Activities	$ 57,135,597	$ 69,852,993
NONCASH TRANSACTIONS:		
Joint Ventures		
Nonoperating Income (Expense)	$ (10,159,393)	$ 7,827,938

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See accompanying notes to financial statements

For the years ended June 30, 2019 and 2018

NOTE 1 – DEFINITION OF THE REPORTING ENTITY

The City of Santa Clara (the City), California's Electric Utility Enterprise Fund, which began operating as Silicon Valley Power (SVP) in 1999, commenced operations over 100 years ago in 1896. Originally, SVP constructed a lighting plant consisting of forty-six 2000 candlepower direct current lamps and a dynamo (a type of electric generator) which entered into service in October 1896. In late 1903, SVP invested $5,000 to convert the system to alternating current and abandoned the small generating plant. Wholesale power was purchased from United Gas and Electric Company of San Jose.

Between 1903 and 1965, SVP purchased all of its electric power requirements from investor-owned utilities. In 1965, it received an allocation of power from the Federal Central Valley Project and began to diversify its resources. SVP became a charter member of the Northern California Power Agency (NCPA) in June 1968. Throughout the 1970's, SVP and NCPA worked on behalf of all municipal electric utilities in Northern California to gain access to wholesale transmission markets and to jointly develop cost-effective electric generation resources.

In 1980, SVP became a generating utility for the first time in 73 years with the start of operations of the 6-Megawatt Cogen No. 1 power plant. In 1983, the 110 Megawatt NCPA Geothermal Project, the first municipally owned and operated geothermal power plant in the United States, entered service with SVP as lead partner holding a 55% participation share. Subsequently, SVP participated in further jointly owned power generation projects including hydroelectric, natural gas and coal fired generation. In 2005, SVP placed the 147 Megawatt Don Von Raesfeld Power Plant into service.

Today, SVP has grown to approximately 8,187 streetlights and serves approximately 56,398 electric customers. As SVP looks to the future, it continues to be responsive to the electric market development by increasing its renewable power resources, reducing its greenhouse gas (GHG) footprint, and working with its customers to enhance the value they receive from municipal ownership of their electric utility.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

SVP's Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America. The electric enterprise fund is included in the City's Comprehensive Annual Financial Report, and therefore, these financial statements do not purport to represent the financial position and changes in financial position of the City.

NOTE 2 – SUMMATY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting

SVP reports its activities as a proprietary fund type (Enterprise Fund) which is maintained on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned regardless of whether they are received, and expenses are recognized in the period in which the related liabilities are incurred. Certain indirect costs are included in program expenses reported for individual functions and activities.

During the year ended June 30, 2019, SVP implemented the following GASB Statements:

The GASB issued Statement No. 83 *"Certain Asset Retirement Obligations."* The objective of this statement is to address accounting and financial reporting for certain asset retirement obligations. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. This statement becomes effective for periods beginning after June 15, 2018. SVP does not have any asset retirement obligations to disclose.

The GASB issued Statement No. 88 *"Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placement."* The objective of this statement is to improve guidelines related to debt disclosure. This statement becomes effective for periods beginning after June 15, 2018. Please refer to Note 5 for detail concerning the reporting of debt.

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

The GASB issued Statement No. 84 *"Fiduciary Activities."* The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement becomes effective for periods beginning after December 15, 2018. SVP is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 87 *"Leases."* The objective of this statement is to improve guidelines related to the recognition of lease assets and liabilities that previously were classified as operating leases. This statement becomes effective for periods beginning after December 15, 2019. SVP is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 89 *"Accounting for Interest Cost Incurred Before the end of a Construction Period."* The objective of this statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing and to simplify account for interest cost. This statement becomes effective for periods beginning after December 15, 2019. SVP is currently evaluating the impact on the financial statements.

NOTE 2 – SUMMATY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The GASB issued Statement No. 90 *"Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61."* The objective of this statement is to clarify the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. This statement becomes effective for periods beginning after December 15, 2018. The SVP is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 91 *"Conduit Debt Obligation."* The objective of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practices. This statement becomes effective for periods beginning after December 15, 2020. SVP is currently evaluating the impact on the financial statements.

C. Measurement Focus

Enterprise funds are accounted for on a cost of services or economic resources measurement focus, which means that all liabilities associated with the activity are included on their Statement of Net Position. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into three categories – net investment in capital assets, restricted, and unrestricted.

D. Cash and Investments

SVP's cash and investments pool is maintained by the City except for fiscal agent 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 3).

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.

NOTE 2 – SUMMATY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Due from City of Santa Clara

During the course of operations, transactions occur between SVP and the City for goods provided or services rendered. The related receivables, net, are classified as "Due from the City of Santa Clara" on the accompanying statement of net position.

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 the electric utility.

G. Capital Assets

All capital assets with a value of $5,000 and buildings, improvements and infrastructure with costs exceeding $20,000 or more with useful lives exceeding two years are capitalized. These 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 acquisition value on the date contributed. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets (buildings and improvements: 20 to 50 years; and equipment: 3 to 25 years) and is charged as an expense against operations. Accumulated depreciation is reported on the statement of net position.

The cost 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 under lease/purchase agreements are capitalized and accounted for in accordance with Accounting Standards Codification (ASC) Topic 840. Interest is capitalized on construction in progress in accordance with ASC Topic 835, Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings, and Certain Gifts and Grants. Accordingly, interest capitalized is the total interest cost for the date of the borrowings net of any interest earned on temporary investments of the borrowed proceeds until the specified asset is ready for its intended use. There was no interest capitalized for the fiscal year ended June 30, 2019.

H. Joint Ventures

SVP participates in several joint ventures in accordance with GAAP. If SVP's equity in net losses of a joint venture exceeds its investments, use of the equity method is suspended except to the extent that SVP is obligated to provide further support or has guaranteed obligations of the joint venture.

NOTE 2 – SUMMATY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SVP 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.

I. 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 SVP financial statements as an expense and liability.

In accordance with GAAP, 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 estimate its accrued sick leave liability based on the sick leave accumulated at the statement of net position 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. Estimated sick leave payments are recorded as an expense and liability by SVP.

J. Risk Management

SVP is covered under the City's self-insurance programs via Internal Service Funds. There were no significant reductions in insurance coverage from the prior year by major categories of risk and the amount of settlements did not exceed insurance coverage for the past three fiscal years. Additional information with respect to the City's self-insurance programs can be found in the City's Comprehensive Annual Financial Report (CAFR).

K. Electric Power Purchased

SVP purchases power from various suppliers and agencies (including joint powers agencies) for resale to its customers (see Note 10). SVP also engages in numerous wholesale power transactions with the objective of reducing its overall cost of purchased power. Gross wholesale power sales and wholesale power purchases are recorded as nonoperating revenue and expense, respectively (see Note 9).

L. Bond Discounts/Issuance Costs

Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recognized in the current period.

NOTE 2 – SUMMATY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Revenue Recognition

Operating revenues are recognized based on cycle billings periodically rendered to customers. Operating revenues for services provided, but not billed at the end of the fiscal year, are recognized and accrued based on estimated consumption. Operating revenues primarily include the sales of electric power to residential, commercial, industrial, and municipal customers.

Non-operating revenues primarily represent wholesale resources sales, interest income, public benefit charge revenues, grants, rents, and other non-recurring miscellaneous income.

N. Taxes on Income

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

O. Deferred Outflows/Inflows of Resources

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

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

P. Net Position and Fund Equity

SVP may fund certain programs with a combination of restricted and unrestricted net position. The policy is to first apply restricted net position followed by unrestricted net position if necessary.

Q. Use of Estimates

The preparation of financial statements in conformity with GAAP in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CASH AND INVESTMENTS

SVP's cash and investments pool is maintained by the City except for fiscal agent cash and investments. A full description of the City's cash and investment policy is in Note 7 of its Comprehensive Annual Financial Report (CAFR).

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

The City's Investment Policy and the California Government Code allow the City to invest in certain types of investments, provided the credit ratings of the issuers are acceptable to the City. The table below also identifies certain provisions of the City's Investment Policy and the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

NOTE 3 – CASH AND INVESTMENTS (continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage or Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	Top three ratings categories	None	None
U.S. Agency Securities [1]	5 years	Top three ratings categories	80%	40%
Negotiable Certificates of Deposit	1 year	N/A	25%	5%
Bankers Acceptances	180 days	N/A	25%	5%
Commercial Paper	270 days	A	25%	10%
California Local Agency Investment Fund	N/A	N/A	None	$65M Per A/C
Repurchase Agreements	60 days	N/A	50%	20%
Reverse Repurchase Agreements (requires City Council approval)	92 days	N/A	20%	10%
Securities of Local Agencies of California	5 years	N/A	20%	5%
Medium Term Corporate Notes	5 years	Top three ratings categories	15%	5%
Mutual Funds / Money Market Funds	N/A	Top rating category	20%	10%
Investment Pools	N/A	N/A	None	None

[1] Securities issued by the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), local agencies and other U.S. government-sponsored enterprises.

B. Investments Authorized by Debt Agreements

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

NOTE 3 – CASH AND INVESTMENTS (continued)

SVP 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 SVP 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.

C. Pension Rate Stabilization Program

In February 2017, the City Council approved a Pension Rate Stabilization Program, (PRSP) Trust administered by Public Agency Retirement Services (PARS). The PRSP is an irrevocable trust and qualifies as an Internal Revenue Section 115 trust. This trust will assist the City in mitigating the CalPERS contribution rate volatility. Investments of funds held in Pension Rate Stabilization Program (PRSP) are governed by the Investment Guideline Document for the investment account and by the agreement for administrative services with the Public Agency Retirement Services (PARS), rather than the general provisions of the California Government code or the City's investment policy. The City elected a discretionary investment approach which allows the City to maintain oversight of the investment management, control on target yield and the portfolio' risk tolerance. The assets in this program will eventually be used to fund Pension Plan obligations.

As part of the year-end process for fiscal year 2016-17, the City Council approved SVP to designate and deposit $3.5 million in fiscal year 2018 towards pre-funding the City's pension obligations. As of June 30, 2019, the balance in the pension rate stabilization program trust was $4.3 million.

D. Credit and Interest Rate Risk

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

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is the greater the sensitivity of its fair value to changes in market interest rates to be.

Information about the sensitivity of the fair values of SVP's investments to market interest rate fluctuations is provided by the following table that shows the distribution to SVP's investment by maturity.

For the years ended June 30, 2019 and 2018

NOTE 3 – CASH AND INVESTMENTS (continued)

Type of Investment	Credit Rating	Maturity: Under 180 Days	Maturity: 181 - 365 Days	Maturity: 1 - 3 Years	Maturity: 3 - 5 Years	2019 Fair Value	2018 Fair Value
Cash and Investments - City Treasury:							
Cash	N/A	$ 46,916,076	$ -	$ -	$ -	$ 46,916,076	$ 40,398,118
U.S. Treasury notes and bonds	Aaa	2,081,738	-	29,290,627	61,691,585	93,063,950	49,998,852
Federal Farm Credit Bank	Aaa	7,188,482	3,715,848	26,302,021	15,246,391	52,452,742	48,681,404
Federal Home Loan Bank	Aaa	3,020,330	3,636,339	20,841,026	8,590,839	36,088,534	33,747,177
Federal National Mortgage Association	Aaa	16,622,356	16,584,631	35,170,081	2,096,306	70,473,374	75,532,462
Federal Home Loan Mortgage Corporation	Aaa	4,570,508	4,139,703	6,235,325	4,820,145	19,765,681	33,454,733
Mutual Fund - Fidelity	Aaam	8,903,035	-	-	-	8,903,035	12,309,126
State Investment Pool (LAIF)	Not Rated	26,538,297	-	-	-	26,538,297	20,144,444
Cash and Investments - City Treasury		115,840,822	28,076,521	117,839,080	92,445,266	354,201,689	314,266,316
Cash and Investments - Other:							
Cash (Debt Fund)	N/A	27,710	-	-	-	27,710	327
Mutual Fund - Money Market Funds (Debt Funds)	Aaam	21,100,303	-	-	-	21,100,303	23,950,080
Pension Rate Stabilization Investment (Money Market Fund)	Not Rated	155,642	-	-	-	155,642	123,009
Pension Rate Stabilization Investment (Mutual Fund)	Not Rated	4,356,737	-	-	-	4,356,737	3,389,014
Collateral Obligations (JP Morgan & Others)	Not Rated	1,405,371	-	-	-	1,405,371	919,873
Investments - Other		27,045,763	-	-	-	27,045,763	28,382,303
Total Cash and Investments		$ 142,886,585	$ 28,076,521	$ 117,839,080	$ 92,445,266	$ 381,247,452	$ 342,648,619

The City is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF's investment portfolio mainly consists of Treasuries, loans, Federal Agency securities, and collateralized mortgage obligations. Each regular LAIF account is permitted to have up to 15 transactions per month, with a minimum transaction amount of $5,000, a maximum transaction amount of $65 million and at least 24 hours advance notice for withdrawals of $10 million or more. Bond proceeds accounts are subject to one time deposit with no cap and are set up with a monthly draw down schedule. The carrying value of LAIF approximates fair value. See City's Comprehensive Annual Financial Report Note 7 to the financial statements for additional detail on the fiscal year 2018-19 investment portfolio.

Mutual funds are available for withdrawal on demand.

NOTE 3 – CASH AND INVESTMENTS (continued)

E. 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.

F. Fair Value Hierarchy

SVP categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation input used to measure the fair value of asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. See City's Comprehensive Annual Financial Report Note 7 to the financial statements for more detailed information.

For the years ended June 30, 2019 and 2018

NOTE 3 – CASH AND INVESTMENTS (continued)

	Investments and Derivative Instruments Measured at Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	6/30/2019	Level 1	Level 2	Level 3	Exempt [(1)]
Investments by Fair Value Level					
Short Term Investments					
Federal Farm Credit Banks	$ 52,452,742	$ -	$ 52,452,742	$ -	$ -
Federal Home Loan Banks	36,088,534	-	36,088,534	-	-
Federal National Mortgage Association	70,473,374	-	70,473,374	-	-
Federal Home Loan Mortgage Corp	19,765,681	-	19,765,681	-	-
Mutual Fund - Fidelity Money Market	8,903,035	-	8,903,035	-	-
Total Short Term Investments	187,683,366	-	187,683,366	-	-
Debt Securities and Other					
Mutual Fund - Money Market Funds (Debt Fund)	21,100,303	-	-	-	21,100,303
Pension Rate Stabilization Investment (Money Market Fund)	155,642	155,642			
Pension Rate Stabilization Investment (Mutual Fund)	4,356,737	3,818,424	538,313		
US Treasury Notes	93,063,950	93,063,950	-	-	-
Collateral Obligations (JP Morgan & Others)	1,405,371	-	-	-	1,405,371
Total Debt Securities and Other	120,082,003	97,038,016	538,313	-	22,505,674
Total Investment by Fair Value Level	307,765,369	$ 97,038,016	$ 188,221,679	$ -	22,505,674
Investments Measured at the Amortized Cost					
State Investment Pool (LAIF)	26,538,297	-	-	-	26,538,297
Total Investments	334,303,666	$ 97,038,016	$ 188,221,679	$ -	$ 49,043,971
Cash in Banks	46,943,786				
Total Cash and Investment	$ 381,247,452				

[(1)] Accounts in exempt column are Mutual Fund-Money Market, Collateral Obligation and LAIF investments which are exempt from fair value hierarchy, or reported at amortized cost.

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

NOTE 3 – CASH AND INVESTMENTS (continued)

Pension Rate Stabilization Program Level 1 investments are valued using a marketable actively traded assets closing price for identical assets. Level 2 investments are determined by using quoted prices for similar assets.

NOTE 4 – CAPITAL ASSETS

A. Capital Assets Summary

	Balance June 30, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Non Depreciable Assets:					
Land	$ 14,371,743	$ -	$ -	$ -	$ 14,371,743
Construction In Progress	72,993,391	21,331,719	-	(8,816,676)	85,508,434
Total Non Depreciable Assets	87,365,134	21,331,719	-	(8,816,676)	99,880,177
Capital assets being depreciated:					
Buildings and Improvements	913,208,421	-	-	8,816,676	922,025,097
Machinery & Equipment	9,619,849	320,469	(44,116)	-	9,896,202
Total capital assets being depreciated	922,828,270	320,469	(44,116)	8,816,676	931,921,299
Less accumulated depreciation for:					
Buildings and Improvements	(427,092,719)	(19,994,372)		-	(447,087,091)
Machinery & Equipment	(7,915,223)	(370,812)	44,116	-	(8,241,919)
Total accumulated depreciation	(435,007,942)	(20,365,184)	44,116	-	(455,329,010)
Net Depreciable Assets	487,820,328	(20,044,715)	-	8,816,676	476,592,289
Enterprise Activity Capital Assets, Net	$ 575,185,462	$ 1,287,004	$ -	$ -	$ 576,472,466

NOTE 4 – CAPTIAL ASSETS (continued)

B. Construction in Progress

Construction in progress as of June 30, 2019 consisted of the following in SVP Projects.

Projects	Authorized	Expended	Commitments
Serra Substation	$ 16,559,500	$ 1,523,380	$ 15,036,120
Implement Advanced Meter Infrastructure	28,756,829	25,844,046	2,912,783
SVP Utility Center	25,202,222	188,173	25,014,049
Fairview Substation	29,575,905	18,242,359	11,333,546
Phase Shifting Transformer at Northern Receiving Station	29,260,606	25,336,018	3,924,588
Other Projects	31,433,449	14,374,458	17,058,991
Total	$ 160,788,511	$ 85,508,434	$ 75,280,077

NOTE 5 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS

Changes in long-term debt for the year ended June 30, 2019, consisted of the following:

Type of Indebtedness Rate, Issue Date and Maturity	Outstanding as of June 30, 2018	Debt Retired / Defeased	Additions and Amortization of Discounts	Outstanding as of June 30, 2019	Current Portion
Obligation Bonds:					
2008 Series B Subordinate Revenue Bonds, Adjustable rate, 05/29/08-12/18/18	$ 59,265,000	$ 59,265,000	$ -	$ -	$ -
2011 Series A Refunding Revenue Bonds, 5%-6% 03/22/11-07/01/32	54,830,000	-	-	54,830,000	-
2013 Series A Refunding Revenue Bonds 3%-5%, 04/24/13-07/01/28	51,335,000	3,720,000	-	47,615,000	3,910,000
2018 Series A Refunding Revenue Bonds, 5%, 12/18/18 - 07/01/27	-	-	48,800,000	48,800,000	4,205,000
Unamortized Discount/Premium	5,607,418	961,282	6,419,569	11,065,705	-
Subtotal Electric Utility Revenue Bonds	171,037,418	63,946,282	55,219,569	162,310,705	8,115,000
Direct Placement:					
Bank of America Loan Agreement 2.67%, 06/16/14-07/01/2024	26,490,000	3,492,000	-	22,998,000	3,585,000
Total Electric Utility Activities - Bonds and Notes from Direct Borrowings	$ 197,527,418	$ 67,438,282	$ 55,219,569	$ 185,308,705	$ 11,700,000

NOTE 5 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

A. Electric Revenue Refunding Bonds, Series 2008 B

On May 29, 2008, Silicon Valley Power issued $86.6 million of Variable Rate Demand Subordinated Electric Revenue Bonds, Series 2008B (Electric 2008B Bonds) to refinance $80.53 million of Electric 1998A Bonds on July 1, 2008. The Electric 2008B Bonds mature annually beginning July 1, 2009 through July 1, 2027. The Electric 2008B Bonds are variable-rate, multi-modal bonds that were initially issued in the weekly mode. Payment of principal and interest on the Electric 2008B Bonds was originally made from proceeds of draws on a Letter of Credit originally provided by Dexia Credit Local. On May 11, 2011, the Letter of Credit provided by Dexia was replaced by a Letter of Credit provided by Bank of America, N.A. In connection therewith, the name of the bonds was changed from "Subordinated Electric Revenue Refunding Bonds" to "Electric Revenue Refunding Bonds". On November 1, 2012, the Letter of Credit provided by Bank of America, N.A. was replaced by a Letter of Credit provided by The Bank of Tokyo-Mitsubishi UFJ, Ltd with extended expiration date of January 29, 2019. The Electric 2008B Bonds were refunded on December 18, 2018 by the Electric 2018A Bonds described below. The 2008B bonds were redeemed in full and the interest rate swap agreement was terminated on the same date. The refunding resulted in overall debt service savings of $4,484,252. The net present value of the debt service savings is called an economic gain and after a reduction for prior funds on hand of $3,595,858, amounted to $522,034.

B. Electric Revenue Refunding Bonds, Series 2011A

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

In the event of default, SVP will transfer to the trustee all adjusted net revenues held by it and received thereafter and the trustee will disburse all adjusted net revenues and any other funds then held or thereafter received by the trustee under the provisions of indenture. In the case of default, the trustee will be entitled to declare the bond obligation of all bonds then outstanding to be due and payable immediately. There are no significant finance-related consequences for termination.

C. Electric Revenue Refunding Bonds, Series 2013A

On April 24, 2013, SVP issued $64.38 million of the Electric Revenue Bonds, Series 2013A (Electric 2013A Bonds), to provide funds, together with other available moneys, to refinance outstanding Electric 2003A Bonds. The Electric 2013A Bonds mature annually beginning on

NOTE 5 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

July 1, 2014 through July 1, 2028 and bear coupon rates ranging from 3.00% to 5.00%. Debt service on the Electric 2013A Bonds is secured by a pledge of net revenues of SVP.

In the event of default, SVP will transfer to the trustee all adjusted net revenues held by it and received thereafter and the trustee will disburse all adjusted net revenues and any other funds then held or thereafter received by the trustee under the provisions of indenture. In the case of default, the trustee will be entitled to declare the bond obligation of all bonds then outstanding to be due and payable immediately. There are no significant finance-related consequences for termination.

D. Bank of America Loan Agreement, Series 2014

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

In the event of default, SVP will transfer to the trustee all adjusted net revenues held by it and received thereafter and the Trustee will disburse all adjusted net revenues and any other funds then held or thereafter received by the trustee under the provisions of indenture. In the case of default, the trustee will be entitled to declare the bond obligation of all bonds then outstanding to be due and payable immediately. There are no significant finance-related consequences for termination.

E. Electric Revenue Refunding Bonds, Series 2018A

On December 18, 2018, SVP issued $48.8 million of Electric Revenue Refunding Bonds, Series 2018A (Electric 2018A Bonds) to refinance $54.58 million outstanding principal amount of Variable Rate Demand Electric Revenue Refunding Bonds, Series 2008B and terminate a related swap agreement. The Electric 2018A Bonds bear 5% coupon rate, mature annually beginning on July 1, 2019 through July 1, 2027, and were sold at an All-In True Interest Cost of 2.32%. Debt service on the Electric 2018A Bonds is secured by a pledge of net revenues of SVP.

NOTE 5 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

In the event of default, SVP will transfer to the trustee all adjusted net revenues held by it and received thereafter and the trustee will disburse all adjusted net revenues and any other funds then held or thereafter received by the trustee under the provisions of indenture. In the case of default, the trustee will be entitled to declare the bond obligation of all bonds then outstanding to be due and payable immediately. There are no significant finance-related consequences for termination.

F. Pledge of Future Electric Revenues

The pledge of future Electric Fund revenues ends upon repayment of the $174.2 million in outstanding principal on the bonds and loan which is scheduled to occur in fiscal year 2032-33. For fiscal year 2018-19, Electric Fund revenues including operating revenues and non-operating interest earnings amounted to $415 million and operating costs including operating expenses, but not interest, depreciation or amortizations amounted to $331.1 million. Net revenues available for debt service amounted to $83.9 million which represented a coverage ratio of 3.48 on the $24.1 million of debt service.

G. Derivative Instruments

In fiscal year 2009-10, SVP implemented GAAP, which addresses recognition, measurement and disclosures related to derivative instruments to determine whether they meet the definition of derivative instruments, and if so, whether they effectively hedge the expected cash flows associated with the interest rate and energy exposures. Under hedge accounting, the increase (decrease) in the fair value of a hedge is reported as a deferred cash flow hedge on the statement of net position.

<u>Interest Rate Swap Agreements-2008 Series B Bonds</u>

On December 18, 2018, in connection with the issuance of Electric Revenue Refunding Bonds, Series 2018A and the related refunding of outstanding Variable Rate Demand Electric Revenue Refunding Bonds, Series 2008B Bonds, SVP terminated its variable-to-fixed interest rate swap agreement with JPMorgan Chase and paid a termination payment to JPMorgan Chase in the amount of $3,738,000, as well as a termination payment of $74,514 to terminate an associated letter of credit.

The swap is classified as a debt instrument. SVP had no outstanding swap agreements at June 30, 2019 and had negative fair values of $4,198,214 including accrued interest at June 30, 2018.

<u>Notional Amounts and Fair Values – Future Derivative Instruments</u>

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

NOTE 5 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

in support of market power purchase and sales 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 utilize resources, stabilize pricing and costs for the benefit of SVP and its customers.

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

SVP had no future derivative instruments outstanding at June 30, 2019 and had deferred outflow of $109,674 and deferred inflow of $21,505 of future derivative instruments outstanding at June 30, 2018.

<u>Credit Risk</u>

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, 2019, SVP was not exposed to credit risk because there were no open derivative contracts, nor swap agreement.

SVP's policy for requiring collateral on hedging instruments varies based on individual contracts and counterparty credit ratings. Under the brokerage agreements with Archer Daniels Midland Company, the accounts are prefunded by SVP. If the account value falls below zero, margin calls are invoked. At June 30, 2019, SVP had posted collateral of $1,405,371 deposited with CAISO and Archer Daniels Midland Company for wholesale trading.

It is also SVP's policy to negotiate netting arrangements whenever it has entered into more than one derivative instrument transaction with 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.

<u>Termination Risk</u>

SVP's futures contracts are traded over the counter and have no termination risk.

NOTE 5 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

Price Risk

With respect to price risk under these future contracts, on purchase contracts (long positions), SVP receives the CAISO NP15 average daily rate at settlement and pays the fixed contracted rate entered into on the trade date; on sales contracts (short positions), SVP pays the CAISO NP15 average daily rate at settlement and receives the fixed contracted rate entered into on the trade date. SVP is exposed to risk because the contract prices are different from the settlement prices.

H. Other

Various debt agreements governing SVP's revenue bonds contain a number of covenants including those that require SVP to maintain and preserve the 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. SVP 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 was occurring as of the date of this report.

I. Repayment Requirements

As of June 30, 2019, the debt service requirements to maturity for SVP's long-term debt are as follows:

Long-term Debt
Future Debt Service Requirements

Year Ending	Revenue Bonds			Loan from Direct Placement		
June 30	Principal	Interest	Total	Principal	Interest	Total
2020	$ 8,115,000	$ 7,316,756	$ 15,431,756	$ 3,585,000	$ 566,187	$ 4,151,187
2021	8,600,000	6,898,881	15,498,881	3,681,000	469,186	4,150,186
2022	9,105,000	6,456,256	15,561,256	3,779,000	369,595	4,148,595
2023	9,655,000	5,987,256	15,642,256	3,880,000	267,347	4,147,347
2024	10,220,000	5,490,381	15,710,381	3,983,000	162,376	4,145,376
2025-2029	55,805,000	19,809,950	75,614,950	4,090,000	54,602	4,144,602
2030-2033	49,745,000	5,601,972	55,346,972	-	-	-
	$ 151,245,000	$ 57,561,453	$ 208,806,453	$ 22,998,000	$ 1,889,292	$24,887,292

NOTE 5 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

Reconciliation of Long-term Debt:

Principal Outstanding as of June 30, 2019	$ 174,243,000
Unamortized Discount/Premium - Electric Revenue Bonds	11,065,705
Total Long-term Debt	$ 185,308,705

NOTE 6 – PARTICIPATION IN JOINT VENTURES

A. Investment in Joint Ventures

SVP (through the City) participates in significant joint ventures: Northern California Power Agency (NCPA), Transmission Agency of Northern California (TANC), M-S-R Public Power Agency (MSR PPA), M-S-R Energy Authority (MSR EA).

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

	Date of latest audited financial statement	Joint venture's address
NCPA	6/30/2018	651 Commerce Dr. Roseville, CA 95678
TANC	6/30/2018	P.O. Box 15129 Sacramento, CA 95851
MSR EA	12/31/2018	P.O. Box 4060 Modesto, CA 95352
MSR PPA	12/31/2018	P.O. Box 4060 Modesto, CA 95352

NOTE 6 – PARTICIPATION IN JOINT VENTURES (continued)

As described in paragraph (D) below, the carrying value of SVP's investment in MSR PPA is $0. SVP's financial statements as of June 30, 2019 and 2018 reflect the following investments in joint ventures:

	June 30, 2019		June 30, 2018		
	Participating percentage	Investment	Participating percentage	Investment	Method of accounting
NCPA					
Geothermal	44.39%	$35,021,527	44.39%	$45,701,000	Equity
Hydroelectric	37.02%		37.02%		
Combustion Turbine	41.67%		41.67%		
Lodi Energy Center	25.75%		25.75%		
TANC	9.57%	2,310,785	8.61%	1,790,705	Equity
MSR EA	33.40%	-	33.40%	-	Suspended
MSR PPA	35.00%	-	35.00%	-	Suspended
Total		$37,332,312		$47,491,705	

B. Northern California Power Agency (NCPA)

NCPA was formed in 1968 as a joint powers agency in the State of California. Its membership consists of fifteen 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 from each joint venture 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.

<u>Project Financing and Construction</u>

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. Certain of the revenue bonds are additionally supported by municipal bond insurance credit enhancements.

NOTE 6 – PARTICIPATION IN JOINT VENTURES (continued)

Hydroelectric Project

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

Geothermal Project

The NCPA Geothermal Plants have historically experienced greater than anticipated declines in steam production from the existing geothermal wells. Although initially operated as baseload generation projects at full capability (238MW), 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 66 MW by the year 2039.

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 entitlement share in Combustion Turbine Project No. 1 of all NCPA's costs of such project.

Lodi Energy Center

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

NOTE 6 – PARTICIPATION IN JOINT VENTURES (continued)

C. 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.

<u>California-Oregon Transmission Project</u>

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

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 all major environmental requirements. As of June 30, 2018, the most recent data available, TANC's investment in the Project was \$537.6 million, less accumulated depreciation and amortization of \$271.9 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 percent 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 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.

SVP has historically been obligated to pay 20.47% of TANC's COTP operating and maintenance expenses and 20.70% of TANC's COTP debt service and 22.16% of the Vernon acquisition debt. SVP has also been entitled to 20.4745% of TANC's share of COTP transfer capability

NOTE 6 – PARTICIPATION IN JOINT VENTURES (continued)

(approximately 278 MW net of third party layoffs of TANC) on an unconditional take-or-pay basis. Starting on July 1, 2014, SVP laid-off 147 MWs of this entitlement to other TANC members under a 25 year agreement. During the term of this agreement the parties taking on the entitlement will pay all associated debt service, operations and maintenance costs, and all administrative and general costs. SVP's portion of the operating and maintenance expenses and the COTP debt service is 10.008 %.

D. M-S-R Public Power Agency (MSR PPA)

MSR PPA is a joint power agency formed in 1980 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 the administrative and management functions of MSR PPA. The member's income and expenses sharing ratio is as follows: Modesto Irrigation District – 50 percent, City of Santa Clara – 35 percent, and City of Redding – 15 percent.

SVP's equity in MSR PPA's net losses exceeds its investments and, therefore, the equity method of accounting for the investment has been suspended. As of December 31, 2018, the date of the latest available audited financial statements, SVP's unrecognized share of member's deficit of MSR PPA was $18.4 million. Under the joint exercise of power agreement, which formed MSR PPA, SVP is responsible for funding up to 35 percent of MSR PPA's operating cost, to the extent such funding is necessary. During the years ended June 30, 2019 and 2018, SVP made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in SVP's expenses.

MSR PPA's principal activity is a 28.8% ownership interest in a 507-megawatt unit of a coal-fired electricity generating plant located in New Mexico (San Juan Plant). The San Juan plant was jointly owned by the Public Service Company of New Mexico (PNM) (38.5%), MSR PPA (28.8%) and other municipal power entities (32.7%). MSR PPA was also a participant in the Southwest Transmission Project, a 500-kilovolt alternating current transmission project between Central Arizona and Southern California, which provides firm transmission from the San Juan plant into California. MSR PPA has transmission contracts to complete the path to bring power to the Members' distribution systems. The Members share in the income and expense of the San Juan Plant and the Southwest Transmission Project in the ratio of the MSR PPA ownership percentages. On May 25, 2016, MSR PPA sold its interest in the Southwest Transmission Project. On December 31, 2017, MSR PPA divested its ownership interest in the San Juan plant

In 2006, MSR PPA entered into a Wholesale Purchase and Sale Agreement and a Shaping and Firming Agreement with Avangrid Renewables, Inc. to provide renewable wind energy to the Members from the Big Horn I Wind Energy Project (Big Horn I Project) with a nominal installed capacity of approximately 199.5 MW. SVP receives the power purchased by MSR PPA from

NOTE 6 – PARTICIPATION IN JOINT VENTURES (continued)

the Big Horn I Project. SVP's share equates to approximately a 105 MW share of the output at a cost comparable to combined cycle gas-fuel generation. Power deliveries commenced on October 1, 2006 and will continue through September 30, 2026. Through an amendment of the original agreements MSR PPA has an obligation to continue to take the same output through September 30, 2031, or if the Big Horn Project is repowered MSR PPA will have a right of first offer to negotiate a long-term power purchase for such repowered project. The participation in this project is as follows:

Modesto Irrigation District	12.5%
City of Santa Clara	52.5%
City of Redding	35.0%

In 2009, MSR PPA entered into a Power Purchase Agreement and Redelivery Agreement with Avangrid Renewables Inc. to purchase additional wind power energy from the same site, called Big Horn II, with a nominal installed capacity of 50 MW 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%.

<u>MSR PPA San Juan</u>

In 2015, the MSR PPA Commission approved a number of agreements (the "San Juan Restructuring Agreements") to provide for the interests of MSR PPA and certain other San Juan Participants (the "exiting participants") in the San Juan Generation Station to be transferred to the remaining San Juan Participants effective December 31, 2017. In addition to the ownership divesture, the San Juan Restructuring Agreements provide for, among other things, the allocation of ongoing responsibility for decommissioning costs, mine reclamation costs and any environmental remediation obligations among the exiting participants and the remaining San Juan Participants, and the establishment and funding of mine reclamation and plant decommissioning trust funds. The San Juan Restructuring Agreements were subsequently executed by all nine San Juan Generation Station owners and PNM Resources Development Company (a non-utility affiliate of PNM) and, following receipt of regulatory approvals, became effective on January 31, 2016. Various other implementing agreements and amendments to existing San Juan project agreements to effect the restructuring have also been executed. Closing of the ownership restructuring of the San Juan Generation Station and the divestiture of M-S-R PPA's interests in San Juan Unit No. 4 was completed on schedule on December 31, 2017.

E. M-S-R Energy Authority (MSR EA)

MSR EA is a joint power agency formed in 2008 by the Modesto Irrigation District, the City of Santa Clara, and the City of Redding, California, to develop or acquire and manage natural gas resources for the benefit of the members. The personnel of its members and contract

NOTE 6 – PARTICIPATION IN JOINT VENTURES (continued)

professional staff perform the administrative and management functions of MSR EA. Each 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%.

SVP'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, 2018, the date of the latest available audited financial statements, SVP'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, SVP is responsible for funding up to 33.4% of MSR EA's operating cost, to the extent such funding is necessary. During the years ended June 30, 2019 and 2018, SVP made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in SVP's expenses.

In 2009, the City of Santa Clara, along with the Cities of Modesto and Redding participated in the M-S-R Energy Authority Gas Prepay Project. The Gas Prepay Project provides the City, through a Gas Supply Agreement with MSR EA dated September 10, 2009, a secure and long-term supply of natural gas of 7,500 MM Btu (Million British thermal unit) daily or 2,730,500 MM Btu annually through December 31, 2012, and 12,500 MM Btu daily, or 4,562,500 MM Btu annually thereafter until September 30, 2039. The agreement provides this supply at a discounted price below the spot market price (the Pacific Gas & Electric City gate index) over the next 30 years. As of December 31, 2018, 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. Moreover, any default by the other Gas Prepay Project participants is also non-recourse to the City.

F. Contingent Liability

Under the terms of the various joint venture agreements, SVP 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.

NOTE 6 – PARTICIPATION IN JOINT VENTURES (continued)

Based on the most recent audited financial statements of the individual joint ventures, SVP was contingently liable for long-term debt as of June 30, 2019 as follows:

Agreements	Total Debt	Silicon Valley Power's Debt Share	Silicon Valley Power's Contingent Liability
NCPA 06/30/18	$ 736,932,468	32.62%	$ 240,364,297
TANC 06/30/18	200,290,000	9.69%	19,405,122
MSR PPA 12/31/18	98,850,000	35.00%	34,597,500
TOTAL	$ 1,036,072,468		$ 294,366,919

In addition, SVP would be, under certain conditions, liable to pay a portion of costs associated with the operations of the entities. Under certain circumstances, such as default or bankruptcy of the other participants, SVP 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, 2018 are as follows:

Project	Debt Expiration	Entitlement Share %	Debt Service Share %
NCPA - Geothermal Project (NGP)	July-2024	44.3905%	44.3905%
NCPA - Hydroelectric Project (NHP)	July-2032	37.0200%	37.0200%
NCPA - Lodi Energy Center (NLEC)**	June-2040	25.7500%	30.6292%
TANC - CA-OR Transmission Project (COTP)	May-2024	9.5700%	9.6900%
MSR PPA -San Juan Plant	July-2022	35.0000%	35.0000%

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

NOTE 6 – PARTICIPATION IN JOINT VENTURES (continued)

A summary of SVP's "Take-or-Pay" contracts and related projects and its contingent liability for the debt service including principal and interest payments at June 30, 2018 is as follows:

Fiscal Year	NGP	NHP	NLEC	COTP	MSR PPA	Total
2019	$ 2,191,001	$ 13,860,409	$ 7,658,253	$ 838,994	$ 9,711,800	$ 34,260,457
2020	2,191,513	13,510,819	7,568,560	576,705	9,711,800	33,559,397
2021	2,195,431	13,524,404	7,568,602	603,700	9,712,500	33,604,637
2022	2,197,534	13,469,653	7,566,771	633,717	9,711,100	33,578,775
2023	2,198,863	13,482,473	7,567,678	664,572		23,913,586
2024-2028	3,087,584	53,115,121	38,156,954	3,783,640	-	98,143,299
2029-2033	-	40,921,388	38,619,608	4,824,619	-	84,365,615
2034-2038	-	-	38,618,066	6,083,615	-	44,701,681
2039-2041	-	-	22,527,489	1,395,560	-	23,923,049
Total	$ 14,061,926	$161,884,267	$175,851,981	$ 19,405,122	$ 38,847,200	$410,050,496

NOTE 7 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plan

Plan Descriptions

All qualified regular and probationary employees are required to participate in the City's Miscellaneous Agent Multiple-Employer defined benefit plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues a publicly available report that include a full description of the pension plan regarding benefit provisions, assumptions and membership information and can be found on the CalPERS website.

NOTE 7 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees or beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The pre-retirement death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.00 - 2.70%	1.00 - 2.50%
Required employee contribution rates	8%	5.75%
Required employer contribution rates	10.169%	10.169%
Required unfunded liability contribution	$5,941,887	

Contributions

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

NOTE 7 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)

The contributions to the Plan were as follows:

	Miscellaneous	
	June 30, 2019	June 30, 2018
Contributions - employer	$8,258,503	$8,832,102

B. Net Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

SVP reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability	
	June 30, 2019	June 30, 2018
Miscellaneous	$ 94,238,259	$ 92,735,319

SVP's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. SVP's proportion of the net pension liability was based on a projection of SVP's long-term share of contributions to the pension plan relative to the projected contributions of all funds of the City. SVP's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2018 was as follows:

	Miscellaneous
Proportion - June 30, 2017	34.97%
Proportion - June 30, 2018	34.97%
Change - Increase (Decrease)	0.00%

For the years ended June 30, 2019 and 2018, SVP recognized pension expense of $13,632,811 and 12,008,295, respectively. At June 30, 2019 and 2018, SVP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 7 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)

Miscellaneous Plan:

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 8,258,503	$ -
Differences between expected and actual experience	2,493,207	(253,680)
Changes in assumptions	4,315,077	(1,235,166)
Net differences between projected and actual earnings on plan investments	222,557	-
Total	$ 15,289,344	$ (1,488,846)

June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 8,832,102	$ -
Differences between expected and actual experience	-	(753,184)
Changes in assumptions	8,630,157	-
Net differences between projected and actual earnings on plan investments	1,923,557	-
Total	$ 19,385,816	$ (753,184)

$8,258,503 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Annual Amortization
2019	$ 6,498,862
2020	929,440
2021	(1,432,338)
2022	(453,969)

C. Actuarial Assumptions

For the measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

NOTE 7 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.0%
Projected Salary Increase	Varies by Entry-Age and Service
Investment Rate of Return	7.15% (1)
Post Retirement Benefit Increase	Contract COLA up to 2% until Purchasing Power Protection applies, 2.5% thereafter
Mortality (2)	Derived using CalPERS' Membership Data for all Funds (2)

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

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the CalPERS' December 2017 experience study report available on CalPERS' website.

The underlying mortality assumptions and all other actual assumptions used in the June 30, 2017 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Changes of Assumptions

For the measurement date of June 30, 2018, the inflation rate reduced from 2.75% to 2.5%.

Discount Rate

The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments

NOTE 7 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)

of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all period of projected benefit payments to determine the total pension liability for the Plan.

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

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

Asset Class[(a)]	Current Target Allocation	Real Return Years 1 - 10[(b)]	Real Return Years 11+[(c)]
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	-0.92%
Total	100%		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period.

(c) An expected inflation of 2.92% used for this period.

NOTE 7 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)

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

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

	Miscellaneous	
	June 30, 2019	June 30, 2018
1% Decrease	6.15%	6.15%
Net Pension Liability	$ 125,983,325	$ 123,540,956
Current Discount Rate	7.15%	7.15%
Net Pension Liability	$ 94,238,259	$ 92,735,319
1% Increase	8.15%	8.15%
Net Pension Liability	$ 67,770,996	$ 67,083,805

Pension Plan Fiduciary Net Position

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

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

The City's single-employer defined benefit Other Post Employment Benefit (OPEB) Plan Trust Fund, which was established by City Council in fiscal year 2007-08 in accordance with GAAP, provides reimbursements to retirees for qualified expenses. Employees who have retired from the City with 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 $4,296 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 agent multiple-employer defined benefit trust which is administered by Public Agency Retirement Services (PARS). The City is the Plan administrator, and PARS administers the investment trust for the City's Plan. The trust is used to

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (continued)

accumulate and invest assets necessary to reimburse retirees. Separate financial reports are issued by PARS for the OPEB Plan Trust. The report can be obtained by writing to PARS at 4350 Von Karman Avenue, Suite 100, Newport Beach, CA 92660, or by calling 1-800-540-6369.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to and deduction from the OPEB's fiduciary net position have been determined on the same bases. For this purpose OPEB benefit payments are recognized when currently due and payable in accordance with the benefits terms. Investments are report at fair value.

Generally accepted accounting principles require that the reporting results must pertain to liability and asset information within certain defined timeframes. For the fiscal year 2018-19 the following time frames were used.

Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019
Actuarial valuation date (1)	June 30, 2018

(1) Update procedures were used to roll forward the Total OPEB Liability from the valuation date to the measurement date.

B. Contributions

The OPEB Plan trust annual contributions are based upon actuarial determine contributions. The contribution requirements 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. For the fiscal year ending June 30, 2019, SVP contributed $1,551 thousand.

C. Actuarial Assumptions

The June 30, 2019 total OPEB liability was based on the following actuarial methods and assumptions:

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions Used in Total OPEB Liability

Actuarial Assumption	June 30, 2019 Measurement Date
Actuarial valuation date	June 30, 2018
Discount rate	5.25% at June 30, 2019 Crossover analysis showed benefit payments always fully funded by plan assets
Inflation	2.75%
Salary increases	Aggregate -3%
Investment rate of return	5.25% at June 30, 2019
Funding policy	Full pre-funding to PARS trust PARS portfolio: Moderately Conservative
Mortality, Disability, Termination, and Retirement	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2018
Healthcare cost trend rates	Non-Medicare - 7.5% for 2020 scaling down to 4.0% for year 2076 Medicare - 6.5% for 2020 scaling down to 4.0% for year 2076
Healthcare participation for future retirees - Cash subsidy	Currently covered: 80% Waived: 40%
Healthcare participation for future retirees - PEMHCA implied subsidy	Currently covered: 80% Waived: 25%

D. Net OPEB Liability, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

SVP's net OPEB liability for the Plan is measured as the proportionate share of the City's net OPEB liability as of June 30, 2019, and the total OPEB liability for the Plan used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 using standard actuarial methods, based on actuarial methods and assumptions. SVP's proportion of the net OPEB liability was based on a projection of SVP's long-term share of contributions to the OPEB plan relative to the projected contributions of all funds of the City. SVP's proportionate share of the net pension liability for the Plan as of June 30, 2019 was 34.97%.

For the year ended June 30, 2019, SVP reported a net OPEB liability of $13,340 thousand and recognized OPEB expense of $1,250 thousand. At June 30, 2019, SVP reported deferred

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (continued)

outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 1,712
Differences between expected and actual experience	-	482
Net differences between projected and actual earnings on OPEB plan investments	-	25
Total	$ -	$ 2,219

June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on OPEB plan investments	$ 100	-
Total	$ 100	$ -

Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Measurement Period Ended June 30	Annual Amortization (in thousands)
2020	$ (422)
2021	(422)
2022	(423)
2023	(447)
2024	(422)
Thereafter	(83)

E. Discount Rate

The discount rate used to measure the total OPEB liability was 5.25% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rate equal to the actuarially determined contributions rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (continued)

to determine the total OPEB liability.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Mutual Funds - Equity	29%	4.82%
Mutual Funds - Fixed Income	65%	1.47%
REITS	1%	3.76%
Cash and equivalent	5%	0.06%
	100%	
Expected Inflation		2.75%
Discount Rate		5.25%

F. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the net OPEB liability of the Plan as of June 30, 2019 calculated using the discount rate of 5.25%, as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate.

	June 30, 2019 (In Thoisands)	June 30, 2018 (In Thousands)
1% Decrease	4.25%	4.25%
Net OPEB Liability	$ 16,009	$ 19,343
Current Discount Rate	5.25%	5.25%
Net OPEB Liability	$ 13,340	$ 16,286
1% Increase	6.25%	6.25%
Net OPEB Liability	$ 11,137	$ 13,792

G. Sensitivity of the Net OPEB Liability to Healthcare Cost Trend Rates

The following table presents the net OPEB liability of the City, as of June 30, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% point lower or 1% point higher than the current rate.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (continued)

	June 30, 2019 (In Thousands)	June 30, 2018 (In Thousands)
1% Decrease	6.5% Non-Medicare 5.5% Medicare decreasing to 4.0%	5.5% Non-Medicare 5.7% Medicare decreasing to 5.0%
Net OPEB Liability	$10,717	$13,139
Current Rate	7.5% Non-Medicare 6.5% Medicare decreasing to 4.0%	6.5% Non-Medicare 6.7% Medicare decreasing to 5.0%
Net OPEB Liability	$13,340	$16,286
1% Increase	8.5% Non-Medicare 7.5% Medicare decreasing to 4.0%	7.5% Non-Medicare 7.7% Medicare decreasing to 5.0%
Net OPEB Liability	$16,580	$20,225

NOTE 9 – WHOLESALE ACTIVITIES

A. Long-term Power Purchase Contracts

SVP purchases wholesale electric power from various participants of the Western Systems Power Pool (WSPP), NCPA, MSR Public Power Agency (Note 6), Western Area Power Administration, and other sources to supply the power requirements of Silicon Valley Power's electric utility customers under long-term power purchase agreements (PPAs). SVP actively manages the financial risks inherent in these PPAs, 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 under PPAs is included in materials, services and supplies expense and excluded from wholesale resources purchase.

B. Restructuring of the California Electric Industry

<u>Deregulation Legislation</u>

The passage of AB1890 in 1998 triggered fundamental changes in the structure of the electric industry in California. 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 so called

NOTE 9 – WHOLESALE ACTIVITIES (continued)

direct-access customers. AB1890 also created the California Independent System Operator (CAISO), which was to manage the state's bulk transmission grid.

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. Eventually the Cal PX filed for bankruptcy and was dismantled. Investor-owned utility PG&E and several energy marketers would also file for bankruptcy and over a decade of litigation ensued.

The CAISO, however, continues to manage the state's bulk electric system and the day-ahead and day-of markets, and it has implemented various price controls and tariffs in an effort to avoid repeating the mistakes of 2000 and 2001. Along with balancing control area responsibility, the CAISO has also announced that it will take on the role of reliability coordinator for the region.

Energy Wholesale Trading and Risk Management

SVP participates in the wholesale gas and power market and the CAISO's centralized market. Since CAISO's Market Redesign and Technology Upgrade (MRTU), CAISO has become the ultimate buyer and seller in the California day ahead market. Therefore, SVP engages in the trading of commodity forward contracts (gas and electric energy contracts) to secure fuel supply and hedge daily power purchase/sales from/to CAISO. 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 $22.5 million and $27.7 million, respectively, for fiscal year ended June 30, 2019, have been separately reported on the statement of revenues, expenses and changes in net position.

The restructured electric wholesale market exposes SVP to various risks including market, credit and operational risks. Active and effective management of these risks associated with the power trading activity is critical to its continued success and contribution to the entire utility. A Risk Management Committee administers and monitors compliance with the Council approved risk policies and the related 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 managing the market and credit risks to which it is exposed.

Credit Arrangements

SVP has risk policies, regulations, and procedures that help mitigate credit risk and minimize overall credit risk exposure. The policies include transacting only with investment grade counterparties, evaluating of potential counterparties' financial condition and assigning credit limits as applicable. These credit limits are established based on risk and return considerations

NOTE 9 – WHOLESALE ACTIVITIES (continued)

under terms customarily available in the industry. For counterparties below investment grade or lack of solid financial records, SVP requires collateral in the form of parental guarantee, surety bonds, letter of credit, or cash prepayment. Additionally, The City is a signatory to the WSPP netting agreement supplement and otherwise, enters into master netting arrangements whenever possible and, where appropriate, obtains collateral prior to trade execution. Master netting agreements incorporate rights of setoff that provide for the net settlement of subject contracts with the same counterparty in the event of default.

NOTE 10 – MAJOR SUPPLIERS

SVP purchases wholesale electric energy through its participation in the NCPA and M-S-R Public Power Agency joint powers agencies, from the Western Area Power Administration, from the market via the California Independent System Operator (CAISO), and from other sources to supply its retail electric utility customers. Additionally, SVP purchases transmission services through its participation in the TANC and from the CAISO.

The purchases of energy and transmission services that represent 5% or more of the total purchased power costs are shown in the table below:

Supplier	Power Purchased	% of the Total Purchased Power
NCPA	$ 125,931,347	51.05%
M-S-R Public Power Agency	32,620,708	13.22%
Tri-Dam Project	29,293,866	11.87%
EDF Trading North America LLC	17,251,619	6.99%
M-S-R Energy Authority	13,716,509	5.56%

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse effect on the financial position of the fund.

SVP has future commitments under construction projects as stated in Construction in Progress in Notes to Financial Statements 4B.

NOTE 12 – NET POSITION AND STABILIZATION AGREEMENTS

A. Net Position

Net Position is the excess of all SVP's assets and deferred outflow of resources over all its liabilities and deferred inflow of resources. Net Position is divided into three categories that are described below:

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

Restricted for other agreements describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which SVP cannot unilaterally alter.

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

SVP reported net position at June 30 as follows:

	2019	2018
Net investment in capital assets:	$ 412,291,774	$ 401,608,451
Restricted:		
Pension benefits	4,329,866	3,512,023
Unrestricted:		
Capital projects	112,642,866	98,821,802
Rate stabilization	123,947,182	120,708,577
Operations	117,326,122	80,897,063
Total Unrestricted	353,916,170	300,427,442
Total Net Position	$ 770,537,810	$ 705,547,916

B. Stabilization Agreements

Rate Stabilization Fund

In 1996, SVP established the Rate Stabilization Fund and Cost Reduction Fund to assure that the rates were set properly with sufficient operating cash as well as cost reduction and financial stability of the Electric Utility. In December 2010, Council approved to transfer the Cost Reduction Fund as a subaccount to the Rate Stabilization Fund and continued to be used to offset Electric Utility costs in essentially the same manner. As of June 30, 2019, the balance of the Rate Stabilization Fund was $123,947,182.

NOTE 12 – NET POSITION AND STABILIZATION AGREEMENTS (continued)

Pension Stabilization Fund

In fiscal year 2016-17, the City established an irrevocable pension trust as a way to address unfunded pension liabilities. As part of the year-end process for 2016-17, City Council approved SVP to designate and deposit $3.5 million in fiscal year 2018 toward prefunding pension obligations. As of June 30, 2019, the balance of the Pension Stabilization Fund was $4,329,866.

CITY OF SANTA CLARA ELECTRIC UTILITY ENTERPRISE FUND
(SILICON VALLEY POWER)

REQUIRED SUPPLEMENTARY INFORMATION

This part of the City of Santa Clara Electric Utility Enterprise Fund Financial Statements provides detailed information to better understand the data presented within the financial statements and note disclosures.

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS

Discloses the proportionate share of the net pension liability and related ratios, including the proportionate share of fiduciary net position as a percentage of the total pension liability, and proportionate share of the net pension liability as a percentage of covered payroll.

SCHEDULE OF CONTRIBUTIONS – PENSION PLAN

Contains information of the employer's contractually required contribution rates, contributions to the pension plan and related ratios.

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND RELATED RATIOS

Discloses the proportionate share of the net OPEB liability and related ratios, including proportionate share of fiduciary net position as a percentage of the total OPEB liability, and the proportionate share of the net OPEB liability as a percentage of covered employee payroll.

SCHEDULE OF PLAN CONTRIBUTIONS - OPEB PLAN

Contains information of the employer's contractually required contribution rates, contributions to the OPEB Plan and related ratios.

Schedule of Proportionate Share of the Net Pension Liability
City of Santa Clara Electric Utility Enterprise Fund Miscellaneous Plan, a Cost-Sharing Defined Benefit Pension Plan
Last Ten Fiscal Years for the Measurement Periods Ended June 30[(1)]

Measurement Date	June 30, 2018	June 30, 2017
Plan's Proportion of the Net Position Liability/(Asset)	34.97%	34.97%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$ 94,238,259	$ 92,735,319
Plan's Covered Payroll	$ 26,407,732	$ 24,928,548
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of it's Covered Payroll	356.86%	372.00%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	62.97%	62.02%

Notes to Schedule:

(1) Fiscal year 2014-15 was the first year of implementation.

Schedule of Proportionate Share of the Net Pension Liability
City of Santa Clara Electric Utility Enterprise Fund Miscellaneous Plan,
a Cost-Sharing Defined Benefit Pension Plan
Last Ten Fiscal Years for the Measurement Periods Ended June 30

June 30, 2016	June 30, 2015	June 30, 2014
34.97%	34.97%	34.97%
$ 84,615,916	$ 74,516,387	$ 69,068,338
$ 21,661,244	$ 20,300,577	$ 20,289,905
390.63%	367.07%	340.41%
62.18%	65.57%	67.42%

Schedule of Contributions
City of Santa Clara Electric Utility Enterprise Fund Miscellaneous Plan,
a Cost-Sharing Defined Benefit Pension Plan
Last Ten Fiscal Years(1)

	June 30, 2019	June 30, 2018
Actuarially determined contribution	$ 8,258,503	$ 8,832,105
actuarially determined contributions	(8,258,503)	(8,832,105)
Contribution deficiency (excess)	$ -	$ -
Covered payroll	$28,630,755	$ 26,407,732
Contributions as a percentage of covered payroll	28.84%	33.45%
Notes to Schedule		
Valuation date	6/30/2016	6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years as of valuation date
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.2% to 12.2% depending on age, service and type of employment
Investment rate of return	7.50%, net of pension plan Investment and administrative expenses; includes inflation
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997-2011.
Mortality (2)	Derived using CalPERS' Membership Data for all Funds

(1) Fiscal year 2014-15 was the 1st year of implementation.

(2) The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Schedule of Contributions
City of Santa Clara Electric Utility Enterprise Fund Miscellaneous Plan,
a Cost-Sharing Defined Benefit Pension Plan
Last Ten Fiscal Years

June 30, 2017	June 30, 2016	June 30, 2015
$ 7,558,410	$ 6,484,674	$ 5,335,643
(7,558,410)	(6,484,674)	(5,335,643)
$ -	$ -	$ -
$ 24,928,548	$ 21,661,244	$ 20,300,577
30.32%	29.94%	26.28%
6/30/2014	6/30/2013	6/30/2012

DRAFT

Schedule of Proportionate Share of the Net OPEB Liability and Related Ratios
City of Santa Clara Electric Utility Enterprise Fund
OPEB Plan, A Cost-Sharing Defined Benefit Plan
Last Ten Fiscal Years Ended June 30(1)

Measurement Date	June 30, 2019	June 30, 2018
Plan's Proportion of the Net Posistion Liability/(Asset)	34.97%	34.97%
Plan's Proportionate Share of the Net OPEB Liability/(Asset)	$ 13,339,656	$ 16,285,879
Plan's Covered-employee Payroll	$ 52,963,135	$ 47,313,294
Plan's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of it's Covered-employee Payroll	25.19%	34.42%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total OPEB Liability	37.14%	28.90%

Notes to Schedule:

(1) Fiscal year 2017-18 was the first year of implementation.

Schedule of Proportionate Share of Contributions
City of Santa Clara Electric Utility Enterprise Fund
OPEB Plan, A Cost-Sharing Defined Benefit Plan
Last Ten Fiscal Years Ended June 30[1]
(In Thousands)

	June 30, 2019	June 30, 2018
Actuarially determined contribution	$ 1,856	$ 1,911
Contributions in relation to the actuarially determined contributions	(1,876)	(2,203)
Contribution deficiency (excess)	$ (21)	$ (292)
Covered-emplyee payroll	$ 52,963	$ 47,313
Contributions as a percentage of covered-employee payroll	3.54%	4.66%

Notes to Schedule:

[1] Fiscal year 2017-18 was the first year of implementation.

Notes to Schedule of Employer Contribution (OPEB Plan)

Methods and Assumptions for 2018-19 Actuarially Determine Contributions	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal , Level Percentage of Payroll
Amortization method	Level percent of payroll
Unfunded liability amortization	30 years (closed period) for initial UAAL (22 Years remaining on June 30, 2017) 15 years (open period) for method, assumption, plan changes, and gains Maximum 30-year combined period
Asset valuation method	Investment gains and losses spread over a 5-year rolling period. Not less that 80% nor greater than 120% of market value
Discount rate	5.25%
General inflation	3.00%
Healthcare trend	Non-Medicare - 6.5% increase in 2018 scaling down to 5.0% in 2021 Medicare - 6.7% increase in 2018 scaling down to 5.0% in 2021
Mortality	CalPERS 1997-2011 Experience Study
Mortality improvement	Mortality improvement projection with Scale MP-14 with 15 year convergence in 2022

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CITY OF SANTA CLARA, CALIFORNIA

PEDESTRIAN AND BICYCLE PROJECTS

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018

CITY OF SANTA CLARA
PEDESTRIAN AND BICYCLE PROJECTS
Financial Statements
For the Years Ended June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the financial statements of the Pedestrian and Bicycle Projects (Projects) of the City of Santa Clara (City), as of and for the years ended June 30 2019 and 2018, and the related notes to the financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Projects as of June 30, 2019 and 2018, and the change in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Projects and do not purport to, and do not present fairly the financial positions of the City as of June 30, 2019 and 2018, or the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated ___, 2019, on our consideration of the Projects' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Projects' internal control over financial reporting and compliance.

Pleasant Hill, California
DATE

CITY OF SANTA CLARA
PEDESTRIAN AND BICYCLE PROJECTS
BALANCE SHEET
JUNE 30, 2019 AND 2018

	2019			
	Allocation Instruction Number 16001020	Allocation Instruction Number 18001091	Total	2018
ASSETS				
Due from Metropolitan Transportation Commission		$75,000	$75,000	$298,012
LIABILITIES				
Due to the City		$75,000	$75,000	$314,816
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue		75,000	$75,000	298,012
FUND BALANCE (DEFICIT)		(75,000)	(75,000)	(314,816)
Total Liabilities, Deferred Inflows and Fund Balance (Deficit)		$75,000	$75,000	$298,012

See accompanying notes to financial statements

CITY OF SANTA CLARA
PEDESTRIAN AND BICYCLE PROJECTS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2018			
	Allocation Instruction Number 16001020	Allocation Instruction Number 18001091	Total	2019
REVENUES				
TDA Article 3.0 (Note 2)	$298,012		$298,012	
Total Revenues	298,012		298,012	
EXPENDITURES				
Bicycle & Pedestrian Improvements at Various Locations				$298,012
Bicycle Plan		$58,196	58,196	16,804
Total Expenditures		58,196	58,196	314,816
Excess of Revenues over Expenditures	298,012	(58,196)	239,816	(314,816)
Fund balance at beginning of year	(298,012)	(16,804)	(314,816)	
Fund balance (deficit) at end of year		($75,000)	($75,000)	($314,816)

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Santa Clara, California (City), has developed the Pedestrian and Bicycle Projects (Projects) under the Transportation Development Act (TDA), Article 3.0, for the construction for pedestrian pathways, wheelchair ramps and bicycle master plan studies.

The TDA funds are distributed through the Metropolitan Transportation Commission (MTC), which is the agency responsible for allocation of funds to eligible claimants within the greater San Francisco Bay Area.

The Projects are included in the Capital Project Fund of the Comprehensive Annual Financial Report of the City. The financial statements are intended to present the financial position and results of operation for the Projects, and not those of the City as a whole.

A. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized. The Projects are accounted for in a governmental fund type and the modified accrual basis of accounting is used. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when they are incurred.

B. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of balance sheet may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Projects have only one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the balance sheet. The Projects report unavailable revenues from one source: accounts receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - TDA ARTICLE 3.0 REVENUE

As of June 30, 2019, the City had allocation instructions from the Metropolitan Transportation Commission for the following projects:

Project Name	Allocation Instruction #	Grant Amount	Expended from Inception to June 30, 2019	Revenue Received Inception to June 30, 2019
Bicycle & Pedestrian Improvements at Various Locations	16001020	$298,012	$298,012	$298,012
Bicycle Plan	18001091	75,000	75,000	
Bicycle Facility on Lafayette/Bassett Streets	19001017	600,000		

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING,
ON COMPLIANCE WITH THE TRANSPORTATION DEVELOPMENT ACT
AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the 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, the financial statements of the City of Santa Clara (City) Pedestrian and Bicycle Projects (Projects), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated DATE.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Projects' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Projects' internal control. Accordingly, we do not express an opinion on the effectiveness of the Projects' Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Projects' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficienc*y is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Projects' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our procedures included the applicable audit procedures contained in §6666 of Title 21 of California Code of Regulations and tests of compliance with the applicable provisions of the Transportation Development Act and the Allocation Instructions and Resolutions of the Metropolitan Transportation Commission. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated DATE, which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Projects' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Projects' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Metropolitan Transportation Commission, management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Pleasant Hill, California
DATE

STATUS OF PRIOR YEAR FINDING

TDA2018-01 – Accurate Accounting for Project Activities

Transportation Development Act (TDA) project revenues and expenditures should be tracked and accounted for to ensure all grant-eligible costs are identified and accurately reported.

The City assigns project numbers to its TDA projects and project number 1378 is used to account for the activities related to Allocation Instruction #16001020 (Bicycle & Pedestrian Improvements at Various Locations). Project 1378 began in fiscal year 2018 and we were provided expenditure detail totaling $166,513 and the project report indicated that no grant revenue had been received. However, we later found that the City had requested reimbursement for the full grant amount of $298,012. When we inquired about why the reimbursement request exceeded the project expenditures and did not appear on the project activity report, City staff determined that fiscal year 2018 project expenditures of $131,499 had been miscoded to a different project in the same general ledger fund.

We understand that City staff managing the TDA-funded project had requested the reimbursement based on the project invoices from the vendors. However, two of the vendor invoices had been charged to a different project in the general ledger and reclassification of the expenditures to the TDA-funded project was not completed.

As a result of the miscoding of the vendor payments to an incorrect project number, the TDA-funded project revenue and expenditure activity provided for audit was understated.

City staff should develop procedures to ensure that grant reimbursement requests are reconciled to the project activity in the general ledger to ensure all invoices are accurately coded by project.

Current Status:
The City has implemented an additional step to ensure that other department requests for reimbursement are compared to the general ledger before they are filed.

CITY OF SANTA CLARA
MEMORANDUM ON INTERNAL CONTROL

FOR THE YEAR ENDED JUNE 30, 2019

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CITY OF SANTA CLARA
MEMORANDUM ON INTERNAL CONTROL

For the Year Ended June 30, 2019

Table of Contents

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MEMORANDUM ON INTERNAL CONTROL

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

We have audited the basic financial statements of the City of Santa Clara for the year ended June 30, 2019, and have issued our report thereon dated [DATE]. Our opinions on the basic financial statements and this report, insofar as they relate to the component unit the Santa Clara Stadium Authority, and the Investments in Joint Ventures of the Northern California Power Agency (NCPA), the Transmission Agency of Northern California (TANC) and the San Jose-Santa Clara Regional Wastewater Facility and Clean Water Financing Authority (SJSC), are based solely on the reports of other auditors. In planning and performing our audit of the basic financial statements of the City as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, City Council, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Pleasant Hill, California
DATE

SCHEDULE OF OTHER MATTERS

2019-01 Periodic Billing for Reimbursable Grant Projects

The City has a number of projects and programs that are fully or partially funded by federal, state and local grants on a reimbursement basis. As the City incurs related project or program costs, timely grant reimbursement requests should be prepared and filed with the grantor to minimize the time between disbursement and reimbursement. Cash management of grant funded projects is vital to the continuation and successful completion of the projects. If grant funds are not requested timely, the funding source may no longer have available funds for reimbursement or funds may be deprogrammed by the grantor.

During our testing of expenditures and reimbursement requests related to the City's Transportation Development Act (TDA) funded grant projects, we noted one grant reimbursement for $298,012 filed in August 2018 included project expenditures that dated back to December 2017 and we noted a second project with reimbursable project expenditures incurred in February 2018 through June 2019 totaling $75 thousand had not been billed to the grantor as of December 2019.

Although the City's TDA-funded projects through the Metropolitan Transportation Commission do not appear to require periodic billing, the City is permitted to submit reimbursement requests as project costs are incurred. And, these TDA-funded projects have a three-year expiration date, after which reimbursement may not be requested, therefore submitting reimbursement requests timely is important.

City staff indicated that reimbursement for project costs were delayed due the public works department being short staffed

The City should develop procedures to ensure grant reimbursement requests are prepared and submitted periodically as costs are incurred, at least quarterly or semi-annually, not only to improve cash flow but to match expenditures with associated revenues in the same period.

Management's Response:
OPEN FOR CITY

2019-02 Documentation of Cash Receipt Reconciliations

The City's daily cash receipt reconciliations are reviewed and approved by an employee that was not involved with the preparation of the reconciliations, and the City's procedure is that the reviewer will initial and date the reconciliation to indicate the review was completed.

We selected three months (September 2018, October 2018 and February 2019) to review documentation of the review and approval of the daily cash receipt reconciliations and of the eighty-eight reconciliations included in that span of time, we noted that six daily reconciliations (five in September and one in October) did not include an indication that the review had been completed .

We understand that staff that reviews the daily cash receipt reconciliations forgot to initial to indicate the reviews had been completed.

SCHEDULE OF OTHER MATTERS

2019-02 **Documentation of Cash Receipt Reconciliations (Continued)**

Without proper documentation of a second employee reviewing cash collection reconciliations, there is a risk that errors may go undetected.

City staff should ensure that each daily cash receipt reconciliation is initialed and dated going forward, and the prior daily cash receipt reconciliations throughout the year should be reviewed to ensure that the documentation of the review is in place for all prior reconciliations.

Management's Response:
OPEN FOR CITY

2019-03 **Retaining Documentation of Accounts Payable Check Run Review Process**

Documentation of review and approval processes should be retained in the City's records, regardless of whether the approval is on hard-copy documents or in an electronic format.

Certain of the City's review and approval processes are completed electronically, including documentation of the review and approval of the accounts payable check run review. After the check run is reviewed, an email is sent to applicable accounts payable staff to indicate the review is complete and the issuance of the checks can commence.

We understand that the approving email is not retained in the accounts payable records. However, we understand the City's e-mail system is set to automatically delete emails after thirty days, which mean any electronic approvals are no longer available as an audit trail.

The City should develop procedures to retain the electronic documentation of the review and approval of the check runs and for any other areas in which the review and approval is being relied upon as part of the City's system of internal control.

Management's Response:
OPEN FOR CITY

SCHEDULE OF OTHER MATTERS

2019-04 **<u>Consider Performing Periodic Claims Audits</u>**

The City is self-insured up to $3 million per claim for general liability claims and up to $500,000 per claim for worker's compensation claims. The City relies upon two third party administrators (TPA) for day-to-day processing of those claims, including making payments and setting reserves for the estimated outstanding liabilities.

We understand the City has not initiated a claims audit of each program to ensure that each TPA is processing claims properly.

A claims audit helps ensure the City is protected. The primary purpose of a claims audit is to ensure the TPA consistently pays claims accurately and appropriately, as well as ensuring that reserve practices are sufficient. During the audit process, a TPA is examined for its performance according to the contract with the City and industry standards.

The City should consider initiating claims audits periodically, such as every other year, to ensure the TPAs are administering the City's claims appropriately.

Management's Response:
OPEN FOR CITY

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We cite them here to keep you informed of developments:

EFFECTIVE FISCAL YEAR 2019/20:

GASB 84 – *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

SCHEDULE OF OTHER MATTERS

GASB 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61)*

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2020/21:

GASB 87 – *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

GASB 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2021/22:

GASB 91 – *Conduit Debt Obligations*

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved:

(1) an issuer
(2) a third-party obligor, and
(3) a debt holder or a debt trustee.

- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

SCHEDULE OF OTHER MATTERS

GASB 91 – *Conduit Debt Obligations (Continued)*

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

How the Changes in this Statement will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

CITY OF SANTA CLARA
MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR
SIGNIFICANT DEFICIENCIES

2018-01 **Franchise Fees Remittance Errors**

The City should ensure all rates charged to third parties are accurate, up-to-date and supported with valid agreements, contracts, ordinances and master fee schedules. In addition, customer remittances that include customer-calculated amounts should be recalculated to ensure they are clerically accurate.

We selected forty receipts for testing and noted one receipt for franchise fees from non-exclusive franchise haulers in the amount of $196,193 was calculated based on 3%, 10% and 16% of the gross billing categories, but the current franchise agreement requires payment based on 3%, 12% and 18% of the gross billing categories. It appears for the quarter ending September 30, 2017, the rates from the franchise agreement for years 2013-2016 were used, rather than the rates in the most current franchise agreement for years 2016-2019. As a result, the City was underpaid in the amount of $25,439.

We understand the franchise fee payment form was not updated and used the old rate schedule and as a result the City's franchise fee revenue is understated.

In response to our discovery of the issue, the City completed an audit in July 2018 of all ten of its non-exclusive franchise haulers franchise fee payments for fiscal year 2017 and determined that the full amount of underpayment for that year was $102,594. City staff has not yet completed an audit of the franchisee fee payments for fiscal year 2018, but estimates the underpayment to be $75 thousand. The underpayments for fiscal year 2017 are expected to be collected from each franchisee with their October 2018 remittances.

The City must ensure the franchise fee payment form is updated when the rates change and develop procedures to ensure customer remittances that include customer-calculated amounts are recalculated to confirm that they are clerically accurate. In addition, the City should complete the audit of fiscal year 2018 remittances to determine the actual amount due from the franchisees and ensure collection of the underpayments is completed.

Current Status:
Implemented - The City has established procedures in the Accounts Receivable function of the Accounting Division to ensure that franchise agreements are monitored for collection and accuracy of payment. An additional audit will review the existing NEF hauler agreements and prepare suggestions for the next iteration of these agreements for the 2019-2022 term. This task will also include the creation of an online reporting form to facilitate the ease and accuracy of payments and continued review for accuracy during the 2019-2022 reporting periods.

CITY OF SANTA CLARA
MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR
SIGNIFICANT DEFICIENCIES

2017-01 <u>Payroll Database Access</u>

Employees processing payroll should not have access to the payroll database to make changes to pay rates, benefits, deductions, additional pays, hour types (i.e. overtime hours versus. regular hours), names, etc.

The City has a designated employee in the Human Resources (HR) Department review timecards for accuracy and make adjustments as necessary after the Departments send in the approved electronic timecards to payroll. Once HR completes its review and makes its adjustments to timesheet queries, HR notifies the Payroll Department to proceed with processing the payroll run.

After timecards are approved, the Payroll Department begins processing payroll. Per observation and inquiry, the employees processing payroll are able to make changes to pay rates, benefits, deductions, additional pays, hour types (i.e. overtime hours versus regular hours), names, etc. Some of these adjustments are detailed on "Pay Adjustment Worksheets," which are signed off by separate payroll employees who prepare and review the changes, but we understand these worksheets are not used for all changes made. Once the payroll process is complete, information is sent to the City Clerk for review and to issue the payroll checks/ACH. However, we understand the City Clerk does not perform a detailed review and only looks at "outliers" such as a large increase in overtime pay, overall pay, etc.

We understand the City's payroll process has followed the same work-flow for many years and all payroll employees have the ability to make changes to the pay rates and hour codes in order to process payroll timely.

Without the segregation of duties between those who process payroll and those who have access to making changes to the payroll database, there is an increased risk that, unauthorized pay or benefit increases and other errors may go undetected and not be corrected timely.

The City should remove access to the payroll database from the payroll processors and limit that access to HR. In the event that is not possible, a report of all payroll database changes should be generated during each payroll period and reviewed and approved by HR, the City Clerk's office or another appropriate person not involved with making the changes or processing payroll prior to the generation of the payroll checks.

Current Status:
Implemented - As recommended, beginning in the third quarter of fiscal year 2018, staff from the Human Resources Department is reviewing and approving all payroll database changes each and every pay period for validity. Additionally, the City continues to look at realigning duties and implementing technology enhancements to strengthen controls.

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**STATUS OF PRIOR YEAR
OTHER MATTERS**

2018-02 **<u>Analyze Refundable Deposit Account Balances</u>**

To ensure that the deposits payable balance reported in the City's financial statements is accurate, deposits payable detail should be reviewed on a regular basis.

At June 30, 2018, the City reported refundable deposits of $11.1 million in the Deposits Agency Fund and we selected six individual deposits for testing to agree to supporting documentation and noted the following:

- One deposit in the amount of $993,304 was titled "Unidentified Balance Carried Forward from FMIS"
- One deposit in the amount of $583,736 was supported only by the original general ledger transaction detail from November 2005.

We understand City staff has been working to break out the "unidentified" deposits by source and determine that other old outstanding deposits are still valid.

City staff should continue to work to identify all deposits payable balances by source and determine that deposits payable should still be outstanding and not refunded to the depositor. After that project is complete, the deposits payable detail should be reviewed on a regular basis to ensure all balances are active and should be outstanding, at least annually.

> ***Current Status:***
> The City will include funding for a consultant during the fiscal year 2019-20 budget development process to address deposit balances and assess their validity. The more recent deposit activity is reviewed by staff, but the City will document this review as part of its year end close process going forward.

2018-03 **<u>Investment Policy – Annual Audit</u>**

Section M, Internal Controls, of the City's March 2018 Investment Policy includes the following provision:

> **Annual Audit -** On an annual basis, the City's financial statements and business practices are audited by an external auditor. Included in the auditor's annual review shall be a review of the City's investment and cash management accounting and operational practices.

As the City's external auditors, we cannot be part of the City's internal control structure. Although we have been engaged to audit the City's financial statements, we have not been requested to perform a review specific to the investment and cash management accounting and operational practices. We would be happy to perform any procedures the City specifies regarding the investments as a separate engagement. Otherwise, the provision should be revised, such as requiring the review be performed by the City's Internal Auditor, or removed from the Investment Policy.

> ***Management's Response:***
> Implemented - The City engaged the external auditors to perform agreed-upon procedures to test the City's compliance with certain provisions of the Investment Policy.

STATUS OF PRIOR YEAR OTHER MATTERS

2017-02 **Developing Funding Plans for Fund Balance/Net Position Deficits**

At June 30, 2017, three of the City's funds reported unrestricted net position deficits. The City should develop funding plans for the deficits as noted below:

A. Cemetery Enterprise Fund Net Position Deficit

The Cemetery Enterprise Fund unrestricted net position deficit grew to $5.3 million at June 30, 2017. The fund records the receipt and use of monies for services provided at the Mission City Memorial Park. The Fund received a long-term advance from the General Fund that grew from $4.9 million as of June 30, 2016 to $5.2 million as of June 30, 2017, that is to be repaid when funds become available. The fiscal year 2018 budget does indicate revenues that equal expenses for the Fund, but does not provide for funds to be available to reduce the deficit or for repayment of any portion of the advance.

The City should perform a review of rates and costs in the Fund to determine if costs can be reduced or rates adjusted to work to eliminate the net position deficit and provide funds for repayment of the interfund borrowing. If the advance is not expected to be repaid within a reasonable period of time, Generally Accepted Accounting Principles require that the interfund balance be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan.

B. Workers' Compensation Insurance Claims Internal Service Fund Net Position Deficit

The Workers' Compensation Insurance Claims Internal Service Fund reports a net position deficit of $16.8 million as of June 30, 2017, which was an improvement of $2.1 million from the prior fiscal year. The majority of the decrease in the deficit is due to the change in uninsured claims payable which decreased $1.5 million during the fiscal year. The City must develop plans for funding the deficit to ensure cash is available when the claims come due.

Update for June 30, 2018:
The net position deficits for the Cemetery Enterprise Fund and the Workers' Compensation Insurance Claims Internal Service Fund increased to $3.2 million and $16.7 million, respectively as of June 30, 2018.

Update for June 30, 2019:
The net position deficits for the Cemetery Enterprise Fund increased to $3.9 million and the Workers' Compensation Insurance Claims Internal Service Fund decreased to $16.1 million as of June 30, 2019. In addition, the General Fund's advance to the Cemetery Enterprise Fund increased to $5.7 million.

Current Status:
The City continues to evaluate the unrestricted net position deficits and potential courses of action to eliminate or reduce the deficits in the future by implementing the full cost recovery in the Fee schedule to expedite the repayment of the loan.

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