City of Santa Clara

Meeting Agenda

Audit Committee

Tuesday, November 30, 2021 **3:00 PM** **Virtual Meeting**

Pursuant to the provisions of California Governor's Executive Order N-29-20, issued on March 17, 2020, to prevent the spread of COVID-19, the City of Santa Clara has implemented methods for the public to participate remotely:

Join from a PC, Mac, iPad, iPhone or Android device:
Please click this URL to join: https://santaclaraca.zoom.us/j/99199624617
Webinar ID: 991 9962 4617

Or join by phone:
US: +1 669 900 6833

CALL TO ORDER AND ROLL CALL

CONSENT CALENDAR

1. **21-1516** Audit Committee Minutes

Recommendation: Approve the Audit Committee minutes of September 16, 2021.

PUBLIC PRESENTATIONS

GENERAL BUSINESS

2. **21-1518** Overview of the Draft City of Santa Clara Audited Annual Comprehensive Financial Report (ACFR) and Audited Silicon Valley Power (SVP) Financial Statements for Fiscal Year Ended June 30, 2021

Recommendation: Accept the City of Santa Clara Audited Annual Comprehensive Financial Report and Silicon Valley Power Financial Statements for Fiscal Year Ended June 30, 2021 and recommend that the reports are forwarded for note and file to the full Council at the December 14, 2021 Council and Authorities Concurrent meeting.

ADJOURNMENT

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

The time limit within which to commence any lawsuit or legal challenge to any quasi-adjudicative decision made by the City is governed by Section 1094.6 of the Code of Civil Procedure, unless a shorter limitation period is specified by any other provision. Under Section 1094.6, any lawsuit or legal challenge to any quasi-adjudicative decision made by the City must be filed no later than the 90th day following the date on which such decision becomes final. Any lawsuit or legal challenge, which is not filed within that 90-day period, will be barred. If a person wishes to challenge the nature of the above section in court, they may be limited to raising only those issues they or someone else raised at the meeting described in this notice, or in written correspondence delivered to the City of Santa Clara, at or prior to the meeting. In addition, judicial challenge may be limited or barred where the interested party has not sought and exhausted all available administrative remedies.

If a member of the public submits a speaker card for any agenda items, their name will appear in the Minutes. If no speaker card is submitted, the Minutes will reflect "Public Speaker."

In accordance with the requirements of Title II of the Americans with Disabilities Act of 1990 ("ADA"), the City of Santa Clara will not discriminate against qualified individuals with disabilities on the basis of disability in its services, programs, or activities, and will ensure that all existing facilities will be made accessible to the maximum extent feasible. The City of Santa Clara will generally, upon request, provide appropriate aids and services leading to effective communication for qualified persons with disabilities including those with speech, hearing, or vision impairments so they can participate equally in the City's programs, services, and activities. The City of Santa Clara will make all reasonable modifications to policies and programs to ensure that people with disabilities have an equal opportunity to enjoy all of its programs, services, and activities.

Agendas and other written materials distributed during a public meeting that are public record will be made available by the City in an appropriate alternative format. Contact the City Clerk's Office at 1 408-615-2220 with your request for an alternative format copy of the agenda or other written materials.

Individuals who require an auxiliary aid or service for effective communication, or any other disability-related modification of policies or procedures, or other accommodation, in order to participate in a program, service, or activity of the City of Santa Clara, should contact the City's ADA Coordinator at 408-615-3000 as soon as possible but no later than 48 hours before the scheduled event.

City of Santa Clara

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

Agenda Report

21-1516 **Agenda Date: 11/30/2021**

SUBJECT
Audit Committee Minutes

RECOMMENDATION
Approve the Audit Committee minutes of September 16, 2021.

Draft

City of Santa Clara

Meeting Minutes

Audit Committee

09/16/2021 **3:00 PM** **Virtual Meeting**

Pursuant to the provisions of California Governor's Executive Order N-29-20, issued on March 17, 2020, to prevent the spread of COVID-19, the City of Santa Clara has implemented methods for the public to participate remotely:

Join from a PC, Mac, iPad, iPhone or Android device:
Please click this URL to join: https://santaclaraca.zoom.us/j/99199624617
Webinar ID: 991 9962 4617

Or join by phone:
US: +1 669 900 6833

CALL TO ORDER AND ROLL CALL

Chairperson Watanabe called the meeting to order at 3:04 p.m.

Present 3 - Chair Kathy Watanabe, Member Sudhanshu Jain, and Member Kevin Park

CONSENT CALENDAR

1. 21-917 Audit Committee Minutes

Recommendation: Approve the Audit Committee minutes of March 11, 2021.

A motion was made by Member Jain, seconded by Member Park, to approve staff recommendation. The motion carried by the following vote:

Aye: 3 - Chair Watanabe, Member Jain, and Member Park

PUBLIC PRESENTATIONS

None.

GENERAL BUSINESS

2. 21-916 Overview of Santa Clara Stadium Authority Fiscal Year 2020/21 Annual Financial Statements and Audit Results Presentation by KPMG, LLP

Recommendation: Accept the Santa Clara Stadium Authority Fiscal Year 2020/21 Annual Financial Statements and recommend that the Stadium Authority note and file the report at the September 28, 2021 Joint Council and Authorities Concurrent and Stadium Authority meeting.

A motion was made by Member Park, seconded by Member Jain, to approve staff recommendation. The motion carried by the following vote:

Aye: 3 - Chair Watanabe, Member Jain, and Member Park

3. 21-1158 Overview of the City Auditor's Office Semi-Annual Status Report as of June 30, 2021

Recommendation: Accept the City Auditor's Office Semi-Annual Status Report as of June 30, 2021 recommend that the report be forwarded for note and file to the full Council at the September 28, 2021 Council and Authorities Concurrent meeting.

A motion was made by Member Jain, seconded by Member Park, to approve staff recommendation. The motion carried by the following vote:

Aye: 3 - Chair Watanabe, Member Jain, and Member Park

ADJOURNMENT

Chairperson Watanabe adjourned the meeting at 4:22 p.m.

A motion was made by Member Park, seconded by Member Jain, to adjourn the meeting. The motion carried by the following vote:

Aye: 3 - Chair Watanabe, Member Jain, and Member Park

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

The time limit within which to commence any lawsuit or legal challenge to any quasi-adjudicative decision made by the City is governed by Section 1094.6 of the Code of Civil Procedure, unless a shorter limitation period is specified by any other provision. Under Section 1094.6, any lawsuit or legal challenge to any quasi-adjudicative decision made by the City must be filed no later than the 90th day following the date on which such decision becomes final. Any lawsuit or legal challenge, which is not filed within that 90-day period, will be barred. If a person wishes to challenge the nature of the above section in court, they may be limited to raising only those issues they or someone else raised at the meeting described in this notice, or in written correspondence delivered to the City of Santa Clara, at or prior to the meeting. In addition, judicial challenge may be limited or barred where the interested party has not sought and exhausted all available administrative remedies.

If a member of the public submits a speaker card for any agenda items, their name will appear in the Minutes. If no speaker card is submitted, the Minutes will reflect "Public Speaker."

In accordance with the requirements of Title II of the Americans with Disabilities Act of 1990 ("ADA"), the City of Santa Clara will not discriminate against qualified individuals with disabilities on the basis of disability in its services, programs, or activities, and will ensure that all existing facilities will be made accessible to the maximum extent feasible. The City of Santa Clara will generally, upon request, provide appropriate aids and services leading to effective communication for qualified persons with disabilities including those with speech, hearing, or vision impairments so they can participate equally in the City's programs, services, and activities. The City of Santa Clara will make all reasonable modifications to policies and programs to ensure that people with disabilities have an equal opportunity to enjoy all of its programs, services, and activities.

Agendas and other written materials distributed during a public meeting that are public record will be made available by the City in an appropriate alternative format. Contact the City Clerk's Office at 1 408-615-2220 with your request for an alternative format copy of the agenda or other written materials.

Individuals who require an auxiliary aid or service for effective communication, or any other disability-related modification of policies or procedures, or other accommodation, in order to participate in a program, service, or activity of the City of Santa Clara, should contact the City's ADA Coordinator at 408-615-3000 as soon as possible but no later than 48 hours before the scheduled event.

City of Santa Clara

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

Agenda Report

21-1518 **Agenda Date: 11/30/2021**

REPORT TO AUDIT COMMITTEE

SUBJECT
Overview of the Draft City of Santa Clara Audited Annual Comprehensive Financial Report (ACFR) and Audited Silicon Valley Power (SVP) Financial Statements for Fiscal Year Ended June 30, 2021

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 ACFR and SVP 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.

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 2020/21 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>.

RECOMMENDATION

Accept the City of Santa Clara Audited Annual Comprehensive Financial Report and Silicon Valley Power Financial Statements for Fiscal Year Ended June 30, 2021 and recommend that the reports are forwarded for note and file to the full Council at the December 14, 2021 Council and Authorities Concurrent meeting.

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

ATTACHMENTS

1. Draft Annual Comprehensive Financial Report (ACFR)
2. Draft Silicon Valley Power (SVP) Financial Statements
3. Draft Memorandum on Internal Control

City of Santa Clara

The Center of What's Possible

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2021

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
ANNUAL COMPREHENSIVE FINANCIAL REPORT
TABLE OF CONTENTS
For the year ended June 30, 2021

Page

INTRODUCTORY SECTION

FINANCIAL SECTION

CITY OF SANTA CLARA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
TABLE OF CONTENTS
For the year ended June 30, 2021

Page

CITY OF SANTA CLARA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
TABLE OF CONTENTS
For the year ended June 30, 2021

Page

This page intentionally left blank

November 30, 2021

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 Annual Comprehensive Financial Report (ACFR) of the City of Santa Clara (City) for the fiscal year ended June 30, 2021. 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, 2021 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, 2021 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 2022.

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.

This report is divided into three sections:

• The Introductory Section includes this letter of transmittal, an organizational overview of the City government, and prior awards received.

• The Financial Section consists of the independent auditor's report, Management's Discussion and Analysis, Basic Financial Statements (which include the Government-Wide Financial Statements, Fund Financial Statements, and Notes to Basic Financial Statements), Required Supplementary Information, and a Supplementary Section containing the Combined and Individual Fund Financial Statements and Schedules.

• The Statistical Section includes a number of tables of unaudited data depicting the financial history of the City, demographics, and other selected information about the City.

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 19.3 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, a general hospital, a theme park, and a stadium.

The City's population is estimated at 129,100 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. 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

COVID-19 spurred the abrupt end to the longest economic expansion in U.S. history, impacting communities across the country. In 2020, the nation saw record breaking increases in unemployment and declines in economic activity. These impacts, however, have been uneven, with some sectors significantly negatively impacted, such as leisure and hospitality and retail, and other sectors remaining strong, such as housing. With its reliance on business travel, Santa Clara's hotel activity is expected to take time to recover. From the extremely low starting point in the current fiscal year, strong growth is projected over the next several years with collections hitting the pre-COVID levels in 2026

While the local economy continues its recovery from the COVID-19 pandemic, this has been tempered recently with the Delta-variant, The unadjusted unemployment rate in the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA) was 5.2% in June 2021, significantly higher than the pre-COVID-19 level of 2.6% in February 2020, but well below the June 2020 unemployment rate of 10.4%.

At the local level, several of the City's General Fund revenues have been impacted, with the largest declines in the transient occupancy tax, sales tax, and fees for services categories. In response to the economic environment stemming from impacts of the COVID-19 pandemic, the City implemented various cost savings strategies at the end of March 2020. These actions included a hiring freeze in addition to more controls across overtime, as-needed staffing, marketing, travel, and technology and vehicle purchases.

FY 2020/21 saw the full impact of COVID-19 on the local economy. The City took steps to rebalance its budget mid-year through expenditure cuts and use of one-time reserves. Through strong fiscal management efforts, the City has been able to develop proposals that maximize services, maintain our workforce, and suspend expenditures where appropriate due to COVID-19. For FY 2021/22, the City took further action to close a $29 million deficit, in part through one-time ARPA federal funding totaling $26 million, use of reserves, and further expenditure and revenue actions.

Looking forward, the City continues to forecast a $17.6 million ongoing deficit starting in FY 2023/24 in the General Fund. A workplan considering several options to review fees, or generate new revenues are ongoing.

FINANCIAL INFORMATION

Long-term Financial Planning

The City Council has adopted key Council Strategic Pillars to guide long-term policy decisions and address the economic challenges that the City faces. COVID-19 will continue to stress the City's resources but the City also continues to recognize the need to fund reserves and utilize a multi-pronged strategy to ensure ongoing expenditures are in alignment with ongoing revenues. The Council Strategic Pillars are:

- Promote and Enhance Economic, Housing and Transportation Development
- Deliver and Enhance High Quality Efficient Services and Infrastructure
- Enhance Community Sports, Recreational and Arts Assets
- Enhance Community Engagement and Transparency
- Ensure Compliance with Measure J and Manage Levi's Stadium
- Manage Strategically Our Workforce Capacity and Resources
- Promote Sustainability and Environmental Protection

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.

The Plan compares ongoing revenues and expenditures. The model assumes shortfalls or surpluses are solved with ongoing solutions in the prior year. To the extent solutions to close the gap, or ongoing dollars are not fully spent in years with surpluses, these figures would carry over to the next fiscal year. It does not factor in one-time funding sources or items funded on a pay-as-you-go method with one-time sources.

The Plan does not include the following:

- One-time funding sources and one-time expenditure needs;
- The cost to address unmet/deferred capital infrastructure needs;
- Revenue and staffing impacts of development projects; and
- Additional contributions to Reserves (Budget Stabilization Reserve, Capital Projects Reserve, Pension Reserve).

Historically, the City has funded many of capital infrastructure and equipment needs with one-time funds on a pay-as-you-go basis. The use of one-time funds as the funding mechanism for capital improvements and various equipment that rely on the General Fund creates challenges. The lack of sufficient one-time funding has resulted in a backlog of unmet/deferred infrastructure needs. Staff will continue to evaluate potential options to create capacity to address those funding needs.

In addition to the elements described above that are not factored into the Forecast, the City has identified various factors that could have potential positive or negative impacts on the Forecast. These include:

- More robust economic recovery following the COVID-19 vaccinations;
- Less economic recovery as a result of worsening COVID-19 impacts due to variants and vaccine hesitancy;
- Future economic slowdown/recession;
- The re-assessment of non-residential properties for property tax purposes;
- State/federal legislative changes and legal challenges;
- Labor costs outside the budget assumptions;
- CalPERS actuarial changes or reform actions;
- Unanticipated critical capital/infrastructure needs; and
- Maintenance impacts and timing of development projects.

In January 2021, the Administration prepared the Plan for discussion at the Council Priority Setting Session. At that time, the Plan showed a substantial General Fund shortfall of $41.7 million in FY 2021/22 as a result of COVID-19 impacts on City revenues, with improvement in the remaining years of the Forecast. The projected shortfall of $41.7 million was equivalent to 14.8% of forecasted expenditures, while the surpluses in the out years of $1.5 million to $5.5 million were relatively small, ranging from 0.5% to 1.9% of expenditures annually.

Since the development of the Plan in January 2021, staff continued to refine the revenue estimates and the expenditure budget. The Phase 1 budget reductions ($12.7 million) as well as other net zero adjustments result in an improvement to the estimated budget deficit in FY 2021/22. With the Council approval of Phase 1 in March 2021, and with continued revision, the shortfall was revised downwards from $41.7 million to $29 million. The revised shortfall of $29 million is equivalent to 11.2% of General Fund expenditures in FY 2021/22, while the small surpluses of $1.3 million to $4.2 million in the remaining years range from 0.5% to 1.5% of expenditures. The FY 2021/22 and FY 2022/23 Adopted Operating Budget solved this deficit with new revenues, expenditure reductions, the use of one-time federal stimulus funding, and reserves. Because the ongoing deficit was solved using partial reserves, an ongoing revised deficit of $17.6 million is forecasted starting in FY 2023/24.

The plan is to address the shortfall with a combination of the following:

- Ongoing expenditure reductions
- One-time savings from cost control measures
- Potential ballot measures and other revenue generating actions
- Potential labor negotiations

With the pandemic, economic conditions have worsened in a very short period of time and many economists are now projecting one of the worst recessions in generations. It is difficult to fully know the ongoing impact at this time. We believe the shortfall could be worse and is directly connected to the duration and magnitude of the shelter-in-place, as well as how re-opening the local economy is implemented over time.

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 tenth 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

Investments in City Council Priorities

Heading into FY 2020-21, many initiatives that aligned with City Council priorities were planned and approved by the Council. However, it should be noted that these priorities were developed to prioritize investments during a time of economic growth. While many of these priorities are important to our community, our focus has quickly shifted to maintaining essential services that our residents currently receive and in the context of recovering from a global pandemic and economic crisis. No doubt, our priorities and strategies must pivot from a growth strategy to maintaining service level strategy and recovering from COVID-19. As such, and given the magnitude and challenges of the budget deficits, these priorities have been put on hold by staff while we have refocused on essential services related to COVID-19. The City has already implemented numerous strategies, as previously described, to generate savings to tackle the deficits. These include a hiring freeze across the organization; reducing marketing, reduced technology, travel and training expenditures; reviewing our current purchase orders, encumbrances and, carryover projects. While these measures will help generate savings, we know that additional measures that threaten the service levels currently funded will be needed to budget gap. Ongoing work on future revenue initiatives continues which include evaluation of our cost recovery fees, and focusing our operations as we recover from COVID-19.

Development Projects

Prior to the COVID-19 pandemic, more than $3 billion in new development projects were on the horizon for Santa Clara in the next few years, with the likelihood of more to come. There are many residential and commercial projects in various stages of planning. While these projects are underway, it is important to note that changes due to COVID-19 may be required as we continue to learn about the long-term impacts related to community gatherings, engagement, and regulations. These projects are both sensitive to new community requirements and an economic downturn: therefore, flexibility will be required. Below are highlights of a few of the larger projects:

<u>Related Santa Clara Project</u>

The Related Santa Clara Project is envisioned to be an approximately 240-acre, multi-phased urban city development located in the heart of the Silicon Valley. The project will create a new center of activity for the community and region, providing significant mixed-use development, retail offerings, office buildings, hotel rooms, and rental residential dwellings at an urban scale, as well as accessible outdoor spaces and new infrastructure to support the development.

<u>Downtown Master Plan</u>

The City of Santa Clara is in the process of planning for the revitalization of our Downtown by developing a Precise Plan that will provide guidance for new development within a portion of the Downtown Focus Area. Following an initial community engagement effort, three land use scenarios/conceptual plans have been developed. Additional review and testing of the land use/design options, a larger context study to understand compatibility and competition from other large development projects, and an El Camino Real intersection study to understand multi modal connectivity from regional transit to downtown will be performed. This work will focus on market feasibility, retail strategy and connectivity.

<u>Electric Vehicle (EV) Charging</u>

A project added in FY2019/20, SVP's EV Charging infrastructure will support the City's conversion to clean energy and prepare for future installations in accordance with California standards. This project will expand new EV charging stations throughout the City over the next five years.

<u>Community Park North- Phase I</u>

Per the Developer Agreement, a 34.9-acre parcel, formerly part of the City's golf course, will be developed into Santa Clara's second community park. This project is funded from a Developer Contribution in the amount $5 million, of which $500,000 is for design and engineering and $4.5 million for construction of Phase I improvements. Phase I will include community outreach, schematic design and design development, and program planning. Phase I improvements will be determined after the community outreach process.

Freedom Circle Mixed Use Project

This project proposes a General Plan Amendment and Re-zoning to Planned Development to construct a mixed-use development project on a 16.6 acre site within the Freedom Circle specific plan area, that consists of 1,018 residential units, 606,968 square feet of office space, 18,653 square feet of commercial space and 2.5 acres of publicly accessible open space, including bicycle and pedestrian connections to the San Tomas Aquino Creek Trail.

Benton Street Mixed Use Project

Developed by Prometheus, this project currently under construction consists of up to 355 apartment units including eight live-work units, 650 parking spaces, 1,601 square feet of leasing office space, 346 square feet pet spa area,1,528 square feet of bike amenity space, an amenity roof deck with 4,341 square feet of club room and a fitness center, three private courtyards and a public courtyard facing The Alameda. The project includes approximately 22,000 square feet of retail space and potentially an additional 2,364 square feet of commercial space within 8 live-work units.

Kylii Mixed Use Development Project

This project is in review for a General Plan amendment for a nine-parcel property to amend the designation from High-Intensity Office/Research to a newly established mixed-use designation allowing a high-intensity mix of office, commercial, and residential uses. The proposed amendment could support future development on the property. Potential development area includes 3.5 million square feet of office and 6,000 housing units.

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 separate 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. 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-ninth consecutive years.

To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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 Annual Comprehensive Financial Report 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	Kevin Park
Councilmember District 5	Sudhanshu Jain
Councilmember District 6	Anthony J. Becker

BOARD OF LIBRARY TRUSTEES

Leonne Broughman, Jan Hintermeister, Stephen Ricossa, Debbie Tryforos, Jonathan Evans

CIVIL SERVICE COMMISSION

Tahir Naim, Willie D. Brown Jr., John Casey, Franklin J. Felizardo, Carolyn G. McAllister,

CULTURAL COMMISSION

Candida A. Diaz, Debra von Huene, Jonathan Marinaro, Louis Samara, Teresa Sulcer, Paul McNamara, Jennifer G. Vega

HISTORICAL AND LANDMARKS COMMISSION

Kathleen Romano, Michael Celso, Amy Kirby, Megan Swartzwelder, Stephen Estes, Patricia Leung, J.L. “Spike” Standifer, Sajid Hai, Ana Vargas-Smith

HOUSING REHABILITATION LOAN COMMITTEE

Darius Brown, Carmen Pascual

PARKS AND RECREATION COMMISSION

Burt Field, Andrew Knaack, Kelly Gonzalez, Joe Martinez, Dana Caldwell, -House, Eversley Forte,

PLANNING COMMISSION

Nancy A. Biagini, Yuki Ikezi, Ricci Herro, Qian Huang, Lance Saleme, Priya Cherukuru, Yashraj Bhatnagar

SALARY SETTING COMMISSION

Eric Chu, Marjorie Banko, MV Kumar, John Sontag, Ram Misra

SENIOR ADVISORY COMMISSION

Wanda Buck, Grant L. McCauley, Nancy Toledo, Helen E. Narciso, Judy Hubbard, Ana Segovia, Alex Mackenzie

YOUTH COMMISSION

Aarav Gupta, Ahmad Ismail, Jasmine Kelley-Tanti, Khadeejah Khan, Adrianne Krivokapic-Zhou, Colin Lim, Kayla Phan, Rajvi Khanjan Schroff, Riya Mehta, Palak Parikh, Smrithi Suresh, Natasha Yen, Kavya Sriram, Amy Zuo, Sarah Zuo

EXECUTIVE MANAGEMENT TEAM

CITY MANAGER
Deanna J. Santana

CITY ATTORNEY
Brian Doyle

CITY CLERK
Hosam Haggag

ASSISTANT CITY MANAGER
Ruth Shikada

ASSISTANT CITY MANAGER
Cynthia Bojorquez

FIRE CHIEF
Ruben Torres

DIRECTOR OF FINANCE
Kenn Lee

DIRECTOR OF INFORMATION TECHNOLOGY
Gaurav Garg

CHIEF ELECTRIC UTILITY OFFICER
Manuel Pineda

DIRECTOR OF PUBLIC WORKS
Craig Mobeck

CITY AUDITOR
Vacant

CHIEF OPERATING OFFICER
Nadine Nader

CHIEF OF POLICE
Pat Nikolai

DIRECTOR OF HUMAN RESOURCES
Aracely Azevedo

DIRECTOR OF PARKS & RECREATION
James F. Teixeira

CITY LIBRARIAN
Vacant

DIRECTOR OF WATER AND SEWER UTILITIES
Gary Welling

DIRECTOR OF COMMUNITY DEVELOPMENT
Andrew Crabtree

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Santa Clara
California**

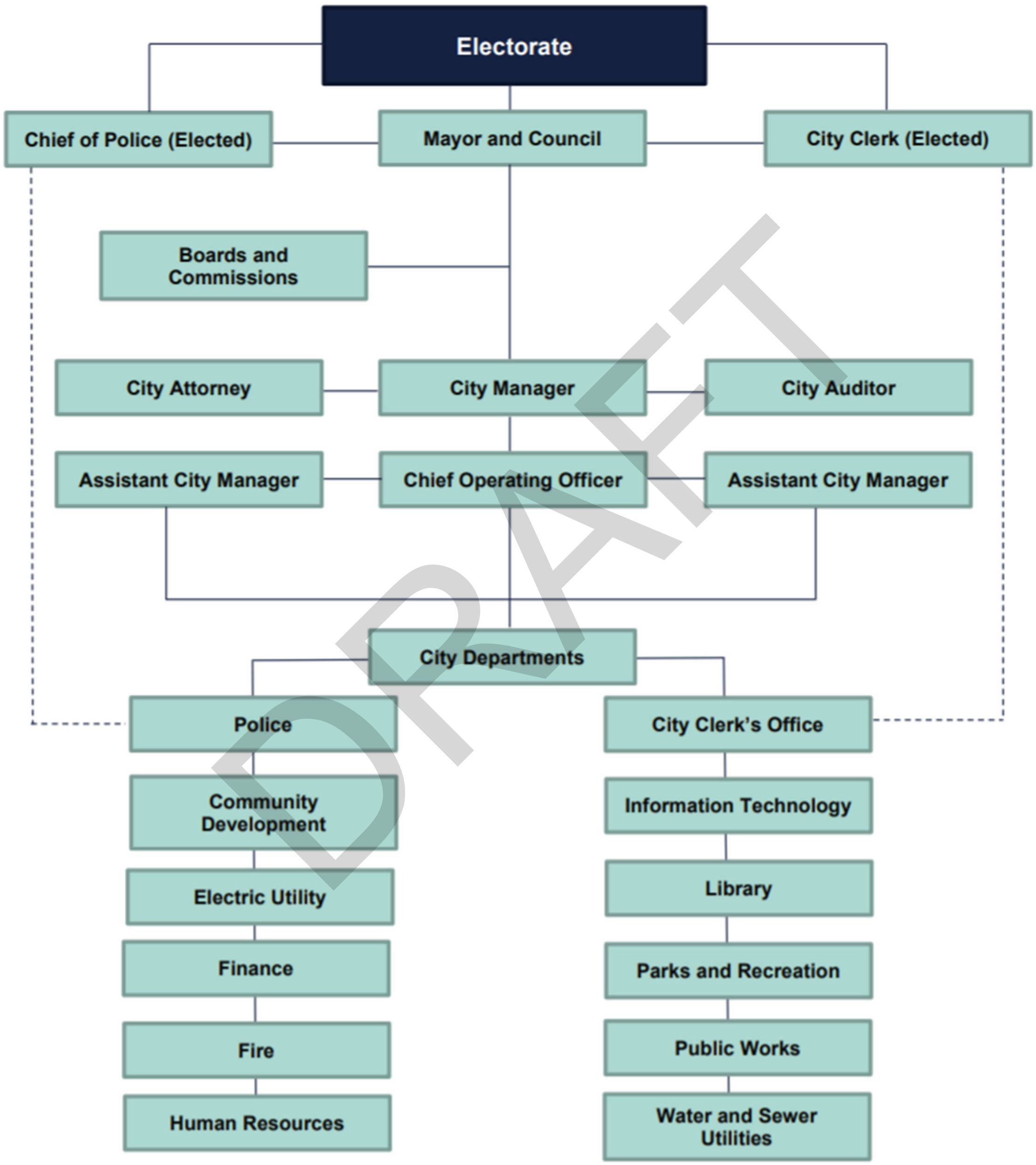
For its Comprehensive Annual Financial Report For the Fiscal Year Ended

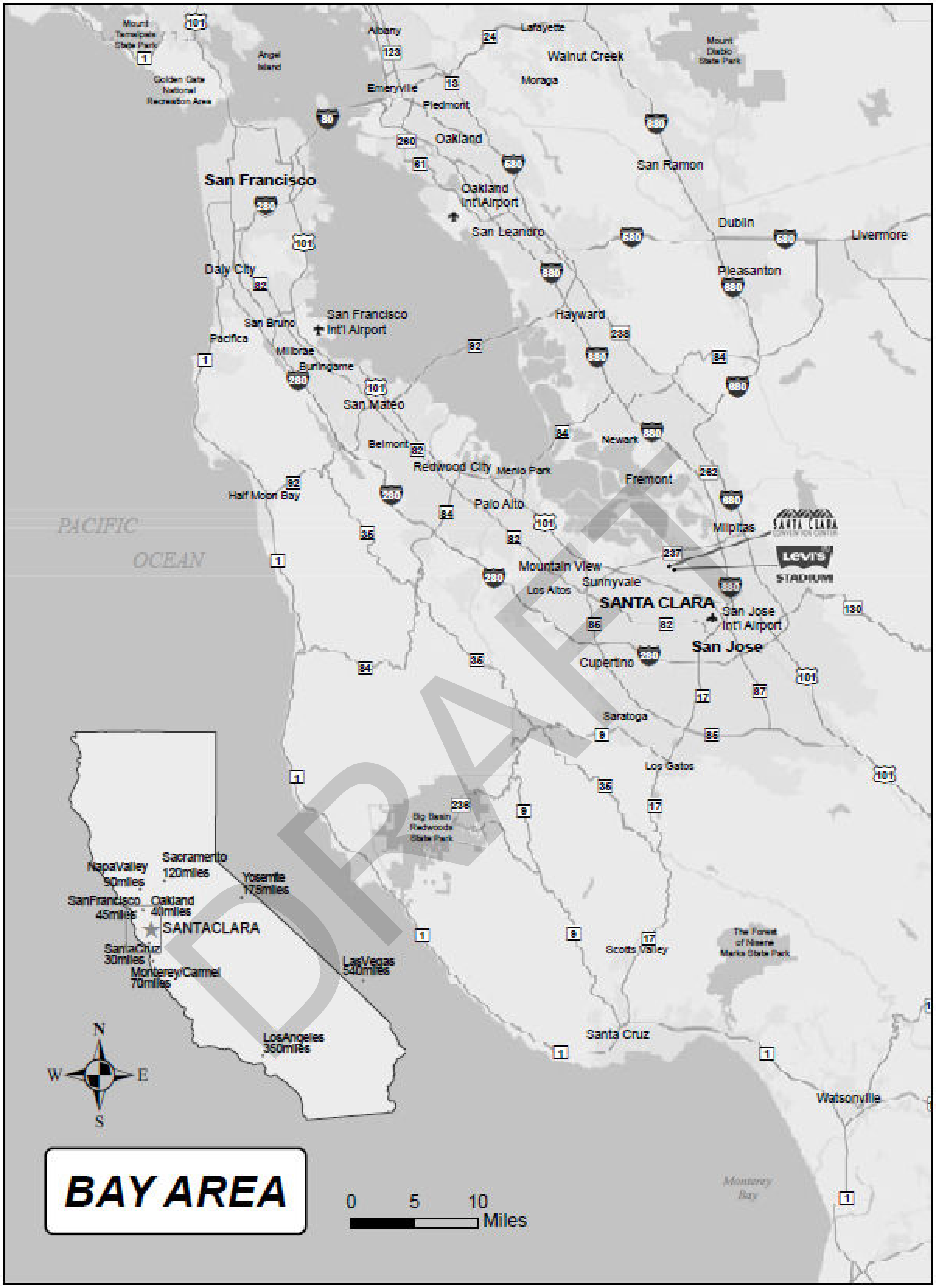
June 30, 2020

Christopher P. Morrill

Executive Director/CEO

CITY ORGANIZATION CHART




BAY AREA
0 5 10 Miles
N
S
E
W
PACIFIC OCEAN
San Francisco
Oakland
Albany
Emeryville
Piedmont
Lafayette
Walnut Creek
Moraga
San Ramon
Dublin
Livermore
Pleasanton
Oakland Int'l Airport
San Leandro
Hayward
Daly City
San Bruno
Pacifica
Millbrae
Burlingame
San Francisco Int'l Airport
San Mateo
Belmont
Redwood City
Menlo Park
Half Moon Bay
Palo Alto
Newark
Fremont
Milpitas
Mountain View
Los Altos
Sunnyvale
SANTA CLARA
San Jose Int'l Airport
San Jose
Cupertino
Saratoga
Los Gatos
Scotts Valley
Santa Cruz
Watsonville
Monterey Bay
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
SANTA CLARA CONVENTION CENTER
LEVI'S STADIUM
NapaValley 50miles
Sacramento 120miles
Yosemite 175miles
SanFrancisco 45miles
Oakland 40miles
SANTACLARA
SantaCruz 30miles
Monterey/Carmel 70miles
LasVegas 540miles
LosAngeles 350miles

Financial Section

This page intentionally left blank

MAZE & ASSOCIATES

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, 2021, 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, 2021, which is both a major fund and 32.7%, 5.6%, and 6.3% 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, 2021, related to the calculation of the Investments in Joint Ventures. The Investment in these Joint Ventures collectively represents 8.9%, 16.3% and 0.2%, 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.

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, 2021, 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.

Changes in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 84 – *Fiduciary Activities*, which became effective during the year ended June 30, 2021 and required the restatement of beginning fund balance and net position as discussed in Note 18E to the financial statements. As part of the implementation, the OPEB Plan Trust Fund is no longer reported in the financial statements and the Statement established the new fund type, Custodial Funds, and eliminated the fund type of Agency Funds.

Management also early-adopted the provisions of Governmental Accounting Standards Board Statement No. 98 - *The Annual Comprehensive Financial Report* for the year ended June 30, 2021, which establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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
November 30, 2021

This Page Left Intentionally Blank

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of the City of Santa Clara's (City) Annual Comprehensive Financial Report provides an overview of the City's financial activities for the fiscal year ended June 30, 2021. 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, 2021 are as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by $2.0 billion in fiscal year 2020-21. Of this amount, $(190) million represents unrestricted net position, a decrease of $47 million from fiscal year 2019-20. The deficit is comprised of a negative balance of $290 million for governmental activities and a positive balance of $100 million for business-type activities. The negative position in governmental activities is primarily due to the net pension liability of $464 million and the net Other Post Employment Benefits (OPEB) liability of $20 million as of June 30, 2021.
- The City's total net position that increased by $33 million includes a $38 million decrease in governmental activities primarily from the COVID-19 impact and $71 million increase in business-type activities mainly from the rate increases and lower operating costs in Electric Utility.
- The net pension liability increased by $45 million or 8.1% during fiscal year 2020-21 to $599 million from $554 million. The changes were mainly due to the decrease in investment earnings. Deferred outflows of resources related to pensions are $96 million at June 30, 2021, an increase of $5 million from prior year. Deferred inflows of resources related to pensions are $1 million at June 30, 2021, a decrease of $10 million from prior fiscal year. The decrease resulted from changes of assumptions, differences between expected and actual experience, and net the difference between projected and actual earnings on the pension plan investments. More details on the net pension liability are included in Note 13.
- The net OPEB liability decreased by $2 million or 5.3% during fiscal year 2020-21 to $36 million at June 30, 2021 from $38 million in fiscal year 2019-20. More details on the net OPEB liability are included in Note 16.
- The City's total liabilities, excluding net pension liability, and net OPEB liability, increased by $4 million to $1,101 million at June 30, 2021.
- As of June 30, 2021, the City's governmental funds reported combined fund balances of $317 million, a decrease of $36 million from the prior year. At June 30, 2021, $91 million is in the unassigned fund balance and available for spending at the City's discretion.
- At the close of fiscal year 2020-21, the General Fund had assets of $205 million and a fund balance of $178 million. This represents a decrease in fund balance of $41 million, or 18.7% from prior fiscal year. The decrease was due to reduced sales tax and transient occupancy tax revenue related to the economic impacts of COVID-19 and the $30 million net transfer to the governmental capital projects and special COVID-19 related activities. Of the total fund balance, $138 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, 2020 through March 31, 2021. As of March 31, 2021, buildings, infrastructure and land improvements equaled $826 million and the assets of the Stadium Authority exceeded its liabilities by $78 million.
- The City's total outstanding long-term debt decreased by $42 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 Santa Clara 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 Custodial Funds (which includes Employee Supplemental Funds, Special Assessments, and Custodial 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, 2021. As noted earlier, the City's total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $2.0 billion at the end of the fiscal year, an increase in net position of $33 million.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Cash and investments	$ 346	$ 344	$ 702	$ 644	$ 1,048	$ 988
Other assets	144	145	364	365	508	510
Capital assets	640	628	1,445	1,438	2,085	2,066
Total Assets	**1,130**	**1,117**	**2,511**	**2,447**	**3,641**	**3,564**
Deferred outflows from refunding	-	-	7	8	7	8
Deferred outflows OPEB related	1	-	1	-	2	-
Deferred outflows pension related	76	73	20	18	96	91
Total Deferred Outflows of Resources	**77**	**73**	**28**	**26**	**105**	**99**
Long-term debt outstanding	14	16	482	521	496	537
Net OPEB liability	20	21	16	17	36	38
Net pension liability	464	428	135	126	599	554
Other liabilities	93	63	512	497	605	560
Total Liabilities	**591**	**528**	**1,145**	**1,161**	**1,736**	**1,689**
Deferred inflows on derivative instruments	-	-	13	1	13	1
Deferred inflows from refunding	-	-	2	2	2	2
Deferred inflows OPEB related	3	3	3	2	6	5
Deferred inflows pension related	1	9	-	2	1	11
Total Deferred Inflows of Resources	**4**	**12**	**18**	**7**	**22**	**19**
Net investment in capital assets	626	613	1,042	975	1,668	1,588
Restricted	276	261	234	249	510	510
Unrestricted	(290)	(224)	100	81	(190)	(143)
Total Net Position	**$ 612**	**$ 650**	**$ 1,376**	**$ 1,305**	**$ 1,988**	**$ 1,955**

The largest portion of the City’s net position, $1.7 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 $510 million (26%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $(190) million (-10%) 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 Internal Service Fund, Special Liability Insurance Claims Internal Service Fund, Cemetery Enterprise Fund, and Solid Waste Enterprise Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

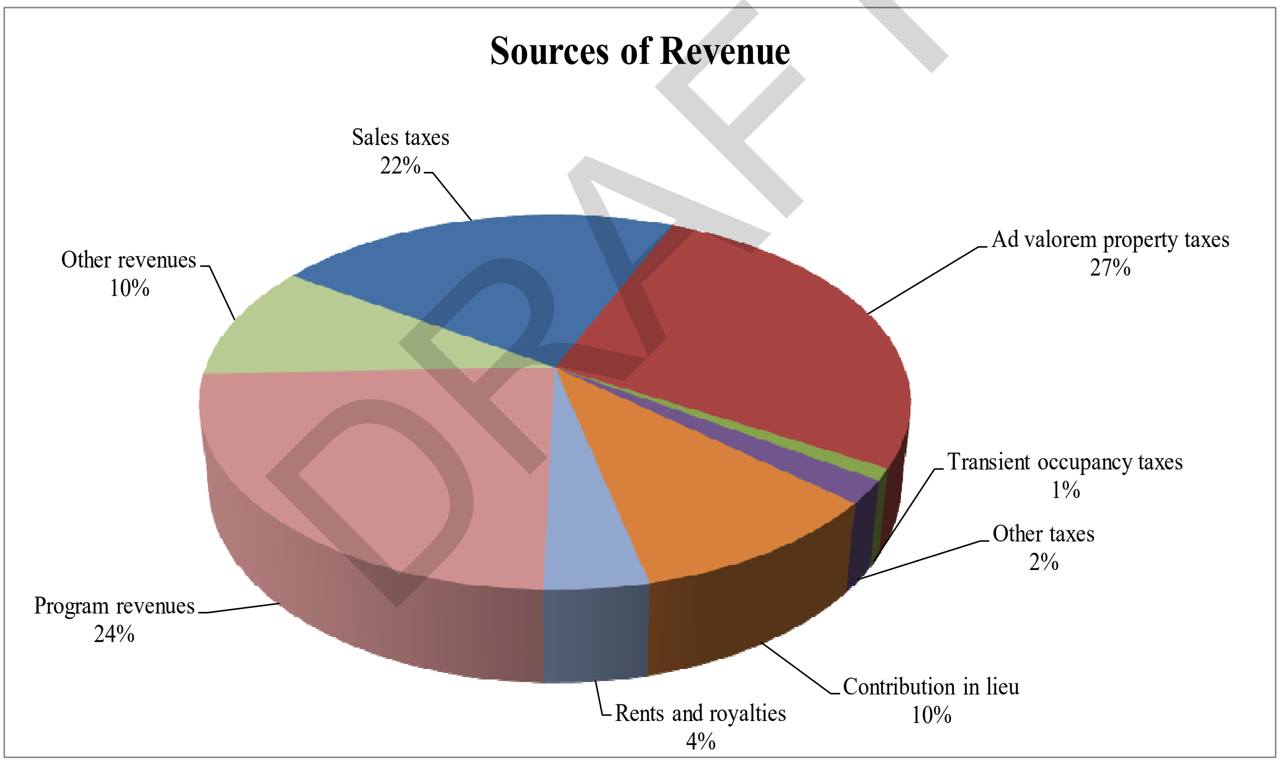
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	$ 33	$ 41	$ 668	$ 763	$ 701	$ 804
Operating grants and contributions	17	9	-	-	17	9
Capital grants and contributions	12	30	3	4	15	34
General revenues:						
Taxes:						
Sales	56	55	-	-	56	55
Ad valorem property	68	65	-	-	68	65
Transient occupancy	3	16	-	-	3	16
Other	6	6	-	-	6	6
Contribution in lieu of taxes	25	23	-	-	25	23
Investment earnings	6	9	14	17	20	26
Net increase (decrease) in fair value of investments	(5)	7	(6)	11	(11)	18
Rents and royalties	10	9	-	-	10	9
Other	24	22	-	-	24	22
Total revenues	255	292	679	795	934	1,087
Expenses:						
General Administration	33	27	-	-	33	27
City Clerk	1	1	-	-	1	1
City Attorney	2	2	-	-	2	2
Human Resources	2	3	-	-	2	3
Finance	10	10	-	-	10	10
Public Works	42	46	-	-	42	46
Parks and Recreation	20	27	-	-	20	27
Public Safety:						
Police	88	89	-	-	88	89
Fire	71	68	-	-	71	68
Planning and Inspection	16	16	-	-	16	16
Library	11	14	-	-	11	14
Interest on long-term debt	-	1	-	-	-	1
Utilities:						
Electric	-	-	456	453	455	453
Water	-	-	45	43	45	43
Sewer	-	-	30	29	30	29
Water Recycling	-	-	6	6	6	6
Solid Waste	-	-	30	26	30	26
Cemetery	-	-	1	2	1	2
Santa Clara Golf and Tennis Club	-	-	-	2	-	2
Santa Clara Convention Center	-	-	5	17	5	17
Santa Clara Stadium Authority	-	-	41	80	41	80
Total expenses	296	304	613	658	909	962
Increase(decrease) in net position before transfers	(41)	(12)	66	137	25	125
Transfers in (out)	(6)	2	6	(2)	-	-
Increase (decrease) in net position	(47)	(10)	72	135	25	125
Change in accounting principal	9	-	-	-	9	-
Net position - July 1, as restated	650	660	1,305	1,170	1,955	1,830
Net position - June 30	$ 612	$ 650	$ 1,377	$ 1,305	$ 1,989	$ 1,955

Governmental Activities - governmental activities decreased the City's net position by $38 million. This is primarily due to a decline in the transient occupancy tax revenues, charges for services, and developer contribution from the COVID-19 impacts.

Business-type Activities - business-type activities increased the City's net position by $71 million. This is primarily due to an increase of $75 million in the Electric Utility as a result of operating activities and increased in the wholesale resources activities.

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 2020-21 and fiscal year 2019-20 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	
	2021	2020	2021	2020
General Administration	$ 33	$ 27	$ 26	$ 16
City Clerk	1	1	1	1
City Attorney	2	2	2	2
Human Resources	2	3	2	3
Finance	10	10	10	10
Public Works	42	46	15	5
Parks and Recreation	20	27	19	26
Public Safety:				
Police	88	89	86	87
Fire	71	68	63	60
Planning and Inspection	16	16	(1)	-
Library	11	14	11	14
Interest on long-term debt	-	1	-	1
Totals	$ 296	$ 304	$ 234	$ 225

In fiscal year 2020-21, total cost of services decreased $8 million and net cost increased $13 million. The total cost of services in General Administration were $33 million, up $6 million from fiscal year 2019-20, and the net total cost of services in the General Administration were $26 million, an increase of $10 million from the prior fiscal year. The increase in the General Administration net cost of services is due primarily to $11.6 million and $4.1 million loan disbursements from the Housing Successor Fund and General Fund, respectively, to the developer of the Agrihood project development.

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	
	2021	2020	2021	2020
Utilities:				
Electric	$ 456	$ 453	$ (74)	$ (55)
Water	45	43	(7)	(8)
Sewer	30	29	14	(42)
Water Recycling	6	6	-	-
Solid Waste	30	26	3	(1)
Cemetery	1	2	1	1
Santa Clara Golf and Tennis Club	-	2	-	1
Santa Clara Convention Center	5	17	3	2
Santa Clara Stadium Authority	41	80	2	(8)
Totals	$ 614	$ 658	$ (58)	$ (110)

The City's business-type total cost of services decreased $44 million and net cost of services increased by $52 million in the fiscal year 2020-21. The net cost of services for the Electric Utility were ($74) million, a decrease of $19 million from the prior year. This net cost decrease can mainly be attributed to more State legislative requirement related sales. The net cost of services in the Sewer Utility Fund increased $56 million mainly due to the equity decrease in the joint project with city of San Jose. The total cost of services in the Santa Clara Stadium Authority Fund decreased $39 million and the net cost of services increased $10 million from prior year as a result of canceled events or events with zero attendance due to COVID-19 impacts.

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, 2021, the City's governmental funds reported a combined fund balance of $317 million, a decrease of $36 million or 10.2% in comparison with the prior fiscal year. Approximately 28.6% or $91 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form, $14 million, 2) restricted for particular purposes, $114 million, 3) committed for particular purposes, $91 million, or 4) assigned for particular purposes, $7 million.

Governmental fund revenues were $260 million, a decrease of $23 million, or 8.1%, from $283 million in the prior year. Most of this decrease is attributed to a $13 million decrease in the transient occupancy tax and a $6 million decrease in the charge for services, and a $11 million decrease in the fair value of the investment compared to the prior year.

Governmental fund expenditures were $298 million, an increase of $15 million or 5.3% from the prior year. The increase is primarily attributable to the Housing Successor and General Fund $15.7 million loan disbursement to the developer on the Agrihood project development.

The City was previously the fee owner of the property located at 1834 Worthington Circle/90 N. Winchester. At closing in June 2021, the Developer acquired the market-rate and mixed-income parcels at a value of $15.7 million, which was determined by the City's total cost of acquisition. Upon payment of the property purchase price and satisfaction of the City's Conditions Precedent to Closing, the City conveyed the parcels to the Developer and also committed a loan of $15.7 million back to the senior affordable housing project.

General Fund

Revenues

The City's General Fund revenues totaled $226 million in fiscal year 2020-21, a decrease of $26 million or 10.4% from the prior fiscal year.

Sales tax accounts for approximately 24.9% of direct General Fund revenues. Sales tax revenue increased $1 million from the prior year with the roll out of mass vaccinations and the lifting of pandemic-related restrictions. However, sales tax revenue was still $9 million lower than the pre-pandemic.

Property tax is the largest revenue source for the City's General Fund revenues for fiscal year 2020-21 were $69 million, an increase of $3 million or 5% from the prior year. The increase is a result of growth in the assessed valuation on secured properties and the value of new construction projects being added to the tax roll.

Transient occupancy taxes (TOT) were $3 million in fiscal year 2020-21, $13 million or 81.3% lower than fiscal year 2019-20. Due to the COVID-19 safety restrictions, TOT plummeted at the end of fiscal year 2019-20 and through fiscal year 2020-21.

Licenses, permits, fines and penalties revenues were $12.5 million in fiscal year 2020-21 compared with $11.5 million in fiscal year 2019-20. The decrease is due to slight growth in the construction activity and related building permit fees.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Intergovernmental revenues were $3 million in fiscal year 2020-21 compared to $6 million in the previous year. The decrease is due to a one-time $5 million Santana West settlement the City received from the city of San Jose, net of a $1.8 million increase in the fire mutual aid reimbursements.

Charges for services totaled $36 million in fiscal year 2020-21 compared to $42 million in the prior fiscal year, a decrease of 14.3%. This decrease is largely attributed to a reduction in services provided due to the COVID-19 impact.

Contributions in-lieu of taxes were approximately $25 million in fiscal year 2020-21, a $2 million increase from the prior fiscal year. The increase is due to an increase in the consumption and retail rate.

Interest and rent revenues were $15 million in fiscal year 2020-21, a $1 million decrease from the prior fiscal year due to the lower interest rates and cash balances.

Expenditures

General Fund expenditures totaled $237 million for fiscal year 2020-21, the same as the prior fiscal year. This amount excludes encumbrances and re-appropriations.

Salaries and benefits expenditures were $184 million in fiscal year 2020-21 compared with $185 million in fiscal year 2019-20.

Other operating expenditures, including materials, services, and supplies, internal service fund charges and minor capital outlays, were $53 million in fiscal year 2020-21, an increase of $1 million from the prior fiscal year. The increase is primarily due to a $4 million construction loan disbursement to the Agrihood project developer, partially offset by decreases in material, service, and suppliers.

The uses of the other financing sources for fiscal year 2020-21 were $30 million, a $5 million increase from the prior year due to the write-off of advances to the Santa Clara Golf and Tennis Club.

Fund Balance

As of June 30, 2021, total fund balance in the General Fund was $178 million, down $41 million from fiscal year 2019-20. 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, 2021
(in millions)

	2021	2020	Net Change
Nonspendable	$ 14	$ 24	$ (10)
Restricted	26	29	(3)
Committed	40	37	3
Assigned	7	6	1
Unassigned	91	123	(32)
Total General Fund Balance	$ 178	$ 219	$ (41)

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, 2021
(in millions)

	Original Budgeted Amount	Final Budgeted Amount	Net Change
Revenues	$ 244	$ 232	$ (12)
Expenditures	$ 262	$ 244	$ (18)
Other financing sources (uses)	$ (22)	$ (27)	$ (5)

Adjustments to the original budget were based on the following:

- The decrease in budgeted revenues is the phase one of the budget rebalancing action to make up the ongoing budget deficit in the operating budget. The balanced approach was developed with the goal of limiting impacts to the community to the extent possible while ensuring the City's fiscal health. The budget action addressed the $12 million shortfall for fiscal year 2020-21.

- The decrease in budgeted expenditures is primarily due to a $19 million budget reduction in the budget rebalancing action in March 2021.
- The increase in budgeted Other Financing Uses is due to a $5 million West Santana Settlement transfer to fund the affordable housing projects and traffic mitigation project in the City.

Final Budget Versus Actual

Table 5C
General Fund Final Budget Versus Actual for the Fiscal Year Ended June 30, 2021
(in millions)

	Final Budgeted Amount	Actual Amount	Variance
Revenues	$ 232	$ 230	$ (2)
Expenditures	$ 244	$ 233	$ (11)
Other financing sources (uses)	$ (27)	$ (25)	$ 2

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

- The final budgeted revenues resulted in a $2 million negative variance mainly due to a $4 million decrease in the charges for services.
- Actual expenditures were $11 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 $1.6 million in fiscal year 2020-21. An increase of $247 thousand in principal and interest payment is primarily the result of the current year payoff of loans. Revenues received were mostly loan repayments on low income loans. The general expenditures were $679 thousand excluding the $11.7 million loans disbursement to the Agrihood project developer, 3% higher than 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 $1.4 billion at the end of fiscal year 2020-21, an increase of $72 million or 5.5% over the prior fiscal year. In fiscal year 2020-21, the City changed the electric renewable energy credit, mandated program, and wholesale activities from-non operating revenue and expenses to the operating revenue and expenses in compliance with the Code of Federal Regulations. As a result, Enterprise Operating Revenues were $677 million, an increase of $14 million from last fiscal year. The increase is mainly attributed to a $56 million reclassification of revenues in the Electric Utility fund and a $45 million decrease in the Stadium operation due to the COVID-19 impact. Enterprise Fund operating expenses were $593 million, $2 million lower than the prior fiscal year. The decrease is primarily attributed to the NFL games being held with zero attendance, zero Non-NFL events, and lower costs in the Electric Utility's wholesales purchases and mandated program disbursement.

The change in the equity in joint venture in fiscal year 2020-21 was a loss of $27 million, compared to a $27 million gain in the previous fiscal year. This decrease of $54 million is mostly due to $52 million increased equity loss in the San Jose Santa Clara Joint Wastewater Treatment Facility project. Not including the joint venture activity and net change in the fair value of the investment, non-operating expenses in fiscal year 2020-21 were $19 million, a decrease of $5 million from the previous fiscal year. This is due to a $5 million decrease in interest expenses. Non-operating revenues were $38 million which were only down $2 million from the previous fiscal year due to lower interest rates excluding the renewable energy credit, wholesale sales, and mandated program revenues.

Electric Utility

This fund accounts for the operation of the City's electric utility services. Retail operating revenues were $453 million in fiscal year 2020-21 compared with $434 million in fiscal year 2019-20. The main reason for this increase was due to a 3% rate increase effective February 1, 2021.

Retail operating expenses were $432 million in fiscal year 2020-21 compared with $409 million in fiscal year 2019-20, an increase of $23 million or 5.6%. Operating expenses were higher primarily due to increases in the cost of purchased power of $22 million.

Revenues of wholesale power operations decreased to $22 million in the current fiscal year, down from $25 million in fiscal year 2019-20 as restated. The costs of wholesale power purchases decreased to $12 million from $30 million in the prior fiscal year. The decrease in wholesale power purchases and sales in fiscal year 2020-21 was due to the expiration of high priced contracts in December 2020, partially offset by profits from fixed price gas future contracts.

Interest revenues were $7 million in fiscal year 2020-21, down from $8 million in fiscal year 2019-20 due primarily to a lower interest rate environment. Interest expense was $4 million in the current year, which decreased by $3 million from fiscal year 2019-20. The decrease of interest expenses in fiscal year 2020-21was from lower interest payments on refunded Electric bonds.

The Electric Utility Fund had a net position of $915 million at June 30, 2021, an increase of $74 million from the prior fiscal year. Of this amount, $464 million was net investment in capital assets, $7 million was restricted for the pension stabilization fund, and $444 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 $51 million for fiscal year 2020-21 which is consistent with the prior fiscal year.

Operating expenses were $45 million in fiscal year 2020-21, compared to $43 million in fiscal year 2019-20. The increase is primarily due to a reallocation of the pension cost percentage allocated to the water department in the prior fiscal year which reduced expenditures. The Water Utility Fund's net position at June 30, 2021 increased to $72 million.

Sewer Utility

This fund accounts for the maintenance of the City's sewer lines and related facilities. Operating revenues of the Sewer Utility decreased from $46 million in fiscal year 2019-20 to $43 million in the current year. This decrease is primarily due to a decrease in customer services charges.

Operating expenses were $30 million in fiscal year 2020-21, compared with $30 million in the prior fiscal year. There were multiple factors that contributed to this increase with the largest being an increase in interfund services from the prior fiscal year.

The Sewer Utility Fund had a net position of $285 million at June 30, 2021. Of this amount, $49 million was net investment in capital assets, $182 million was restricted for joint venture capital projects and $54 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 19.461% of the assets, capital and operating costs. In fiscal year 2019-20, the city of San Jose reported that the gain of the Utility's equity in the Regional Wastewater Facility was $67 million (fiscal year 2020-21 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 and expenses remained at the prior fiscal year amounts of $6 million. The net position at June 30, 2021 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, 2021, the Stadium Authority recorded approximately $38 million in operating revenue, $45 million less than fiscal year 2019-20. This was mainly due to NFL games being held with zero attendance and zero Non-NFL events. Operating expenses were $26 million, decreasing $36 million from the prior fiscal year due to a decrease in Non-NFL events expenses and Stadium Manager Expenses that the Stadium Authority agreed to pay. Net position at March 31, 2021 was $78 million, an increase of $3 million from the previous fiscal year.

Solid Waste

This fund accounts for the administration of the City's garbage and rubbish collection service. Operating revenues were $27 million in fiscal year 2020-21, comparable to fiscal year 2019-20. Operating expenses were $30 million in fiscal year 2020-21, an increase of 16.0% from fiscal year 2019-20. This is mainly due to increases in materials, service and supplies cost. Net position at June 30, 2021 has a deficit of $2 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 $844 thousand, up 44.2%, over the prior fiscal year, while operating expenses were down 16.9% due to a decrease of $317 thousand in salary and benefits. Net position at June 30, 2021 was $(5.1) million, a decrease of $199 thousand from fiscal year 2019-20. 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

The Santa Clara Golf and Tennis Club has been closed and the advance payable to the General Fund of $4.22 million has been written off in fiscal year 2020-21.

Santa Clara Convention Center

This fund accounts for the operations of the Santa Clara Convention Center. Operating revenues were $1 million in fiscal year 2020-21, while operating expenses were $5 million. Net position at June 30, 2021 was $29 million. On November 1, 2019, the City entered into an agreement with Levy Premium Foodservice Limited Partnership (Levy) to manage the foodservice operations at the Convention Center and Levy agreed to pay an operating investment of $5.75 million to promote the economic development of the City. The investment is amortized on a straight-line basis over 15 years.

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 2020-21 due to the expiration of the operating lease. Operating expenses were $10 thousand, with a net position at June 30, 2021 of $2 million.

CAPITAL ASSETS

At June 30, 2021, the City's capital assets totaled $639 million in Governmental Activities, and $1.44 billion in Business-Type Activities, net of depreciation. Capital Assets are invested in a broad range of categories, as shown in Table 6.

Table 6
Capital Assets at June 30, 2021
(in millions)

	2021	2020	Net Change
Governmental Activities:			
Land	$ 125	$ 116	$ 9
Construction in progress	46	40	6
Land improvements	29	28	1
Buildings	217	217	-
Infrastructure	611	597	14
Machinery and equipment	84	80	4
Less accumulated depreciation	(472)	(450)	(22)
Totals	$ 640	$ 628	$ 12
Business-Type Activities:			
Land	$ 19	$ 19	$ -
Construction in progress	109	95	14
Land improvements	-	24	(24)
Buildings	919	919	-
Infrastructure	1,118	1,083	35
Machinery and equipment	24	24	-
Less accumulated depreciation	(744)	(726)	(18)
Totals	$ 1,445	$ 1,438	$ 7

The increase of $33 million in the Governmental Funds asset base was primarily due to $6 million of contributed infrastructure from the developer, $7 million in improvement in street infrastructure, $8 million for the Convention Center Complex land purchase, and $2.5 million in vehicle purchases. The $35 million increase in Enterprise Funds infrastructure was due to various electric, water, and sewer projects. The net decrease in Land Improvements of $24 million was due to assets written off because of the closing of the Santa Clara Golf and Tennis Club.

The Capital Improvement Project Budget for fiscal year 2020-21 and Five-Year Financial Plan for fiscal year 2020-21 through fiscal year 2024-25 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 2020-21 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, 2021 the City's debt was comprised of the following:

Table 7
Outstanding Debt at June 30, 2021
(in millions)

	Balance June 30, 2021	Balance June 30, 2020	Net Change
Governmental Activity Debt:			
Refunding Certificates of Participation, Series 2013	$ 14	$ 14	$ -
Lease Agreement Between City of Santa Clara and City of Santa Clara Public Facilities Financing Corporation	1	2	(1)
Business-Type Debt:			
Electric Utility Revenue Bonds, net of unamortized discount	53	63	(10)
Electric Loan Agreements	103	104	(1)
Sewer Utility Loan Agreements	28	29	(1)
StadCo Subordinated Loan[(1)]	23	39	(16)
StadCo CFD Advance [(1)]	30	29	1
Stadium Funding Trust Loan[(1)]	244	257	(13)
Total Debt	$ 496	$ 537	$ (41)

(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 Annual Comprehensive 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, 1500 Warburton Avenue, Santa Clara, California, 95050, telephone (408) 615-2340.

Basic Financial Statements

CITY OF SANTA CLARA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET 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, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and investments (Note 7):			
Pooled cash and investments	$ 319,174,319	$ 629,421,590	$ 948,595,909
Investments with fiscal agent	4	40,479,960	40,479,964
Receivables (net of allowance for uncollectible):			
Accounts	5,318,876	115,628,419	120,947,295
Interest	1,075,452	1,907,397	2,982,849
Intergovernmental	21,692,274	-	21,692,274
Derivative financial instruments (Note 10D)	-	1,604,352	1,604,352
Materials, supplies and prepaid	215,112	12,982,727	13,197,839
Land held for development (Note 2H)	7,103,770	-	7,103,770
Total Current Assets	354,579,807	802,024,445	1,156,604,252
Noncurrent Assets			
Restricted Cash (Note 7)	26,268,675	11,086,548	37,355,223
Investment with fiscal agent (Note 7)	703,714	15,257,569	15,961,283
Derivative financial instruments (Note 10D)	-	11,427,770	11,427,770
Deposits (Note 7)	-	5,522,664	5,522,664
Internal balances (Note 8D)	3,321,995	(3,385,825)	(63,830)
Long term loans, net (Note 2BB)	94,771,835	-	94,771,835
Capital assets (Note 9):			
Land and construction in progress	170,391,174	127,713,702	298,104,876
Capital assets being depreciated, net	469,377,042	1,317,216,622	1,786,593,664
Investment in joint ventures (Note 12)	4,701,248	224,241,885	228,943,133
Other	6,414,076	-	6,414,076
Total Noncurrent Assets	775,949,759	1,709,080,935	2,485,030,694
Total Assets	1,130,529,566	2,511,105,380	3,641,634,946
DEFERRED OUTFLOWS OF RESOURCES			
Refunding	-	7,051,125	7,051,125
OPEB related items (Note 16)	801,783	635,620	1,437,403
Pension related items (Note 13)	76,542,277	20,462,724	97,005,001
Total Deferred Outflows of Resources	77,344,060	28,149,469	105,493,529

CITY OF SANTA CLARA
STATEMENT OF NET POSITION
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Accrued liabilities	$ 32,642,671	$ 47,788,221	$ 80,430,892
Deposit	3,210,028	-	3,210,028
Interest payable	265,192	7,851,829	8,117,021
Accrued compensated absences (Note 2K)	2,312,481	882,906	3,195,387
Unearned revenue, current portion	13,443,694	21,361,108	34,804,802
Landfill closure liability (Note 11)	-	623,700	623,700
Long-term debt due within one year (Note 10)	2,005,000	32,444,045	34,449,045
Total Current Liabilities	53,879,066	110,951,809	164,830,875
Noncurrent Liabilities			
Long-term portion estimated claims (Note 19)	22,982,000	-	22,982,000
Accrued compensated absences (Note 2K)	17,903,810	6,835,671	24,739,481
Landfill closure liabilities (Note 11)	-	5,071,359	5,071,359
Accrued liabilities	-	6,146,635	6,146,635
Unearned revenue	-	416,092,910	416,092,910
Long-term debt due after one year (Note 10)	11,648,691	449,284,989	460,933,680
Net OPEB liability due after one year (Note 16)	20,476,766	16,233,103	36,709,869
Net pension liability due after one year (Note 13)	464,350,317	134,666,932	599,017,249
Total Noncurrent Liabilities	537,361,584	1,034,331,599	1,571,693,183
Total Liabilities	591,240,650	1,145,283,408	1,736,524,058
DEFERRED INFLOWS OF RESOURCES			
Derivative instruments (Note 10D)	-	13,032,122	13,032,122
Refunding	-	1,793,331	1,793,331
OPEB related items (Note 16)	3,127,674	2,479,489	5,607,163
Pension related items (Note 13)	1,374,496	203,724	1,578,220
Total Deferred Inflows of Resources	4,502,170	17,508,666	22,010,836
NET POSITION (Note 18)			
Net investment in capital assets	626,114,525	1,042,057,697	1,668,172,222
Restricted for:			
Capital projects and other agreements	94,456,049	225,123,006	319,579,055
Debt service	457,891	-	457,891
Housing activities	132,792,707	-	132,792,707
Community development	16,068,108	-	16,068,108
Transportation	2,177,613	-	2,177,613
Pension rate stabilization program	23,978,098	9,165,625	33,143,723
Other purposes	5,722,691	-	5,722,691
Total Restricted Net Position	275,653,157	234,288,631	509,941,788
Unrestricted Net Position	(289,636,876)	100,116,447	(189,520,429)
Total Net Position	$ 612,130,806	$ 1,376,462,775	$ 1,988,593,581

See accompanying notes to basic financial statements

CITY OF SANTA CLARA
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

			Program Revenues		
Functions/Programs	**Expenses**	**Indirect Expenses Allocation**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental Activities:					
General Administration	$ 39,111,523	$ (5,730,066)	$ 3,474,750	$ 4,334,784	$ 234,050
City Clerk	1,764,376	(350,086)	39,528	-	-
City Attorney	2,513,908	(624,067)	1,393	-	-
Human Resources	3,396,475	(1,780,873)	-	-	-
Finance	16,596,570	(6,408,098)	2,366	-	-
Public Works	44,488,814	(2,537,652)	6,376,943	9,297,001	11,363,861
Parks and Recreation	20,265,679	-	890,894	342,497	-
Public Safety:					
Police	87,563,393	-	565,499	621,493	-
Fire	71,024,614	-	5,609,791	2,155,035	-
Planning and Inspection	15,537,169	-	16,470,304	212,954	-
Library	10,863,752	-	8,075	90,058	-
Interest on long term debt	487,496	-	-	-	-
Total Governmental Activities	313,613,769	(17,430,842)	33,439,543	17,053,822	11,597,911
Business-type Activities:					
Utilities:					
Electric	445,212,718	9,289,094	526,487,722	-	1,900,000
Water	42,451,742	2,900,979	52,029,588	-	500,000
Sewer	28,665,469	1,437,078	16,387,237	-	200,000
Water Recycling	5,753,705	90,244	6,181,760	-	-
Solid Waste	27,449,774	2,319,627	26,603,446	-	-
Cemetery	1,222,492	136,015	843,930	-	-
Sports and Open Space Authority	8,869	-	-	-	-
Santa Clara Golf and Tennis Club	-	-	-	-	-
Santa Clara Convention Center	4,664,610	2,754	1,220,633	-	-
Santa Clara Stadium Authority	39,926,180	1,255,051	38,400,385	-	282,021
Total Business-type Activities	595,355,559	17,430,842	668,154,701	-	2,882,021
Total	$ 908,969,328	$ -	$ 701,594,244	$ 17,053,822	$ 14,479,932
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					
GASB 84 implementation					
Net Position - beginning, as restated (Note 18E)					
Net Position - ending					

CITY OF SANTA CLARA
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
$ (25,337,873)	$ -	$ (25,337,873)
(1,374,762)	-	(1,374,762)
(1,888,448)	-	(1,888,448)
(1,615,602)	-	(1,615,602)
(10,186,106)	-	(10,186,106)
(14,913,357)	-	(14,913,357)
(19,032,288)	-	(19,032,288)
(86,376,401)	-	(86,376,401)
(63,259,788)	-	(63,259,788)
1,146,089	-	1,146,089
(10,765,619)	-	(10,765,619)
(487,496)	-	(487,496)
(234,091,651)	-	(234,091,651)
-	73,885,910	73,885,910
-	7,176,867	7,176,867
-	(13,515,310)	(13,515,310)
-	337,811	337,811
-	(3,165,955)	(3,165,955)
-	(514,577)	(514,577)
-	(8,869)	(8,869)
-	-	-
-	(3,446,731)	(3,446,731)
-	(2,498,825)	(2,498,825)
-	58,250,321	58,250,321
(234,091,651)	58,250,321	(175,841,330)
56,178,097	-	56,178,097
68,358,041	-	68,358,041
2,949,235	-	2,949,235
6,019,089	-	6,019,089
24,548,225	-	24,548,225
6,451,085	13,568,654	20,019,739
(5,207,552)	(6,245,906)	(11,453,458)
(290,077)	-	(290,077)
9,851,670	-	9,851,670
24,589,311	-	24,589,311
(5,764,589)	5,764,589	-
187,682,535	13,087,337	200,769,872
(46,409,116)	71,337,658	24,928,542
649,882,629	1,305,125,117	1,955,007,746
8,657,293	-	8,657,293
658,539,922	1,305,125,117	1,963,665,039
$ 612,130,806	$ 1,376,462,775	$ 1,988,593,581

See accompanying notes to basic financial statements

This page intentionally left blank

CITY OF SANTA CLARA
FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal year 2020-21. Individual non-major funds may be found in the Supplementary section.

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

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

SANTA CLARA HOUSING SUCCESSOR 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, 2021

	General Fund	Santa Clara Housing Successor
ASSETS		
Cash and investments (Note 7):		
Pooled cash and investments	$ 146,051,500	$ 14,194,051
Investments with fiscal agent - current	-	-
Restricted cash	23,978,098	-
Receivables (net of allowance for uncollectibles):		
Accounts	2,878,026	99,282
Interest	1,075,452	-
Loans	4,050,000	85,406,040
Intergovernmental	13,102,520	-
Due from other funds (Note 8B)	59,476	-
Materials, supplies and prepaids	14,194	-
Land held for development (Note 2H)	-	7,103,770
Investments with fiscal agent - noncurrent (Note 7)	-	-
Advances to other funds (Note 8C)	13,729,897	-
Other	22,680	-
Total Assets	$ 204,961,843	$ 106,803,143
LIABILITIES		
Accrued liabilities	$ 19,571,603	$ 285,361
Deposits	3,210,028	-
Unearned revenue	328,031	-
Advances from other funds (Note 8C)	-	-
Total Liabilities	23,109,662	285,361
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - Loans	4,050,000	85,406,040
Total Deferred Inflows of Resources	4,050,000	85,406,040
FUND BALANCES (Note 18)		
Nonspendable	13,766,771	-
Restricted	25,943,410	21,111,742
Committed	40,280,277	-
Assigned	7,131,026	-
Unassigned	90,680,697	-
Total Fund Balances	177,802,181	21,111,742
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 204,961,843	$ 106,803,143

See accompanying notes to basic financial statements

CITY OF SANTA CLARA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2021

Non-Major Governmental Funds	Total Governmental Funds
$ 131,056,938	$ 291,302,489
4	4
2,290,577	26,268,675
845,229	3,822,537
-	1,075,452
52,802,340	142,258,380
8,589,754	21,692,274
-	59,476
-	14,194
-	7,103,770
703,714	703,714
-	13,729,897
-	22,680
$ 196,288,556	$ 508,053,542
$ 5,819,953	$ 25,676,917
-	3,210,028
13,115,663	13,443,694
6,618,748	6,618,748
25,554,364	48,949,387
52,802,340	142,258,380
52,802,340	142,258,380
-	13,766,771
67,373,973	114,429,125
50,557,879	90,838,156
-	7,131,026
-	90,680,697
117,931,852	316,845,775
$ 196,288,556	$ 508,053,542

See accompanying notes to basic financial statements

This page intentionally left blank

CITY OF SANTA CLARA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2021

TOTAL GOVERNMENTAL FUND BALANCE	$ 316,845,775
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)	(2,251,593)
Interest payable	(265,192)
CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and, therefore, are not reported in the Governmental Funds.	639,768,216
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	6,391,396
INVESTMENT IN NON-BUSINESS-TYPE JOINT VENTURE	4,701,248
DEFERRED OUTFLOWS OF RESOURCES	
OPEB related (excluding Internal Service Funds)	762,398
Pension related (excluding Internal Service Funds)	75,274,346
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	27,871,830
Accounts receivable	1,496,339
Materials, supplies and prepaid	200,918
Deferred outflows OPEB related items	39,385
Deferred outflows pension related items	1,267,931
Accrued liabilities, including short-term portion of estimated claims	(6,965,754)
Long-term portion of estimated claims	(22,982,000)
Compensated absences - current	(60,888)
Compensated absences - long-term	(471,412)
Internal balances	(3,848,630)
Net OPEB liability	(1,005,850)
Net pension liability	(8,344,354)
Deferred inflows OPEB related items	(153,637)
Deferred inflows pension related items	(12,623)
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	(8,662,412)
Long-term debt	(13,653,691)
Non-current portion of accrued compensated absences (excluding Internal Service Funds)	(17,432,398)
Net OPEB liability (excluding Internal Service Funds)	(19,470,916)
Net pension liability (excluding Internal Service Funds)	(456,005,963)
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.	103,434,247
OPEB related (excluding Internal Service Funds)	(2,974,037)
Pension related (excluding Internal Service Funds)	(1,361,873)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 612,130,806

See accompanying notes to basic financial statements

CITY OF SANTA CLARA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2021

	General Fund	Santa Clara Housing Successor
REVENUES		
Taxes:		
Sales	$ 56,178,097	$ -
Ad valorem	68,772,921	-
Transient occupancy	2,949,235	-
Other	5,823,809	-
Licenses, permits, fines, and penalties	12,568,154	-
Intergovernmental	2,777,156	-
Charges for services	35,630,686	9,751
Contributions in-lieu of taxes	24,548,225	-
Interest and rents	14,900,595	199,832
Net increase (decrease) in the fair value of investments	(5,207,552)	-
Other	6,864,177	1,342,674
Total Revenues	225,805,503	1,552,257
EXPENDITURES		
Current:		
General Administration	14,796,624	12,329,023
City Clerk	1,696,487	-
City Attorney	2,329,585	-
Human Resources	3,201,082	-
Finance	15,851,696	-
Public Works	23,009,607	-
Parks and Recreation	17,181,169	-
Public Safety:		
Police	74,053,103	-
Fire	58,540,157	-
Planning and Inspection	13,311,157	-
Library	8,747,649	-
Capital outlay	4,565,092	-
Debt service (Note 10):		
Principal payments	-	-
Interest and fiscal fees	-	-
Total Expenditures	237,283,408	12,329,023
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,477,905)	(10,776,766)
OTHER FINANCING SOURCES (USES)		
Transfers in (Note 8A)	7,924,402	-
Transfers (out) (Note 8A)	(37,427,027)	-
Total Other Financing Sources (Uses)	(29,502,625)	-
NET CHANGE IN FUND BALANCE	(40,980,530)	(10,776,766)
Fund balances - beginning	218,576,162	31,888,508
GASB84 Implementation Adjustment	206,549	-
Fund balances - beginning as restated (Note 18E)	218,782,711	31,888,508
Fund balances - ending	$ 177,802,181	$ 21,111,742

See accompanying notes to basic financial statements

CITY OF SANTA CLARA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2021

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 56,178,097
-	68,772,921
-	2,949,235
195,280	6,019,089
-	12,568,154
19,621,044	22,398,200
2,529,927	38,170,364
-	24,548,225
1,060,564	16,160,991
-	(5,207,552)
8,954,542	17,161,393
32,361,357	259,719,117
10,147,641	37,273,288
-	1,696,487
-	2,329,585
-	3,201,082
-	15,851,696
5,433,682	28,443,289
640,750	17,821,919
869,585	74,922,688
1,258,445	59,798,602
1,400,682	14,711,839
131,360	8,879,009
25,948,958	30,514,050
1,930,000	1,930,000
572,457	572,457
48,333,560	297,945,991
(15,972,203)	(38,226,874)
41,477,609	49,402,011
(18,148,011)	(55,575,038)
23,329,598	(6,173,027)
7,357,395	(44,399,901)
102,123,713	352,588,383
8,450,744	8,657,293
110,574,457	361,245,676
$ 117,931,852	$ 316,845,775

DRAFT

See accompanying notes to basic financial statements

This page intentionally left blank

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, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ (44,399,901)
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	(253,515)
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	30,521,646
Depreciation expense is deducted from the fund balance (Depreciation expense is net of Internal Service Fund depreciation of $2,811,201 which has already been allocated to service funds.)	(21,313,400)
Retirements of capital assets (net of Internal Service Fund retirement of $29,431)	(4,051,482)
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.	6,113,910
JOINT VENTURES - PROFIT FROM EQUITY	(290,077)
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	1,930,000
Amortization of bond premium	54,296
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	(518,203)
Non-current portion of accrued compensated absences	(1,163,437)
Interest payable	30,664
Unavailable revenue	11,657,063
OPEB related expense	949,467
Pension related expense	(21,866,235)
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	(4,281,158)
Change in Net Position of Internal Service Funds reported with Business-Type Activities	471,246
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ (46,409,116)

This page intentionally left blank

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 2020-21.

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, 2021

	Business-type Activities-Enterprise Funds		
	Electric Utility	**Water Utility**	**Sewer Utility**
ASSETS			
Current assets:			
Cash and investments (Note 7):			
Pooled cash and investments	$ 434,877,562	$ 29,506,060	$ 92,786,154
Investments with fiscal agent	14,774,682	-	-
Receivables (net of allowance for uncollectible):			
Accounts	76,744,991	8,398,981	5,986,993
Interest	1,470,576	105,873	306,287
Derivative financial instrument (Note 10D)	1,604,352	-	-
Due from other funds (Note 8B)	2,603,215	363,676	625,795
Materials, supplies and prepaids	12,136,795	845,932	-
Total current assets	544,212,173	39,220,522	99,705,229
Noncurrent assets:			
Restricted cash (Note 7)	6,808,996	1,725,341	1,313,128
Investment with fiscal agent (Note 7)	3,721,334	-	-
Derivative financial instrument (Note 10D)	11,427,770	-	-
Deposits (Note 7)	5,522,664	-	-
Capital assets (Note 9):			
Land	14,371,743	661,268	725,328
Buildings, infrastructure and land improvements	974,506,146	94,304,107	60,913,492
Equipment	9,698,465	3,912,096	5,005,789
Construction in progress	99,971,096	6,838,668	914,583
	1,098,547,450	105,716,139	67,559,192
Less accumulated depreciation	496,816,889	49,360,136	26,524,843
Net capital assets	601,730,561	56,356,003	41,034,349
Investment in joint ventures (Note 12)	42,673,081	-	181,568,804
Total noncurrent assets	671,884,406	58,081,344	223,916,281
Total assets	1,216,096,579	97,301,866	323,621,510
DEFERRED OUTFLOWS OF RESOURCES			
Refunding	7,051,125	-	-
OPEB related items (Note 16)	464,425	88,832	44,272
Pension related items (Note 13)	14,951,393	2,859,784	1,425,264
Total deferred outflows of resources	22,466,943	2,948,616	1,469,536

See accompanying notes to basic financial statements

CITY OF SANTA CLARA

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

June 30, 2021

Business-type Activities-Enterprise Funds				
Water Recycling Utility	**Santa Clara Stadium Authority (as of March 31, 2021)**	**Non-Major Enterprise Funds**	**TOTAL**	**Internal Service Funds (Note 2B)**
$ 6,635,880	$ 48,222,577	$ 19,712,256	$ 631,740,489	$ 25,552,931
-	25,705,278	-	40,479,960	-
1,210,602	18,547,910	4,738,942	115,628,419	1,496,339
24,157	504	-	1,907,397	-
-	-	-	1,604,352	-
-	-	255,944	3,848,630	32,875
-	-	-	12,982,727	200,918
7,870,639	92,476,269	24,707,142	808,191,974	27,283,063
70,450	-	1,168,633	11,086,548	-
-	11,536,235	-	15,257,569	-
-	-	-	11,427,770	-
-	-	-	5,522,664	-
-	-	3,092,872	18,851,211	-
1,257,070	826,249,132	79,761,495	2,036,991,442	-
-	2,560,605	3,012,142	24,189,097	41,509,980
-	406,177	731,967	108,862,491	-
1,257,070	829,215,914	86,598,476	2,188,894,241	41,509,980
134,214	111,201,641	59,926,194	743,963,917	28,911,691
1,122,856	718,014,273	26,672,282	1,444,930,324	12,598,289
-	-	-	224,241,885	-
1,193,306	729,550,508	27,840,915	1,712,466,760	12,598,289
9,063,945	822,026,777	52,548,057	2,520,658,734	39,881,352
-	-	-	7,051,125	-
7,762	-	30,329	635,620	39,385
249,885	-	976,398	20,462,724	1,267,931
257,647	-	1,006,727	28,149,469	1,307,316

(continued)

CITY OF SANTA CLARA

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

June 30, 2021

	Business-type Activities-Enterprise Funds		
	Electric Utility	**Water Utility**	**Sewer Utility**
LIABILITIES			
Current liabilities:			
Accrued liabilities	31,729,971	6,302,263	988,767
Interest payable	1,672,931	-	74,892
Unearned revenue	-	-	-
Due to other funds (Note 8B)	-	-	-
Accrued compensated absences (Note 2K)	705,530	105,621	31,876
Current portion of landfill closure liability (Note 11)	-	-	-
Current portion of long-term debt (Note 10)	13,005,000	-	761,763
Total current liabilities	47,113,432	6,407,884	1,857,298
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)	5,462,387	817,745	246,793
Landfill closure liability (Note 11)	-	-	-
Long-term debt (Note 10)	143,529,398	-	27,637,314
Net OPEB liability (Note 16)	11,860,957	2,268,670	1,130,664
Net pension liability (Note 13)	98,396,395	18,820,479	9,379,784
Total noncurrent liabilities	259,249,137	21,906,894	38,394,555
Total liabilities	306,362,569	28,314,778	40,251,853
DEFERRED INFLOWS OF RESOURCES			
Derivative instruments (Note 10D)	13,032,122	-	-
Refunding	1,793,331	-	-
OPEB related items (Note 16)	1,811,678	346,522	172,700
Pension related items (Note 13)	148,855	28,472	14,190
Total deferred inflows of resources	16,785,986	374,994	186,890
NET POSITION (Note 18)			
Net investment in capital assets	463,692,179	56,356,003	49,433,426
Restricted for capital projects and other agreements	6,808,996	1,422,251	182,323,934
Unrestricted	444,913,792	13,782,456	52,894,943
Total net position (deficit)	$ 915,414,967	$ 71,560,710	$ 284,652,303

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

Net position of business-type activities

CITY OF SANTA CLARA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2021

Business-type Activities-Enterprise Funds				
Water Recycling Utility	**Santa Clara Stadium Authority (as of March 31, 2021)**	**Non-Major Enterprise Funds**	**TOTAL**	**Internal Service Funds (Note 2B)**
1,119,578	4,223,998	3,423,644	47,788,221	6,965,754
-	6,104,006	-	7,851,829	-
-	14,871,452	6,489,656	21,361,108	-
-	123,306	-	123,306	3,881,505
910	-	38,969	882,906	60,888
-	-	623,700	623,700	-
-	18,677,282	-	32,444,045	-
1,120,488	44,000,044	10,575,969	111,075,115	10,908,147
-	-	7,111,149	7,111,149	-
-	416,092,910	-	416,092,910	-
-	6,146,635	-	6,146,635	-
-	-	-	-	22,982,000
7,043	-	301,703	6,835,671	471,412
-	-	5,071,359	5,071,359	-
-	278,118,277	-	449,284,989	-
198,233	-	774,579	16,233,103	1,005,850
1,644,508	-	6,425,766	134,666,932	8,344,354
1,849,784	700,357,822	19,684,556	1,041,442,748	32,803,616
2,970,272	744,357,866	30,260,525	1,152,517,863	43,711,763
-	-	-	13,032,122	-
-	-	-	1,793,331	-
30,278	-	118,311	2,479,489	153,637
2,487	-	9,720	203,724	12,623
32,765	-	128,031	17,508,666	166,260
1,122,856	446,776,949	26,672,282	1,044,053,695	12,598,289
70,450	38,565,485	3,101,517	232,292,633	-
5,125,249	(407,673,523)	(6,607,571)	102,435,346	(15,287,644)
$ 6,318,555	$ 77,668,911	$ 23,166,228	1,378,781,674	$ (2,689,355)
			(2,318,899)	
			$ 1,376,462,775	

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, 2021

	Business-type Activities-Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
Operating revenues:			
Charges for services	$ 453,263,982	$ 51,044,472	$ 43,459,867
Rents, royalties and licensing	-	-	-
Insurance refunds and other	-	-	-
Mandated program receipts	12,952,572	-	-
Renewable energy credits	1,901,898	-	-
Wholesale resources sales	22,324,165	-	-
Other	19,220,561	-	-
Total operating revenues	509,663,178	51,044,472	43,459,867
Operating expenses:			
Salaries and benefits	46,482,844	7,346,343	3,659,882
Materials, services and supplies	364,470,076	36,366,424	24,605,534
General and administrative	-	-	-
Mandated program disbursements	5,821,317	-	-
Wholesale resources purchases	12,282,782	-	-
Depreciation	21,359,932	1,626,238	1,311,937
Total operating expenses	450,416,951	45,339,005	29,577,353
Operating income (loss)	59,246,227	5,705,467	13,882,514
Nonoperating revenues (expenses):			
Interest revenue	6,823,316	578,879	1,307,329
Net change in the fair value of investments	(4,791,168)	(389,417)	(972,548)
Rents and royalties	3,767,123	53,711	53,711
Other revenue	11,379,050	931,405	1,335,075
Interest expense	(3,744,098)	-	(509,387)
Equity in income (losses) of joint ventures	1,678,371	-	(28,461,416)
Gain (loss) on retirement of assets	-	-	-
Total nonoperating revenues (expenses)	15,112,594	1,174,578	(27,247,236)
Income (loss) before contributions and transfers	74,358,821	6,880,045	(13,364,722)
Contributions	1,900,000	500,000	200,000
Transfers in (Note 8A)	166,540	531,248	10,642
Transfers (out) (Note 8A)	(1,902,975)	(704,930)	(803,905)
Change in net position	74,522,386	7,206,363	(13,957,985)
Total net position - beginning	840,892,581	64,354,347	298,610,288
Total net position - ending	$ 915,414,967	$ 71,560,710	$ 284,652,303

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

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, 2021

Business-type Activities-Enterprise Funds				
Water Recycling Utility	**Santa Clara Stadium Authority (as of March 31, 2021)**	**Non-Major Enterprise Funds**	**Total**	**Internal Service Funds**
$ 6,169,624	$ 390,696	$ 28,128,324	$ 582,456,965	$ 36,067,512
-	37,983,259	-	37,983,259	-
-	-	-	-	627,021
-	-	-	12,952,572	-
-	-	-	1,901,898	-
-	-	-	22,324,165	-
-	-	515,644	19,736,205	-
6,169,624	38,373,955	28,643,968	677,355,064	36,694,533
602,992	-	2,929,619	61,021,680	10,182,312
5,223,979	7,024,214	31,197,239	468,887,466	12,692,699
-	2,168,385	-	2,168,385	16,166,799
-	-	-	5,821,317	-
-	-	-	12,282,782	-
25,141	16,745,392	1,568,162	42,636,802	2,811,201
5,852,112	25,937,991	35,695,020	592,818,432	41,853,011
317,512	12,435,964	(7,051,052)	84,536,632	(5,158,478)
104,692	4,665,147	89,291	13,568,654	220
(92,773)	-	-	(6,245,906)	-
-	-	24,041	3,898,586	-
12,136	26,430	-	13,684,096	498,093
-	(15,243,240)	-	(19,496,725)	-
-	-	-	(26,783,045)	-
-	-	-	-	(29,431)
24,055	(10,551,663)	113,332	(21,374,340)	468,882
341,567	1,884,301	(6,937,720)	63,162,292	(4,689,596)
-	282,021	-	2,882,021	-
-	-	8,529,280	9,237,710	408,438
-	-	(61,311)	(3,473,121)	-
341,567	2,166,322	1,530,249	71,808,902	(4,281,158)
5,976,988	75,502,589	21,635,979		1,591,803
$ 6,318,555	$ 77,668,911	$ 23,166,228		$ (2,689,355)
			(471,244)	
			$ 71,337,658	

See accompanying notes to basic financial statements

CITY OF SANTA CLARA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

	Business-type Activities-Enterprise Funds		
	Electric Utility	**Water Utility**	**Sewer Utility**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 476,627,250	$ 51,363,640	$ 44,344,271
Payments to suppliers	(353,242,680)	(35,328,642)	(24,567,765)
Payments to employees for salaries and benefits	(43,598,710)	(6,858,894)	(3,384,862)
Internal activity - payments to other funds	-	-	-
Claims paid	-	-	-
Rents, royalties and licenses received	2,972,934	41,389	41,389
Other receipts	17,536,223	582,254	1,198,297
Renewable energy credits	1,901,898	-	-
Wholesale resources sales	22,324,165	-	-
Wholesale resources purchases	(12,282,782)	-	-
Wholesale trading escrow deposit	(2,296,122)	-	-
Charges for joint project contributions	-	-	(1,684,708)
Net cash provided (used) by operating activities	109,942,176	9,799,747	15,946,622
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
(Increase) in due from other funds	(601,248)	(190,959)	-
Decrease in due from other funds	-	-	134,395
Increase in due to other funds	-	-	-
(Decrease) in due to other funds	-	(110,840)	-
Advances from other funds	-	-	-
Deposits to pension rate stablization fund	1,643,104	349,151	136,778
Transfers in	166,540	531,248	10,642
Transfers (out)	(1,902,975)	(704,930)	(803,905)
Cash Flows from Noncapital Financing Activities	(694,579)	(126,330)	(522,090)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Contribution from Community Facilities District	-	-	-
Acquisition and construction of capital assets, net	(40,389,333)	(8,213,161)	(2,949,138)
Principal payments on capital debt	(9,580,000)	-	(745,719)
Interest paid on capital debt	(3,991,726)	-	(529,261)
Cash Flows from Capital and Related Financing Activities	(53,961,059)	(8,213,161)	(4,224,118)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net decrease in the fair value of investments	(4,791,168)	(389,417)	(972,548)
Interest and dividends	6,766,041	580,345	1,292,215
Payments made by fiscal agent	13,538,574	-	-
Deposits made with fiscal agent	(17,030,693)	-	-
Cash Flows from Investing Activities	(1,517,246)	190,928	319,667

CITY OF SANTA CLARA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

Business-type Activities-Enterprise Funds				
Water Recycling Utility	Santa Clara Stadium Authority (as of March 31, 2021)	Non-Major Enterprise Funds	Totals	Internal Service Funds
$ 6,279,098	$ -	$ 27,259,730	$ 605,873,989	$ 36,047,724
(5,345,355)	(8,204,081)	(29,890,408)	(456,578,931)	(12,057,107)
(564,076)	(2,429,940)	(2,644,463)	(59,480,945)	(7,454,062)
-	-	-	-	(480,895)
-	-	-	-	(16,541,878)
-	37,045,208	24,041	40,124,961	-
(5,506)	-	433,974	19,745,242	474,008
-	-	-	1,901,898	-
-	-	-	22,324,165	-
-	-	-	(12,282,782)	-
-	-	-	(2,296,122)	-
-	-	-	(1,684,708)	-
364,161	26,411,187	(4,817,126)	157,646,767	(12,210)
-	-	(26,930)	(819,137)	-
-	-	-	134,395	108,917
-	-	-	-	686,665
-	(139,039)	-	(249,879)	-
-	-	771,768	771,768	-
17,642	-	75,027	2,221,702	-
-	-	4,305,147	5,013,577	408,438
-	-	(61,311)	(3,473,121)	-
17,642	(139,039)	5,063,701	3,599,305	1,204,020
-	965,177	-	965,177	-
-	(628,362)	(711,167)	(52,891,161)	(2,513,613)
-	(29,519,797)	-	(39,845,516)	-
-	(16,399,236)	-	(20,920,223)	-
-	(45,582,218)	(711,167)	(112,691,723)	(2,513,613)
(92,773)	-	-	(6,245,906)	-
105,519	4,715,533	89,291	13,548,944	220
-	62,301,362	-	75,839,936	-
-	(39,863,233)	-	(56,893,926)	-
12,746	27,153,662	89,291	26,249,048	220

See accompanying notes to basic financial statements

CITY OF SANTA CLARA

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

	Business-type Activities-Enterprise Funds		
	Electric Utility	**Water Utility**	**Sewer Utility**
Net increase (decrease) in cash and cash equivalents	53,769,292	1,651,184	11,520,081
Cash and cash equivalents at beginning of period	387,917,266	29,580,217	82,579,201
Cash and cash equivalents at end of period	$ 441,686,558	$ 31,231,401	$ 94,099,282
Cash and cash equivalents:			
Pooled cash and investments	$ 434,877,562	$ 29,506,060	$ 92,786,154
Restricted cash	6,808,996	1,725,341	1,313,128
Total cash and cash equivalents	$ 441,686,558	$ 31,231,401	$ 94,099,282
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 59,246,227	$ 5,705,467	$ 13,882,514
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
(Decrease) Increase in due to OPEB system	(578,377)	(110,629)	(55,135)
(Decrease) Increase in due to retirement system	2,739,064	523,906	261,104
Depreciation	21,359,932	1,626,238	1,311,937
Change in assets and liabilities:			
Receivables, net	4,315,664	311,032	872,081
Inventory	(1,431,601)	147,808	-
Restricted Cash	(1,643,104)	(349,151)	(136,778)
Accrued liabilities	12,360,873	885,788	37,770
Long-term portion estimated claims	-	-	-
Compensated absences	723,447	74,172	69,051
Unearned revenue	-	-	-
Other receipts	15,146,173	985,116	1,388,786
Wholesale trading escrow deposit	(2,296,122)	-	-
Charges for joint project contributions	-	-	(1,684,708)
Net cash provided (used) by operating activities	$ 109,942,176	$ 9,799,747	$ 15,946,622
NONCASH TRANSACTIONS:			
Forgiveness of advances	$ -	$ -	$ -
Joint Ventures			
Nonoperating income (loss)	$ 1,678,371	$ -	$ (28,461,416)
Capital Contribution	$ 1,900,000	$ 500,000	$ 200,000

See accompanying notes to basic financial statements

CITY OF SANTA CLARA

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

Business-type Activities-Enterprise Funds					
	Water Recycling Utility	**Santa Clara Stadium Authority (as of March 31, 2021)**	**Non-Major Enterprise Funds**	**Totals**	**Internal Service Funds**
	394,549	7,843,592	(375,301)	74,803,397	(1,321,583)
	6,311,781	40,378,985	21,256,190	568,023,640	26,874,514
	$ 6,706,330	$ 48,222,577	$ 20,880,889	$ 642,827,037	$ 25,552,931
	$ 6,635,880	$ 48,222,577	$ 19,712,256	$ 631,740,489	$ 25,552,931
	70,450	-	1,168,633	11,086,548	-
	$ 6,706,330	$ 48,222,577	$ 20,880,889	$ 642,827,037	$ 25,552,931
	$ 317,512	$ 12,435,964	$ (7,051,052)	$ 84,536,632	$ (5,158,478)
	(9,667)	-	(68,649)	(822,457)	(49,049)
	45,777	-	209,756	3,779,607	2,729,799
	25,141	16,745,392	1,568,162	42,636,802	2,811,201
	109,474	(11,736,549)	(443,972)	(6,572,270)	(308,488)
	-	-	-	(1,283,793)	123,286
	(17,642)	-	-	(2,146,675)	-
	(121,376)	399,474	1,231,806	14,794,335	(729,577)
	-	-	-	-	23,503
	2,806	-	144,048	1,013,524	47,500
	-	8,566,906	(431,266)	8,135,640	-
	12,136	-	24,041	17,556,252	498,093
	-	-	-	(2,296,122)	-
	-	-	-	(1,684,708)	-
	$ 364,161	$ 26,411,187	$ (4,817,126)	$ 157,646,767	$ (12,210)
	$ -	$ -	$ 4,224,133	$ 4,224,133	$ -
	$ -	$ -	$ -	$ (26,783,045)	$ -
	$ -	$ 282,021	$ -	$ 2,882,021	$ -

See accompanying notes to basic financial statements

This page intentionally left blank

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.

CUSTODIAL FUNDS

Custodial funds are used to account for assets held by the City 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 Custodial funds may be found in the Supplementary section.

CITY OF SANTA CLARA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021

	Private Purpose Trust Funds	Custodial Funds
ASSETS		
Cash and investments:		
Pooled cash and investments (Note 7)	$ 1,297,937	$ 582,839
Total cash	1,297,937	582,839
Receivables (net of allowance for uncollectibles):		
Leases and rent	216,203	-
Total receivables	216,203	-
Investments at fair value:		
Investment with fiscal agent-noncurrent-noncurrent (Note 7)	2,789,301	-
Total investments	2,789,301	-
Land held for resale	532,542	-
Total Assets	4,835,983	582,839
LIABILITIES		
Accrued liabilities	500	-
Unearned revenues	110,917	-
Due to other agencies	330,000	-
Total Liabilities	441,417	-
NET POSITION		
Held in trust for private purpose	3,763,266	-
Restricted for individuals, organization and other governments	631,300	582,839
Total Net Position	$ 4,394,566	$ 582,839

See accompanying notes to basic financial statements

CITY OF SANTA CLARA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2021

	Private Purpose Trust Funds	Custodial Funds
ADDITIONS		
Contributions:		
Employee contributions	$ -	$ 83,349
Other plans	-	403,087
Gifts and bequest	-	750
Total contributions	-	487,186
Investment income:		
Net change in fair value of investments	262,884	-
Interest and rents	1,638,142	4,979
Net investment income	1,901,026	4,979
Other	4,355,641	-
Total additions	6,256,667	492,165
DEDUCTIONS		
General and administrative	88,633	2,450,566
Benefits paid	-	2,577
Pass through to the Stadium Authority	-	282,021
Pass through to the County of Santa Clara	1,610,000	-
Total deductions	1,698,633	2,735,164
Net increase (decrease) in fiduciary net position	4,558,034	(2,242,999)
Net position - beginning	(163,468)	-
GASB 84 implementation	-	2,825,838
Net position - beginning, as restated	(163,468)	2,825,838
Net position - ending	$ 4,394,566	$ 582,839

This page intentionally left blank

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 130,746 accounts for 6.8% 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, 2021. 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, information technology, public works capital project management, 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.

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.

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

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

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, 2021, the City implemented the following GASB Statement:

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, 2020. For additional details please refer to the Fiduciary Statements in the Supplemental Information Section.

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, 2020. The City does not have any majority equity interests that meet the criteria of this pronouncement.

The GASB issued Statement No. 92 *"Omnibus 2020."* The objective of this statement is to enhance comparability in reporting and improve the consistency of authoritative literature by addressing practice issues identified during implantation of certain GASB statements. Certain provisions of this statement become effective upon issuance for requirements related to GASB 87, and the remaining provisions are effective for periods beginning after June 15, 2021. The City implemented the GASB 87 provisions of this omnibus with the implementation of GASB 87.

The GASB issued Statement No. 98 *"The Annual Comprehensive Financial Report."* This statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for fiscal years ending after December 15, 2021. This standard was adopted for fiscal year ending June 30, 2021.

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

The GASB issued Statement No. 87 *"Leases."* The objective of this statement is to improve accounting and financial reports related to the recognition of lease assets and liabilities that previously were classified as operating leases. This statement becomes effective for periods beginning after June 15, 2021. 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, 2020. 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, 2021. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 92 *"Omnibus 2020."* The objective of this statement is to enhance comparability in reporting and improve the consistency of authoritative literature by addressing practice issues identified during implantation of certain GASB statements. This statement becomes effective upon issuance for requirements related to GASB 87. For GASB 73, GASB 74, and GASB 84 as well as measurement of liabilities associated with asset retirement obligations, the requirements become effective for reporting periods beginning after June 15, 2021. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 93 *"Replacement of Interbank Offered Rates."* The objective of this statement is to address accounting and financial reporting implication that results from the replacement of an IBOR. This statement becomes effective for periods beginning after June 15, 2021. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 94 *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements."* The objective of this statement is to address issues related to public-private and public-public partnership arrangements and to provide guidance for accounting and financial reporting for availability payment arrangements. This statement becomes effective for periods beginning after June 15, 2022. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 96 *"Subscription-Based Information Technology Arrangements."* The objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement becomes effective for periods beginning after June 15, 2022. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 97 *"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-An Amendment of GASB Statements No.14 and No. 84, and a Supersession of GASB Statement No. 32."* The objectives of this statement are to (1) increase consistency and comparability related to reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement becomes effective for periods beginning after June 15, 2021. 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

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

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.

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

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

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 other than temporary fair 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.

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.

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

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, 2021. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	$ 18,751,839	$ 6,705,053	$ 25,456,892
Additions	3,920,030	1,354,969	5,274,999
Payments	(2,455,578)	(341,445)	(2,797,023)
Ending Balance	$ 20,216,291	$ 7,718,577	$ 27,934,868
Current Portions	$ 2,312,481	$ 882,906	$ 3,195,387

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

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 $50 million.

The City is also self-insured up to $750,000 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 $750,000 per claim with coverage up to statutory limits with PRISM (formerly CSAC Excess Insurance Authority).

The City maintains property damage coverage through the Public Entity Property Insurance Program (APIP), which has a plan limit of $800 million, a reduction of $200 million from the prior year. The City maintains boiler and machinery property coverage of $100 million per occurrence in excess of self-insured amounts varying from $25,000 to $100,000 per occurrence. No claims settlement amount exceeded the City's insurance coverage in the past fiscal years.

The City also maintains a Faithful Performance, Crime Coverage Bond with a plan limit of $10 million through PRISM.

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.

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

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

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 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:

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

	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, 2021, was $50 billion, an increase of 8.43% compared to the previous year. The average tax rate was 1.14% 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.

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.

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

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, 2021, conditional grants of $24,357,245 were offset by reserves of $8,662,412.

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.

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

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 by Santa Clara Valley Transportation Authority, administrator of VRF are 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, 2021, the balance of the Vehicle Registration Fees are as follows:

	Vehicle Registration Fee
Beginning Balance July 1, 2020	$ 2,191,202
Intergovernmental revenue	828,409
Interest	39,581
Expenditures	(116,340)
Ending Balance June 30, 2021	$ 2,942,852

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:

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.

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING (continued)

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

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

In April 2000, the former RDA entered into a Disposition and Development Agreement (DDA) with Ground Lease with The Irvine Company (Developer) for development of the site as an office/R&D complex. The DDA contemplated the former RDA obtaining title to the entire property from the City prior to entering into ground leases with the Developer. The site is subdivided into three parcels to accommodate the phased development of the project. Only Parcel 2 was conveyed to the former RDA. 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

NOTE 4 – LEASE AGREEMENTS (continued)

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, 2021, Lessee paid rent of $2.7 million for Parcel 1 and $1.3 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
2022	$ 2,655,863	$ 1,280,509	$ 3,936,372
2023	2,655,863	1,280,509	3,936,372
2024	2,655,863	1,280,509	3,936,372
2025	2,655,863	1,280,509	3,936,372
2026	2,655,863	1,280,509	3,936,372
Thereafter	176,172,287	84,940,432	261,112,719
Total	$ 189,451,602	$ 91,342,977	$ 280,794,579

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

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

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

On January 8, 2016 the City executed a Settlement Agreement in Sharma vs the City of Santa Clara. This Settlement Agreement calls for the City to return to the Successor Agency certain properties that the former Redevelopment Agency transferred to the City prior to dissolution. The properties returned are as follows: The Great America Theme Park Property, the Hilton Hotel Property, the North/South Parking Lots, the Gateway Parcel 2 Property, the Hyatt Hotel Property, The Techmart Property, and the Martinson Childcare Center Property. The Settlement Agreement requires the City to forego the long term lease revenues

NOTE 4 – LEASE AGREEMENTS (continued)

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, 2021, 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
2022	$ 121,606
2023	121,606
2024	121,606
2025	121,606
2026	121,606
Thereafter	243,211
Total	$ 851,241

Hyatt Ballroom Lease Agreement

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

The minimum rent of the Ballroom lease is adjusted every three years according to the April 1985 agreement. Due to the COVID-19 impacts, the City agreed to waive and abate the ballroom lease from March 1 2020 to October 1, 2021.

NOTE 4 – LEASE AGREEMENTS (continued)

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

Fiscal Year	Ballroom Lease Amount	
2022	$	292,437
2023		389,916
2024		389,916
2025		389,916
2026		389,916
Thereafter		3,444,258
Total	$	5,296,359

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 with Cedar Fair.

For the fiscal year ended June 30, 2021, 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	
2022	$	29,925
2023		29,925
2024		29,925
2025		29,925
2026		29,925
Thereafter		418,950
Total	$	568,575

NOTE 5 - ENTERPRISE FUND MANAGEMENT AGREEMENTS

A. Santa Clara Convention Center

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, 2021, the City paid Spectra $165,000 in management fees.

In May 2019, the City issued a request for proposal (RFP) to select a qualified company to provide Food and Beverage Operations for the Convention Center. The City entered into an agreement with Levy Premium Foodservice Limited Partnership (Levy) on November 1, 2019 to manage the foodservice operations at the Convention Center. The initial term of this agreement began on November 1, 2019 and expires on June 30, 2025. Upon expiration of the initial term, the City has the option to extend this agreement for two subsequent terms of five (5) years each by serving notice to Levy no later than 180 calendar days from expiration of term period. Under the terms of this agreement, Levy will receive management fees equal to 4.5% of gross receipts plus an additional fee of 8% of net receipts. Due to COVID-19 impacts during fiscal year June 30, 2021, there were no management fees paid to Levy.

In accordance with the November 1, 2019 executed agreement, Levy agreed to pay the City $5,750,000 consisting of $5,000,000 for an Operations Investment to be used for pre-opening expenses and other improvements to the foodservice facilities at the Convention Center, and a $750,000 Community Enrichment Investment to be spent on programs that drive community enrichment, develop local partnerships and promote economic development of the City. Both of these are amortized on a straight-line basis over 15 years. In the event that this agreement terminates for any reason prior to full amortization of the investment funds, the City is obligated to reimburse Levy for the unamortized amount.

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 $194,866 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 $293,621 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 5 – ENTERPRISE FUND MANAGEMENT AGREEMENTS (continued)

At June 30, 2020, SCG&TC owed the General Fund $4,224,133 as a result of previous advances. The Council approved the write off of the advance in fiscal year 2020-21.

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

NOTE 6 – SANTA CLARA STADIUM AUTHORITY (continued)

year of Stadium operations and annually thereafter through the tenth year of Stadium operations, the Fixed Ground Rent will increase annually by $35 thousand. Beginning in the 11th year of Stadium operations, Fixed Ground Rent will be increased to equal $1 million, and thereafter will be increased by $100 thousand every five years through the end of the initial term of the Ground Lease. If the term of the Ground Lease is extended, then, during the first extension term, the Fixed Ground Rent will equal $1.58 million; and if and to the extent the Ground Lease is further extended, the Fixed Ground Rent will be increased by $80 thousand every four years thereafter through the expiration of the term of the Ground Lease. 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, 2021 and 2020.

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
2022	$ 425,000
2023	460,000
2024	495,000
2025	1,000,000
2026	1,000,000
Thereafter	35,500,000
Total	$ 38,880,000

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.

NOTE 6 – SANTA CLARA STADIUM AUTHORITY (continued)

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 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 $17.3 million and $24.8 million in stadium rent from StadCo in each of the fiscal years ended March 31, 2021 and 2020, respectively. There were three NFL events that were cancelled because of County COVID-19 restrictions, therefore; lease revenues in fiscal year 2020-21 were lower than the prior year.

The Stadium Authority 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. Trust Excess Cash Flow Funding

On April 1, 2020, the Stadium Authority completed the Trust Excess Cash Flow funding instructions and provided it to the FinanceCo and StadCo to complete fiscal year 2019-20's year-end Trust Excess Cash Flow funding distribution per the Deposit and Disbursement Agreement. The Trust Excess Cash Flow instruction specifically excluded payments to the Revolving Loan of $6,300,653 because the Stadium Authority did not recognize this as an expense due to the fact that it is currently under litigation. StadCo deviated from the funding instructions and took the Excess Revenues from the distribution to pay off the Management Company Revolving Loan. The Stadium Authority was informed of this deviation in a letter dated April 27, 2020. On May 18, 2020, the Stadium Authority notified StadCo and the Trust that the deviation is in direct contravention of the Stadium Authority's instructions to the Trustee with regards to the use of Excess Revenue. Subsequently, the Stadium Authority recorded a receivable from StadCo for $6,300,653 as of March 31, 2020.

ManagementCo continued to issue certificates of loan to the Stadium Authority for the suspended Shared Expenses of approximately $7,249,747, which covers expenses from March 2020 through March 2021, in

NOTE 6 – SANTA CLARA STADIUM AUTHORITY (continued)

fiscal year 2020-21. ManagementCo also issued a certificate of loan for $1,601,538 to pay for a portion of the $2,741,014 invoice from fiscal year 2019-20's Non-NFL Events' net loss reported by ManagementCo. The remaining balance of $1,139,476 in the Non-NFL Events' net loss invoice was from the City's Public Safety costs, which ManagementCo had requested that the City recoup the costs directly from the Stadium Authority. The Stadium Authority included the Non-NFL Events' net loss draw of $1,601,538 in the overall dispute with ManagementCo.

On March 31, 2021, the Stadium Authority completed the Trust Excess Cash Flow funding instructions and provided it to the FinanceCo and StadCo to complete fiscal year 2020-21's year-end Trust Excess Cash Flow funding distribution per the Deposit and Disbursement Agreement. The Trust Excess Cash Flow instruction requested that the Trust pay the StadCo Subordinated Loan in the amount of $5,796,711. However, StadCo deviated from the funding instructions and used $2,167,689 from the distribution to pay off the Management Company Revolving Loan instead. The Stadium Authority was informed of this deviation in a letter dated May 18, 2021. Subsequently, the Stadium Authority recorded a receivable from StadCo for $2,167,689

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.

Total cash and investments of the City was $1,052.6 million as of June 30, 2021. This amount includes the City's cash and cash equivalents of $993.4 million, and cash and investments with fiscal agents of $59.2 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	$ 948,595,909
Investments with fiscal agent - current	40,479,964
Restricted cash	37,355,223
Deposits	5,522,664
Investments with fiscal agent - noncurrent	15,961,283
Fiduciary Funds	
Pooled cash and investments	1,880,776
Investments with fiscal agent - noncurrent	2,789,301
Total Cash and Investments	$ 1,052,585,120

NOTE 7 – CASH AND INVESTMENTS (continued)

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

	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
Pooled cash and investments	$ 291,302,489	$ 631,740,489	$ 25,552,931	$ 1,880,776	$ 950,476,685
Investments with fiscal agent - current	4	40,479,960	-	-	40,479,964
Restricted cash	26,268,675	11,086,548	-	-	37,355,223
Investments with fiscal agent - noncurrent	703,714	15,257,569	-	2,789,301	18,750,584
Deposits	-	5,522,664	-	-	5,522,664
Total cash and investments	$ 318,274,882	$ 704,087,230	$ 25,552,931	$ 4,670,077	$ 1,052,585,120

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	N/A	100%	100%
U.S. Agency Securities (A)	5 years	Top three ratings categories	80% (B)	40%
Negotiable Certificates of Deposit	5 years	A/A1	30%	5%
Bankers Acceptances	180 days	N/A	25%	5%
Commercial Paper	270 days	Top rating category	25%	5%
California Local Agency Investment Fund	N/A	N/A	None	$75M Per A/C
Repurchase Agreements	60 days	N/A	50%	20%
Reverse Repurchase Agreements (requires City Council approval)	92 days	N/A	20%	10%
Municipal Obligations	5 years	N/A	20%	5%
Medium Term Corporate Notes	5 years	A	20%	5%
Mutual Funds / Money Market Funds	N/A	Top rating category	20%	10%
Joint Power Authority Investment Pools	N/A	Top rating category	100%	100%
Supranational Obligations	5 years	AA	20%	10%
Asset-Backed & Mortgage-Backed Securities	5 years	AA	10%	5%
Non-Negotiable Certificates of Deposit	5 years	N/A	10%	5%

(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.

(B) Callable securities are limited to 30% of the portfolio.

C. Investments with Fiscal Agents

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

The City also maintains required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if

NOTE 7 – CASH AND INVESTMENTS (continued)

the City fails to meet its obligations under these debt issues. The California Government Code 53601 (L) allows these funds to be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, other agreements, or certificates of participation in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

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.

The City also invests funds in the Bentzien Trust in accordance with the investment policy of the Trust that allows investment in cash and short-term investments (up to 20%), fixed income investments including U.S. Government, U.S. Government Agency, Asset and Mortgage Backed securities, debt issued by U.S. Corporations and fixed income mutual funds (30% to 60% of portfolio's aggregate fair value), and equity securities or mutual funds (40% to 70% of portfolio's aggregate fair value). Investments in U.S. Corporate debt shall be limited to an amount per issuer not to exceed 10% of the aggregate fair value of the portfolio, and upon initial purchase by the Adviser, must be of investment grade as rated by Moody's and/or Standard and Poor's rating services. The maximum maturity of an individual bond shall not exceed fifteen years and the average maturity shall not exceed ten years. Individual equity purchases shall have an equivalent securities rating of B- or better. Individual equity purchases shall not exceed five percent of the portfolio's aggregate fair value.

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, 2021 was approximately 2.10 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)

NOTE 7 – CASH AND INVESTMENTS (continued)

to market interest rate fluctuations is provided in the investment table that shows the distribution of the City's investments by maturity.

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

NOTE 7 – CASH AND INVESTMENTS (continued)

Presented below is the actual rating as of June 30, 2021 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 Treasury:							
Cash	N/A	$ 164,955,428	$ -	$ -	$ -	$ -	$ 164,955,428
U.S. Treasury notes	Aaa	40,061,263	48,612,276	232,592,985	64,880,620	-	386,147,144
Federal Farm Credit Bank	Aaa	-	5,050,550	49,309,463	47,866,222	-	102,226,235
Federal Home Loan Bank	Aaa	15,088,950	5,075,700	31,624,000	19,610,229	-	71,398,879
Federal National Mortgage Association	Aaa	5,017,550	5,048,950	15,271,887	40,153,597	-	65,491,984
Federal Home Loan Mortgage Corporation	Aaa	5,006,200	-	16,840,600	14,401,696	-	36,248,496
Corporate notes	AAA/Aaa	-	-	-	10,309,050	-	10,309,050
Corporate notes	AA	-	-	4,235,619	10,690,500	-	14,926,119
Corporate notes	A	-	-	11,113,218	22,475,401		33,588,619
Supranational	Aaa		-	7,317,836	-	-	7,317,836
Asset-Backed Securities	AAA	-	-	-	3,951,681	-	3,951,681
California Municipal Bonds	Aaa	-	-	-	2,695,832	-	2,695,832
California Municipal Bonds	Not Rated	-	-	1,457,585	-	-	1,457,585
Certificates of Deposit	A1 / P1	-	18,368,518	-	-	-	18,368,518
Wells Fargo Money Market Fund	Not Rated	203,116	-	-	-	-	203,116
State Investment Pool (LAIF)	Not Rated	69,762,112	-	-	-	-	69,762,112
Total Cash and Investments - City Treasury		300,094,619	82,155,994	369,763,193	237,034,828	-	989,048,634
Cash and Investments - Other:							
Cash (Debt Fund)	N/A	327	-	-	-	-	327
U.S. Treasury Notes (Bentzien Trust)	Aaa	-	-	205,844	-	-	205,844
Federal Home Loan Bank (Bentzien Trust)	Aaa	-	263,905	15,523	-	-	279,428
Federal Farm Credit Bank (Bentzien Trust)	Aaa	-	-	-	-	112,560	112,560
Municipal Notes (Bentzien Trust)	Aaa	-	-	54,193	-	130,765	184,958
Municipal Notes (Bentzien Trust)	Aa	-	-	37,337	141,148	272,701	451,186
Municipal Notes (Bentzien Trust)	A	50,236	-	70,750	51,689	-	172,675
Municipal Notes (Bentzien Trust)	BBB	-	-	-	-	52,667	52,667
Municipal Notes (Bentzien Trust)	Not Rated	-	-	-	-	-	-
Corporate Notes (Bentzien Trust)	Aa	-	-	-	-	-	-
Corporate Notes (Bentzien Trust)	A	-	-	-	-	-	-
Corporate Notes (Bentzien Trust)	BBB	-	66,739	-	38,419	-	105,158
Corporate Notes (Bentzien Trust)	A	-	-	26,909	-	-	26,909
Corporate Stock (Bentzien Trust)	A & B	982,678	-	-	-	-	982,678

(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	2,146,253	-	-	-	-	2,146,253
Mutual Fund - Blackrock Money Market (Debt Fund)	Aaam	703,718	-	-	-	-	703,718
Mutual Fund - Goldman FS Government Mutual Fund (Debt Fund)	Aaam	14,147,132	-	-	-	-	14,147,132
Mutual Fund - JP Morgan Money Market Funds (Debt Fund)	Aaam	4,348,557	-	-	-	-	4,348,557
Mutual Fund - Money Market (Bentzien Trust)	Aaam	172,054	-	-	-	-	172,054
Mutual Fund - International Equities (Bentzien Trust)	Not Rated	210,498	-	-	-	-	210,498
Mutual Fund - Fixed Income (Bentzien Trust)	Not Rated	358,763	-	-	-	-	358,763
Mutual Fund - Equities (Bentzien Trust)	Not Rated	162,036	-	-	-	-	162,036
Exchange Traded Funds (Bentzien Trust)	Not Rated	46,698	-	-	-	-	46,698
Pension Rate Stabilization Investment (Cash and Equivalents)	Not Rated	336,628	-	-	-	-	336,628
Pension Rate Stabilization Investment (Mutual Funds-Equity)	Not Rated	10,391,930	-	-	-	-	10,391,930
Pension Rate Stabilization Investment (Mutual Funds-Fixed Income)	Not Rated	22,415,165	-	-	-	-	22,415,165
Collateral Obligations (ADM & CAISO)	Not Rated	5,522,664	-	-	-	-	5,522,664
Total Cash and Investments - Other		61,995,337	330,644	410,556	231,256	568,693	63,536,486
Total Cash and Investments		$ 362,089,956	$ 82,486,638	$ 370,173,749	$ 237,266,084	$ 568,693	$ 1,052,585,120

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 Using		
	Investments and Derivative Instruments Measured at Fair Value 6/30/2021	Quoted 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				
U.S. Treasury Notes	$ 386,147,144	$ 386,147,144	$ -	$ -
Federal Farm Credit Bank	102,226,235	-	102,226,235	-
Federal Home Loan Bank	71,398,879	-	71,398,879	-
Federal National Mortgage Association	65,491,984	-	65,491,984	-
Federal Home Loan Mortgage Corporation	36,248,496	-	36,248,496	-
Corporate notes	58,823,788	-	58,823,788	-
Supranational	7,317,836	-	7,317,836	-
Asset-Backed Securities	3,951,681	-	3,951,681	-
Califonia Municipal Bonds	4,153,417	-	4,153,417	-
Certificates of Deposit	18,368,518	-	18,368,518	-
Wells Fargo Money Market Fund	203,116	-	-	203,116
Total Short Term Investments	754,331,094	386,147,144	367,980,834	203,116
Debt Securities and Other				
U.S. Treasury Notes (Bentzien Trust)	205,844	205,844	-	-
Federal Farm Credit Bank (Bentzien Trust)	112,560	-	112,560	-
Federal Home Loan Bank (Bentzien Trust)	279,428	-	279,428	-
Municipal Notes (Bentzien Trust)	184,958	-	184,958	-
Municipal Notes (Bentzien Trust)	451,186	-	451,186	-
Municipal Notes (Bentzien Trust)	172,675	-	172,675	-
Municipal Notes (Bentzien Trust)	52,667	-	52,667	-
Corporate Notes (Bentzien Trust)	105,158	-	105,158	-
Corporate Notes (Bentzien Trust)	26,909	-	26,909	-
Mutual Fund - Dreyfus Money Market (Bond Proceeds)	2,146,253	-	-	2,146,253
Mutual Fund - Blackrock Money Market (Debt Fund)	703,718	-	-	703,718
Mutual Fund - Goldman FS Government Mutual Fund (Debt Fund)	14,147,132	-	-	14,147,132
Mutual Fund - JP Morgan Money Market Funds (Debt Fund)	4,348,557	-	-	4,348,557
Mutual Fund - Money Market (Bentzien Trust)	172,054	-	172,054	-
Mutual Fund - International Equities (Bentzien Trust)	210,498	210,498	-	-

(continued)

NOTE 7 – CASH AND INVESTMENTS (continued)

	Investments and Derivative Instruments Measured at Fair Value 6/30/2021	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Exempt (1)
Debt Securities and Other (continued)				
Mutual Fund - Fixed Income (Bentzien Trust)	358,763	-	358,763	-
Mutual Fund - Equities (Bentzien Trust)	162,036	162,036	-	-
Pension Rate Stabilization Investment (Cash and Equivalents)	336,628	336,628		
Pension Rate Stabilization Investment (Mutual Funds-Equity)	10,391,930	10,391,930	-	-
Pension Rate Stabilization Investment (Mutual Funds-Fixed Income)	22,415,165	17,658,753	4,756,412	-
Collateral Obligations (ADM & CAISO)	5,522,664	-	-	5,522,664
Total Debt Securities and Other	62,506,783	28,965,689	6,672,770	26,868,324
Equity Securities				
Corporate Stock (Bentzien Trust)	982,678	982,678	-	-
Exchange Traded Funds (Bentzien Trust)	46,698	46,698	-	-
Total Equity Securities	1,029,376	1,029,376	-	-
Total Investment by Fair Value Level	817,867,253	416,142,209	374,653,604	27,071,440
Investments Measured at the Amortized Cost				
State Investment Pool (LAIF)	69,762,112	-	-	69,762,112
Total Investments Measured at the Amortized Cost	69,762,112	-	-	69,762,112
Total Investments	887,629,365	$ 416,142,209	$ 374,653,604	$ 96,833,552
Cash in Banks	164,955,755			
Total Cash and Investments	$ 1,052,585,120			
Investments Derivative Instruments				
Open contract power trading - Current Assets	$ 1,604,352		1,604,352	
Open contract Gas trading - Non-current Assets	11,427,770		11,427,770	
Total Investment Derivative Instruments	$ 13,032,122		$ 13,032,122	

(1) Accounts in exempt column are Mutual Fund-Money Market, Collateral Obligations, and LAIF investments which are exempt from the 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.

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.

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 Bank	Aaa	$ 102,226,235	9.7%
Federal Home Loan Bank	Aaa	$ 71,790,868	6.8%
Federal Home Loan Mortgage Corporation	Aaa	$ 65,491,984	6.2%

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 $75 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.

Transfers between funds during the fiscal year ended June 30, 2021 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Transferred	
General Fund	Non-Major Governmental	$ 7,221,202	A
	Electric Utility	633,200	B
	Santa Clara Convention Center	20,000	C
	Sewer Utility	25,000	C
	Water Utility	25,000	C
Non-Major Governmental	General Fund	31,613,671	D
	Cemetery	2,741	E
	Sewer Utility	241,405	E
	Solid Waste	38,570	E
	Water Utility	642,430	E
	Electric Utility	1,150,560	E
	Non-Major Governmental	7,788,232	F
Internal Service Funds	General Fund	289,223	G
	Electric Utility	119,215	H
Cemetery	General Fund	300,000	I
Electric Utility	Non-Major Governmental	91,540	J
	Sewer Utility	37,500	K
	Water Utility	37,500	K
	Solid Waste	-	L
Sewer Utility	Non-Major Governmental	10,642	J
Solid Waste	General Fund	1,000,000	L
	Non-Major Governmental	23,659	J
Water Utility	Non-Major Governmental	31,248	J
	Sewer Utility	500,000	M
Santa Clara Convention Center	Non-Major Governmental	2,981,488	N
Santa Clara Golf and Tennis Club	General Fund	4,224,133	O
Total Interfund Transfers		$ 59,048,159	

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 and special revenue funds to return the excess funding.
(B) Transfer to the general fund for the right of way and to fund electric utility's share of the City contract.
(C) Transfer to the general fund for the COVID relief programs.
(D) Transfer to fund various capital projects, maintenance district, to pay the debt, and COVID-19 related activities.
(E) Transfer to fund their respective share of financial, human resources software, utility billing, and other projects.
(F) Transfer from special revenue fund to fund various street related capital projects.
(G) Transfer to the unemployment fund to cover higher estimated unemployment insurance claims.
(H) Transfer from electric Greenhouse Gas program to fund the vehicle revolving fund on the electric vehicle purchases.
(I) Transfer to fund the Cemetery capital improvement project.
(J) Returning the funds from the City-wide projects to the original sources.
(K) Transfer to fund the Electric Utility yards capital improvement project.
(L) Transfer to provide the credit and rebate to the Solid Waste customers for COVID relief.
(M) Transfer to fund Water Utility capital improvement projects.
(N) Transfer fund to Santa Clara Convention Center CIP projects.
(O) Transfer to write off the interfund advance to Santa Clara Golf and Tennis Club.

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, 2021.

Receivable Fund	Payable Fund	Amount
General Fund	Santa Clara Stadium Authority	$ 59,476
	Receivable by Governmental Funds	59,476
Electric Utility	Internal Service Funds	2,603,215
Water Utility	Internal Service Funds	363,676
Sewer Utility	Internal Service Funds	625,795
Cemetery	Internal Service Funds	255,944
	Receivable by Enterprise Funds	3,848,630
Internal Service Funds	Internal Service Funds	32,875
	Receivable by Internal Service Funds	32,875
	Total	$ 3,940,981

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, 20211, 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	$ 7,111,149
Parks and Recreation Facilities	General Fund	6,618,748
Total		$ 13,729,897

Cemetery Fund has a $7,111,149 advance that bears no interest and will be repaid when funds become available. The advance is a long term subsidy of the cemetery operations. The new resources will need to be identified in future to provide the support in the years ahead.

Parks and Recreation Facilities Fund has a $6,618,748 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 becomes available.

Santa Clara Golf and Tennis Club Fund The City closed the facility for the Santa Clara Golf and Tennis Club Fund and the advance balance of $4,224,133 was written off in January 2021.

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 $63,830 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).

NOTE 9 - CAPITAL ASSETS

A. Capital Assets Summary

Capital Assets at June 30, 2021 are comprised of:

	Balance June 30, 2020	Additions	Retirements/ Adjustments	Transfers	Balance June 30, 2021
Governmental Activities					
Non Depreciable Assets:					
Land	$ 116,047,203	$ 8,471,632	$ -	$ -	$ 124,518,835
Construction in progress	39,767,805	21,576,261	(4,050,000)	(11,421,727)	45,872,339
Total Non Depreciable Assets	155,815,008	30,047,893	(4,050,000)	(11,421,727)	170,391,174
Capital assets being depreciated:					
Land improvements	28,272,459	-	-	746,243	29,018,702
Buildings	217,214,792	-	-	-	217,214,792
Infrastructure	597,297,273	6,113,910	-	7,880,286	611,291,469
Machinery & equipment	80,214,157	2,987,365	(1,839,899)	2,795,198	84,156,821
Total Capital assets being depreciated	922,998,681	9,101,275	(1,839,899)	11,421,727	941,681,784
Less accumulated depreciation for:					
Land improvements	(16,623,229)	(1,310,026)	-	-	(17,933,255)
Buildings	(69,671,649)	(4,282,056)	-	-	(73,953,705)
Infrastructure	(300,877,270)	(14,652,698)	-	-	(315,529,968)
Machinery & equipment	(62,816,979)	(3,879,821)	1,808,986	-	(64,887,814)
Total accumulated depreciation	(449,989,127)	(24,124,601)	1,808,986	-	(472,304,742)
Net Depreciable Assets	473,009,554	(15,023,326)	(30,913)	11,421,727	469,377,042
Governmental Activity Net Capital Assets	$ 628,824,562	$ 15,024,567	$ (4,080,913)	$ -	$ 639,768,216

NOTE 9 - CAPITAL ASSETS (continued)

	Balance June 30, 2020	Additions	Retirements/ Adjustments	Transfers	Balance June 30, 2021
Business-Type Activities					
Non Depreciable Assets:					
Land	$ 18,851,211	$ -	$ -	$ -	$ 18,851,211
Construction in progress	94,901,741	46,373,309	(15,000)	(32,397,559)	108,862,491
Total Non Depreciable Assets	113,752,952	46,373,309	(15,000)	(32,397,559)	127,713,702
Capital Assets being depreciated:					
Land Improvements	23,935,017	-	(23,832,610)	-	102,407
Buildings	918,503,582	21,244	-	-	918,524,826
Infrastructure	1,083,366,650	2,600,000	-	32,397,559	1,118,364,209
Machinery & equipment	23,744,942	719,818	(275,663)	-	24,189,097
Total Capital Assets being depreciated	2,049,550,191	3,341,062	(24,108,273)	32,397,559	2,061,180,539
Less accumulated depreciation for:					
Land Improvements	(23,907,164)	(2,571)	23,832,610	-	(77,125)
Buildings & improvements	(157,595,383)	(18,222,735)	-	-	(175,818,118)
Infrastructure	(526,848,104)	(23,269,840)	-	-	(550,117,944)
Machinery & equipment	(17,084,737)	(1,141,656)	275,663	-	(17,950,730)
Total accumulated depreciation	(725,435,388)	(42,636,802)	24,108,273	-	(743,963,917)
Net Depreciable Assets	1,324,114,803	(39,295,740)	-	32,397,559	1,317,216,622
Enterprise Activity Net Capital Assets	$ 1,437,867,755	$ 7,077,569	$ (15,000)	$ -	$ 1,444,930,324

B. Construction in Progress Summary

Construction in Progress for governmental activities as of June 30, 20211 consisted of the following projects:

Governmental Projects	Authorized	Expended	Future Commitments
Transportation Improvements	$ 36,080,613	$ 10,111,480	$ 25,969,133
Parks and Recreation Improvements	43,026,826	31,987,558	11,039,268
City Building Improvements	17,576,126	3,773,301	13,802,825
Total	$ 96,683,565	$ 45,872,339	$ 50,811,226

Construction in Progress for business-type activities as of June 30, 2021 consisted of the following:

Enterprise Fund Projects	Authorized	Expended	Future Commitments
Electric Projects	$ 178,608,849	$ 99,971,096	$ 78,637,753
Water and Sewer Projects	11,748,791	7,753,251	3,995,540
Stadium Authority Projects	4,987,810	406,177	4,581,633
Santa Clara Convention Center Projects	4,355,720	731,967	3,623,753
Total	$ 199,701,170	$ 108,862,491	$ 90,838,679

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	$	1,210,224
Finance		915
Public Works		15,269,130
Parks and Recreation		1,835,432
Public Safety		
Police		891,732
Fire		565,370
Planning and Inspection		31,607
Library		1,508,990
		21,313,400
Capital assets held by the City's Internal Service Funds are charged to the various functions based on their usage of the assets		2,811,201
Total Governmental Activities	$	24,124,601
Business-Type Activities:		
Utility Funds:		
Electric Utility	$	21,359,932
Water Utility		1,626,238
Sewer Utility		1,311,937
Water Recycling Utility		25,141
Solid Waste		8,626
Cemetery		11,182
Santa Clara Convention Center		1,548,354
Santa Clara Stadium Authority		16,745,392
Total Business-Type Activities	$	42,636,802

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			
Business-Type Activity Debt:			
Electric Utility:			
2013 Series A Revenue Bonds	4/24/2013	7/1/2022	3%-5%
2018 Series A Revenue Bonds	12/18/2018	7/1/2027	0.05
Unamortized Premium/Discount			
Santa Clara Stadium Authority [2]:			
Term A loan	6/19/2013	4/1/2039	5.00%
Subtotal Business Activity Debt-Bonds and Loan			
Direct borrowing:			
Electric Utility:			
2020-1 Series Revenue Bonds	4/10/2020	7/1/2032	1.74%
2020-2 Series Revenue Bonds	4/10/2020	7/1/2028	1.31%
2020-3 Series Revenue Bonds	4/10/2020	7/1/2024	0.58%
Sewer Utility:			
2016 Trimble Road Loan	3/8/2016	2/1/2031	2.14%
2020 Sewer Installment Sale Agreement	6/11/2020	7/1/2024	Variable
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 from Direct Borrowing			
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 DEBTAND DERIVATIVE INVESTMENTS (continued)

Authorized	Outstanding as of June 30, 2020	Additions, Transfers, and Amort. of Discounts	Debt Retired / Defeased	Outstanding as of June 30, 2021	Current Portion
$ 10,207,000	$ 2,095,000	$ -	$ 1,030,000	$ 1,065,000	$ 1,065,000
18,540,000	12,905,000	-	900,000	12,005,000	940,000
	637,987	-	54,296	583,691	-
28,747,000	15,637,987	-	1,984,296	13,653,691	2,005,000
64,380,000	12,980,000	-	4,115,000	8,865,000	4,320,000
48,800,000	44,595,000	-	4,485,000	40,110,000	4,785,000
	5,272,631	-	753,233	4,519,398	-
282,794,108	257,514,240	-	13,354,000	244,160,240	14,022,000
395,974,108	320,361,871	-	22,707,233	297,654,638	23,127,000
52,985,000	52,985,000	-	-	52,985,000	-
34,315,000	34,315,000	-	-	34,315,000	-
16,720,000	16,720,000	-	980,000	15,740,000	3,900,000
12,000,000	9,144,796	-	745,719	8,399,077	761,763
50,000,000	20,000,000	-	-	20,000,000	-
38,000,000	28,832,979	1,050,753	380,839	29,502,893	-
233,138,533	38,917,384	-	15,784,958	23,132,426	4,655,282
437,158,533	200,915,159	1,050,753	17,891,516	184,074,396	9,317,045
833,132,641	521,277,030	1,050,753	40,598,749	481,729,034	32,444,045
$ 861,879,641	$ 536,915,017	$ 1,050,753	$ 42,583,045	$ 495,382,725	$ 34,449,045

NOTE 10 – LONG-TERM DEBTAND DERIVATIVE INVESTMENTS (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.

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.

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 DEBTAND DERIVATIVE INVESTMENTS (continued)

C. Enterprise Funds

Electric Utility

Electric Revenue Refunding Bonds, Series 2013A

On April 24, 2013, the City 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 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.

As of April 1, 2020, $43.705 million of the Electric 2013A Bonds were outstanding and $30.725 million would be callable at par beginning January 1, 2023. With the passage of the Tax Cuts and Jobs Act on December 22, 2017 ("tax reform"), the tax legislation eliminated advance refunding of tax-exempt bonds beginning Jan 1, 2018, and therefore tax-exempt advance refunding is no longer a refinancing option.

On April 10, 2020, SVP refinanced $30.725 million callable portion of the outstanding principal amount of Electric 2013 A Bonds through a direct placement with Bank of America, N.A. under a Taxable to Tax-Exempt Conversion structure. The refunding resulted in overall debt service savings of $1,706,384. The net present value of the debt service savings is called an economic gain and after an addition for prior funds on hand of $203 amounted to $1,703,470. See Notes below for Subordinated Electric Revenue Refunding Bonds, Series 2020-2.

As of June 30, 2021, $8.865 million non-callable principal of Electric 2013A Bonds were outstanding. 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.

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.

NOTE 10 – LONG-TERM DEBTAND DERIVATIVE INVESTMENTS (continued)

Subordinate Electric Revenue Refunding Bonds, Series 2020-1

The City Council determined that it was in the best interests of the City to enter into a credit facility with a bank for the purpose of refunding all of the outstanding Electric 2011A Bonds; and for the indebtedness created under such credit facility to be evidenced by a subordinate electric revenue bond to be issued by the City and delivered to the Bank as authorized by Resolution No. 20-8834 adopted by the City Council on April 7, 2020.

On April 10, 2020, the City entered into a loan agreement with Bank of America, N.A., (the "Loan Agreement") and issued $52.985 million of Subordinate Electric Revenue Refunding Bonds, Series 2020-1 (Electric 2020-1 Bonds) to refinance $54.830 million outstanding principal amount of Electric Series 2011A Bonds under a Taxable to Tax-Exempt Conversion structure. The Electric 2020-1 Bonds were originally issued as taxable bonds with coupon rates of 1.74% and were converted to a tax-exempt rate of 1.36% per annum effective April 2, 2021. The Electric 2020-1 Bonds mature annually beginning on July 1, 2028 through July 1, 2032 and were sold at a true interest cost of 1.43% with an average coupon rate of 1.40%. Debt service on the Electric 2020-1 Bonds is secured by a pledge of Available Electric Revenues of SVP on a basis subordinate to outstanding Senior Electric Revenue Bonds, if any.

Subordinate Electric Revenue Refunding Bonds, Series 2020-2

The City Council determined that it was in the best interests of the City to enter into a credit facility with a bank for the purpose of refunding a portion of the outstanding Electric 2013A Bonds; and for the indebtedness created under such credit facility to be evidenced by a subordinate electric revenue bond to be issued by the City and delivered to the Bank as authorized by Resolution No. 20-8834 adopted by the City Council on April 7, 2020.

On April 10, 2020, the City entered into a loan agreement with Bank of America, N.A. and issued $34.315 million of Subordinate Electric Revenue Refunding Bonds, Series 2020-2 (Electric 2020-2 Bonds) to refinance $30.725 million of the callable portion of the outstanding Electric Revenue Refunding Bonds, Series 2013 A. The Electric 2020-2 Bonds bear 1.31% coupon rates, mature annually beginning on July 1, 2023 through July 1, 2028, and were sold at a true interest cost of 1.21% with an average coupon rate of 1.15%. Electric 2020-2 Bonds were priced at taxable rates and will convert to tax-exempt at the earlier of the call date of January 1, 2023 or the reversal of the advance refunding prohibition. Both the taxable rate and tax-exempt rate at conversion were fixed at the time of issuance. Debt service on the Electric 2020-2 Bonds is secured by a pledge of Available Electric Revenues of SVP on a basis subordinate to outstanding Senior Electric Revenue Bonds, if any.

Subordinate Electric Revenue Refunding Bonds, Series 2020-3

The City Council determined that it was in the best interests of the City to enter into a credit facility with a bank for the purpose of refunding of the outstanding Electric Series 2014; and for the indebtedness created under such credit facility to be evidenced by a subordinate electric revenue bond to be issued by the City and delivered to the Bank as authorized by Resolution No. 20-8834 adopted by the City Council on April 7, 2020.

On April 10, 2020, the City issued $16.720 million of Subordinate Electric Revenue Refunding Bonds, Series 2020-3 (Electric 2020-3 Bonds) to refinance $19.413 million outstanding principal amount of

NOTE 10 – LONG-TERM DEBTAND DERIVATIVE INVESTMENTS (continued)

Subordinated Electric Revenue Bonds, Series 2014. The Electric 2020-3 Bonds bear 0.58% coupon rates, mature annually beginning on July 1, 2020 through July 1, 2024, and were sold at a true interest cost of 0.70%. Debt service on the Electric 2020-3 Bonds is secured by a pledge of Available Electric Revenues of SVP on a basis subordinate to outstanding Senior Electric Revenue Bonds, if any.

In the event of default under the loan agreement for the 2020-1 bonds, 2020-2 bonds or 2020-3 bonds (including a failure by the City to pay principal or interest on the related bonds, a failure by the City to perform or observe its covenants, a default in other specified indebtedness or obligations of the City, certain acts of bankruptcy or insolvency, or other specified events of default), the Bank has the right, upon written notice to the City, to accelerate and declare the City's obligation to repay the related bonds and all other obligations of the City to the Bank under such loan agreement to be immediately due and payable.

Pledges of Future Electric Revenues

The pledge of future Electric Fund revenues ends upon repayment of all outstanding principal on bonds and loans, which is scheduled to occur in fiscal year 2032-33. For fiscal year 2020-21, Electric Fund revenues, including operating revenues and non-operating interest earnings, amounted to $501.4 million and operating costs including operating expenses, but not interest, depreciation or amortization amounted to $407.6 million. Net revenues available for debt service amounted to $93.8 million which represented a coverage ratio of 6.8 on the $13.8 million of debt service.

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 $13.9 million was available for debt service payments of $0.7 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.

Installment Sale Agreement, Series 2020

On June 11, 2020, the City entered into an Installment Sale Agreement (the "ISA") with the PFFC to provide funds for the San Jose/Santa Clara Regional Wastewater Facility Project (the "Project"). The PFFC entered into a separate Assignment Agreement with JPMorgan Chase Bank, N.A. (the "Assignment Agreement"), to assign its rights under the ISA to JPMorgan Chase Bank, N.A. The ISA in the amount of $50,000,000 carries a variable rate of interest equal to 80% of 1-month LIBOR (reset daily), plus .95% per annum. The City may draw on the Installment Sale Agreement as necessary with an initial $20,000,000 drawn on the date of closing. Interest is due each January 1 and July 1, commencing January 1, 2021. Principal on outstanding

NOTE 10 – LONG-TERM DEBTAND DERIVATIVE INVESTMENTS (continued)

advances is due on or before July 1, 2024. In addition, the PFFC shall pay an undrawn fee on any amount not yet drawn at a rate of .325% per annum on each interest payment date. Installment payments on the Agreement are secured by a pledge of net revenues of the Wastewater System on a subordinate basis to the Trimble Road Installment Payments. Net revenue of $13.9 million less the Installment Sale Agreement, Series 2016 debt service payment of $0.7 million are available for future payments.

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, 2021, $244.2 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 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, 2021, 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 $1.98 million, which included $1.6 million in interest and $381 thousand in principal. The Stadium Authority made $965 thousand in payments and added the

NOTE 10 – LONG-TERM DEBTAND DERIVATIVE INVESTMENTS (continued)

remaining unpaid balance to the principal during the year. As of March 31,2021, $29.5 million was outstanding, which includes $1.1 million of interest added to principal as of March 31, 2021.

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 $19.1 million were made on the loan during the year. This included a $15.8 million in principal prepayment and $3.3 million in interest. The high principal and interest payment is due to timing of disbursements of funds for prior year's payments that was previously recorded as a payable, which represented $15.4 million. As of March 31, 2021, $23.1 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.

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.

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 the following future derivative instruments outstanding at June 30, 2021 with Archer Daniels Midland Company to hedge cash flows on sales of excess resources in CAISO market in the future months.

NOTE 10 – LONG-TERM DEBTAND DERIVATIVE INVESTMENTS (continued)

Notional Amount (MWh)					Fair Value		Change in Fair Value	
Long	Short	Effective Date	Maturity Date	Average Price	Classification	Amount	Classification	Amount
20,800		4/1/2021	6/30/2021	$44.00	Derivative Instrument	$ 249,808	Deferred inflow	$ 249,808
20,800		4/19/2021	7/31/2021	26.25	Derivative Instrument	61,984	Deferred inflow	61,984
20,800		4/19/2021	8/31/2021	26.50	Derivative Instrument	1,028,560	Deferred inflow	1,028,560
20,000		4/19/2021	9/30/2021	23.00	Derivative Instrument	264,000	Deferred inflow	264,000
						$ 1,604,352		$ 1,604,352

Notional Amount (MMBtu)					Fair Value		Change in Fair Value	
Long	Short	Effective Date	Maturity Date	Average Price	Classification	Amount	Classification	Amount
8,070,000		7/1/2020	12/31/2025	$2.42	Derivative Instrument	$ 4,116,155	Deferred inflow	$ 4,116,155
8,225,000		1/1/2021	12/31/2025	0.56	Derivative Instrument	4,189,200	Deferred inflow	4,189,200
14,610,000		1/1/2022	12/31/2025	2.64	Derivative Instrument	3,122,390	Deferred inflow	3,122,390
14,610,000		1/1/2022	12/31/2025	1.03	Derivative Instrument	25	Deferred inflow	25
						$ 11,427,770		$ 11,427,770
					Grand Total	$ 13,032,122		$ 13,032,122

<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. In order to eliminate counterparty credit risk, SVP has transacted both long term power and gas contracts on the Futures market on Intercontinental Exchange (ICE). As of June 30, 2021, all SVP's open derivative power and gas contracts were in an asset position, and the fair values of all open contracts were positive. The open contract was with ADM Investor Service, Inc., a clearing member of ICE and a company of Archer Daniels Midland Company who was rated A by Standard & Poor's as of June 30, 2021.

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, 2021, SVP had posted collateral of $5,522,664 deposited with CAISO and Archer Daniels Midland Company for wholesale trading.

NOTE 10 – LONG-TERM DEBTAND DERIVATIVE INVESTMENTS (continued)

It is also SVP's policy to negotiate netting arrangements whenever it has entered into more than one bilateral transactions 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 power Futures 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. With respect to price risk under gas Futures contracts, on purchase contracts (long positions), SVP receives PG&E Citygate average daily price at settlement and pays the fixed contracted rate entered into on the trade date; on sales contracts (short positions), SVP pays the PG&E Citygate average daily price 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, 2021, 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:

	Government Activities		Business-Type Activities (excluding Santa Clara Stadium Authority)			
	Lease and COPs		Bonds		Debt from direct borrowing	
For the Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 2,005,000	$ 496,438	$ 9,105,000	$ 2,221,125	$ 4,661,763	$ 1,243,641
2023	980,000	420,275	9,655,000	1,752,125	4,703,152	1,362,384
2024	1,030,000	371,275	5,440,000	1,374,750	30,494,893	1,218,281
2025	1,085,000	319,775	5,795,000	1,093,875	10,476,995	1,119,831
2026	1,120,000	285,869	6,005,000	798,875	6,739,465	1,031,663
2027-2031	6,185,000	823,331	12,975,000	657,125	53,587,809	3,545,513
2032-2034	665,000	24,938	-	-	20,775,000	244,766
	$ 13,070,000	$ 2,741,901	$ 48,975,000	$ 7,897,875	$ 131,439,077	$ 9,766,078

NOTE 10 – LONG-TERM DEBTAND DERIVATIVE INVESTMENTS (continued)

Reconciliation of Long-term Obligations		
Principal Outstanding as Reported in Government Activities	$	13,070,000
Principal Outstanding as Reported in Business Type Activities		180,414,077
Total Principal Outstanding as Reported		193,484,077
Principal Outstanding - Stadium Authority[1]		296,795,559
Unamortized Discount/Premium		5,103,089
Total Long-term Obligations	$	495,382,725

(1) The principal outstanding for Stadium Authority is as of March 31, 2021. 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, 2021, is $7.5 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, 2021, the City has twelve 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 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.

NOTE 11 – SOLID WASTE LANDFILL CLOSURE (continued)

The City has pledged $235,000 for postclosure maintenance expenses and $201,000 for corrective action in 2021-22. These amounts are subject to annual inflation factors, as stipulated by CalRecycle.

At June 30, 2021, a liability in the amount of $5,695,059 was reported based on the estimated remaining postclosure care costs to meet the regulatory requirements. During fiscal year 2021, the City incurred post-closure expenses of $460,393 and increased the liability by $560,081 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, 2021. 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	6/30/2020	651 Commerce Dr. Roseville, CA 95678
TANC	6/30/2020	P.O. Box 15129 Sacramento, CA 95851
SJSC	6/30/2020	200 E. Santa Clara St. San Jose, CA 95113
MSR EA	12/31/2020	P.O. Box 4060 Modesto, CA 95352
MSR PPA	12/31/2020	P.O. Box 4060 Modesto, CA 95352
SVACA	6/30/2020	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, 2020 (latest information available):

	Participating percentage	Investment	Method of accounting
NCPA			
Geothermal	44.39%		
Hydroelectric	37.02%	$37,566,136	Equity
Combustion Turbine	41.67%		
Lodi Energy Center	25.75%		
TANC	9.74%	5,106,945	Equity
SJSC (1)	19.46%	181,568,804	Equity
MSR EA	33.40%	-	Suspended
MSR PPA	35.00%	-	Suspended
SVACA	56.50%	4,701,248	Equity
Total		$228,943,133	

(1) The investment in San Jose/Santa Clara Regional Wastewater Facility includes the current year capital 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, 2020, the City was contingently liable for long-term debt as follows (in thousands):

	Total Debt	Participating Share	Contingent Liability
NCPA	$ 641,046	32.94%	$ 211,167
TANC	171,990	9.65%	16,599
SJSC	112,376	19.46%	21,869
MSR PPA	51,595	35.00%	18,058
Total	$ 977,007		$ 267,693

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, 2020 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%	30.9657%
TANC - CA-OR Transmission Project (COTP)	May-2039	9.7386%	9.6512%
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, 2020 is as follows (latest information available):

Fiscal Year	NGP	NHP	NLEC	COTP	MSR PPA	Total
2021	$ 2,195,431	$ 12,827,022	$ 7,568,602	$ 1,003,914	$ 9,712,500	$ 33,307,469
2022	2,197,534	12,858,730	7,566,771	1,003,698	9,711,100	33,337,833
2023	2,198,863	12,870,163	7,567,678	1,008,307	-	23,645,011
2024	1,541,819	14,375,558	7,565,130	1,348,027	-	24,830,534
2025	1,545,765	14,399,154	7,565,513	1,465,120	-	24,975,552
2026-2030	-	39,531,862	38,473,227	7,324,272	-	85,329,361
2031-2035	-	25,115,772	38,621,389	7,324,708	-	71,061,869
2036-2040	-	-	38,616,265	5,859,927	-	44,476,192
2041	-	-	7,080,593	-	-	7,080,593
Total	$ 9,679,412	$ 131,978,261	$ 160,625,168	$ 26,337,973	$ 19,423,600	$ 348,044,414

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 sixteen public agencies. NCPA is generally empowered to sell, purchase, generate, transmit, manage electrical energy and provide regulatory and legislative advocacy. Members participate in the projects of NCPA on an elective basis. Therefore, the participation percentage varies for each project in which it participates.

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

Project Financing and Construction

NCPA's project construction and development programs have been individually financed by project revenue bonds collateralized by NCPA's assignment of all payments, revenues and proceeds associated with its interest in each project. Each project participant has agreed to pay its proportionate share of debt service and

NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)

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.

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. In fiscal year 2019-20, NCPA began a well-workover program to restore underperforming wells.

Based upon current operation protocols and forecasted operations, NCPA expects average annual generation and peak capacity to decrease further, reaching approximately 68 MW by the year 2040.

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, 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. In January 2020, the Lodi Energy Center suffered a catastrophic turbine failure. NCPA replaced the turbine with a newer state-of-the-art turbine which could use hydrogen as a cleaner fuel source. The majority of the replacement cost was covered by NCPA's insurance resulting in relatively minimal financial impact to project participants.

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 and other

NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)

facilities for the use of its members through its authority to plan, acquire, construct, finance, operate and maintain facilities for electric power transmission. The joint powers agreement provides that the costs of TANC's activities can be financed or recovered through assessment of its members or from user charges through transmission contracts with its members. Each TANC member has agreed to pay a pro-rata share of the costs to operate TANC and for payment of debt service, and has the right to participate in future project agreements.

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

California-Oregon Transmission Project

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

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, 2020, the most recent data available, TANC's investment in the Project was $541 million, less accumulated depreciation and amortization of $283.8 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 10.004 %.

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

NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)

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 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, 2021, the City's portion of the plant capacity was approximately 19.46%, 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

NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)

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.

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, 2020, the date of the latest available audited financial statements, the City's unrecognized share of member's deficit of MSR PPA was $0.8 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, 2021, 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%). On December 31, 2017, MSR PPA divested its ownership interest in the San Juan plant and no longer receives electric energy or capacity from the San Juan Generating Station.

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

NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)

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%.

<u>M-S-R 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 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, 2020, the date of the latest available audited financial statements, the City's unrecognized share of member's deficit of MSR EA was $27.2 million. Under the joint exercise of power agreement, which formed MSR EA, the City is responsible for funding up to 33.4% of MSR EA's operating cost, to the extent such funding is necessary. During the year

NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)

ended June 30, 2021, 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, 2020, 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, 2021, the City of Santa Clara contributed $1,063,542 to SVACA. The City's equity interest in SVACA was $4,701,248 at June 30, 2020 (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 Annual Comprehensive 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 2021 calendar year is $290,000. Employees with membership dates prior to July 1, 1996 are not impacted by this limit. The compensation limit for PEPRA for calendar year 2021 is $128,059 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 2021 is $153,671 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, 20211 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%	6.50%		
Public Safety - Fire			9.00%	11.75%
Public Safety - Police			9.00%	11.75%
Required employer contribution rates	11.425%	11.425%	22.003%	22.003%
Required unfunded liability contribution	$21,519,754		$17,743,771	

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 $21,519,754 in fiscal year 2020-21. The City's required contribution for the safety plan's unfunded liability was $17,743,771 in fiscal year 2020-21.

Employees Covered

At the valuation date, June 30, 2019, the following employees were covered by the benefits terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	1,002	481
Inactive employees entitled to but not yet receiving benefits	482	71
Active employees	745	296
Total	2,229	848

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, 2021, the City's contributions to the miscellaneous and safety plans were $31,035,143 and $29,295,456, 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, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by Entry-Age and Service
Investment Rate of Return (1)	7.15%
Post Retirement Benefit Increase	The lesser of Contract COLA or 2.5% 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 probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS' December 2017 experience study report available on CalPERS' website.

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

The underlying mortality assumptions and all other actual assumption used in the June 30, 2019 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.

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.

The table below reflects the long-term expected real rates of return by asset class.

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

Asset Class (1)	Current Target Allocation	Real Return Years 1 - 10 (2)	Real Return Years 11+ (3)
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 Annual Comprehensive Financial Report, 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 2.00% used for this period.
(3) An expected inflation of 2.92% used for this period.

E. Changes in the Net Pension Liability

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

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2019 measurement date	$ 763,875,314	$ 479,111,639	$ 284,763,675
Changes in the year:			
Service cost	15,079,332	-	15,079,332
Interest on the total pension liability	54,277,035	-	54,277,035
Differences between expected and actual experience	9,229,485	-	9,229,485
Contributions - employer	-	28,827,466	(28,827,466)
Contributions - employees	-	6,650,350	(6,650,350)
Net investment income	-	24,008,623	(24,008,623)
Benefit payments, including refunds of employee contributions	(43,050,194)	(43,050,194)	-
Administrative expense	-	(675,430)	675,430
Net changes	35,535,658	15,760,815	19,774,843
Balance at June 30, 2020 measurement date	$ 799,410,972	$ 494,872,454	$ 304,538,518

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, 2019 measurement date	$ 797,995,035	$ 528,052,458	$ 269,942,577
Changes in the year:			
Service cost	15,518,467	-	15,518,467
Interest on the total pension liability	56,740,930	-	56,740,930
Differences between expected and actual experience	10,124,845	-	10,124,845
Contributions - employer	-	26,654,865	(26,654,865)
Contributions - employees	-	5,589,396	(5,589,396)
Net investment income	-	26,348,251	(26,348,251)
Benefit payments, including refunds of employee contributions	(44,599,326)	(44,599,326)	-
Administrative expense	-	(744,424)	744,424
Net changes	37,784,916	13,248,762	24,536,154
Balance at June 30, 2020 measurement date	$ 835,779,951	$ 541,301,220	$ 294,478,731
Combined Total	$ 1,635,190,923	$ 1,036,173,674	$ 599,017,249

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

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

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	$ 403,337,976	$ 404,389,038
Current Discount Rate	7.15%	7.15%
Net Pension Liability	$ 304,538,518	$ 294,478,731
1% Increase	8.15%	8.15%
Net Pension Liability	$ 222,204,054	$ 203,945,675

Pension Plan Fiduciary Net Position

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

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

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

For the year ended June 30, 2021, the City recognized pension expense of $40,523,301 for the Miscellaneous Plan and $48,152,060 for the Safety Plan, for total pension expense of $88,675,361.

At June 30, 2021, 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	$ 31,035,143	$ -
Changes of assumptions	-	(460,704)
Differences between expected and actual experience	12,005,873	-
Net differences between projected and actual earnings on pension plan investments	3,233,801	-
Total	$ 46,274,817	$ (460,704)

Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 29,295,456	$ -
Changes of assumptions	3,712,946	(952,533)
Differences between expected and actual experience	14,048,183	(164,983)
Net differences between projected and actual earnings on pension plan investments	3,673,599	-
Total	$ 50,730,184	$ (1,117,516)
Combined Total	$ 97,005,001	$ (1,578,220)

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

The reported $31,035,143 for the Miscellaneous Plan and $29,295,456 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, 2022. 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
2021	$ 4,117,201	$ 6,012,846
2022	4,993,465	5,647,686
2023	3,692,149	5,775,362
2024	1,976,155	2,881,318

G. Reduction of CalPERS Discount Rate

In July 2021, CalPERS reported a preliminary 21.3% net return on investments for the 12-month period that ended June 30, 2021. Under the Funding Risk Mitigation Policy, approved by the CalPERS Board of Administration in 2015, the 21.3% net return will trigger a reduction in the discount rate used to calculate employer and Public Employees' Pension Reform Act (PEPRA) member contributions. The Funding Risk Mitigation Policy seeks to reduce CalPERS funding risk over time, in which CalPERS investment performance that significantly outperforms the discount rate will trigger adjustments to the discount rate, expected investment return, and strategic asset allocation targets. This is the first time it has been triggered. The discount rate, or assumed rate of return, will drop to 6.8%, from its current level of 7%.

Based on these preliminary fiscal year returns, the CalPERS has announced the funded status of the overall Public Employees Retirement Fund (PERF) is an estimated 82%. This estimate is based on a 7% discount rate. Under the new 6.8% discount rate, however, CalPERS indicated the funded status of the overall PERF drops to 80%. This is because existing assets are assumed to grow at a slightly slower rate annually into the future. As intended under the Funding Risk Mitigation Policy, the lower discount rate increases the likelihood that CalPERS can reach its target over the longer term. The CalPERS Board of Administration will continue to review the discount rate through its Asset Liability Management process during the rest of the calendar year.

CalPERS' final fiscal year 2021 investment performance will be calculated based on audited figures and will be reflected in contribution levels for contracting cities, counties, and special districts in fiscal year 2024.

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.

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 agent multiple-employer defined benefit Other Post Employment Benefit (OPEB) Plan, 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 $4,524 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 2020-21, the following time frames were used.

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)

Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021
Actuarial valuation date (1)	June 30, 2020

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

B. Plan Membership

As of June 30, 2021, membership in the plan consisted of the following:

	Number of Covered Employees
Inactive employees currently receiving benefits	652
Inactive employees entitled to but not yet receiving benefit payments	288
Active employees	956
Total	1,896

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, 2021 the City's cash contributions were $3,361,417 in payments to the trust, $14,498 in administrative expenses paid outside of the trust, and the estimated implied subsidy was $1,159,257, for total contributions of $4,535,172.

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)

D. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation dated June 30, 2020, rolled forward to June 30, 2021 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, 2021 Measurement Date
Actuarial valuation date	June 30, 2020
Discount rate	4.75% at June 30, 2021
	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, 2020
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-2020
Healthcare cost trend rates	Non-Medicare - 7% for 2022, scaling down to 4.0% in year 2076
	Medicare (Non-Kaiser) - 6.1% for 2022 scaling down to 4.0% in year 2076
	Medicare (Kaiser) - 5% for 2022 scaling down to 4.0% in year 2076
Healthcare participation for future retirees - Cash subsidy	PEMHCA minimum only: Currently covered: 80%, Waived: 25%
	Other plans: : Currently covered: 80%, Waived: 40%
Healthcare participation for future retirees - PEMHCA implied subsidy	Currently covered: 80% Waived: 25%

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)

E. Discount Rate

The discount rates used to measure the total OPEB liability was 4.75% as of June 30, 2021. 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%	4.57%
Mutual Funds - Fixed Income	65%	0.72%
REIT'S	1%	3.96%
Cash and equivalent	5%	0.06%
	100%	
Expected Inflation		2.75%
Discount Rate		4.75%

F. Changes in the OPEB Liability

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

Net OPEB Liability
(In Thousands)

	2021	2020
Total OPEB Liability	$ 65,587	$ 62,412
Fiduciary Net Position	(28,877)	(25,035)
Net OPEB Liability	$ 36,710	$ 37,377
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	44.0%	40.1%

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 OPEB Liability/(Asset)
Balance at June 30, 2020 measurement date	$ 62,412	$ 25,035	$ 37,377
Changes in the year:			
Service cost	2,091	-	2,091
Interest	3,292	-	3,292
Differences between expected and actual experience	(326)	-	(326)
Change in Assumption	1,709	-	1,709
Contributions - employer (1)	-	4,535	(4,535)
Net investment income	-	2,957	(2,957)
Benefit payments	(3,592)	(3,592)	-
Administrative expense	-	(59)	59
Net changes	3,174	3,841	(667)
Balance at June 30, 2021 measurement date	$ 65,586	$ 28,876	$ 36,710

(1) Includes implied subsidy of $1,159

G. 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, 2021, calculated using the discount rate of 4.75%, 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 (3.75%)	Current Rate (4.75%)	1% Increase (5.75%)
Net OPEB Liability	$ 45,357	$ 36,710	$ 29,601

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)

H. 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, 2021, 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% Non-Medicare 4% Medicare decreasing to 3.0%)	Current Rate (7% Non-Medicare 5% Medicare decreasing to 4.0%)	1% Increase (8% Non-Medicare 6% Medicare decreasing to 5.0%)
Net OPEB Liability	$ 28,266	$ 36,710	$ 47,215

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

For the year ended June 30, 2021, the City recognized OPEB expense as follows:

OPEB Expense
(In Thousands)

	2021
Fund level expense	$ 3,371
Actuarial Expense	(626)
OPEB Expense	$ 2,745

As of fiscal year ended June 30, 2021, 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	$ 1,437	$ 3,012
Differences between expected and actual experience	-	1,123
Net differences between projected and actual earnings on OPEB plan investments	-	1,472
Total	$ 1,437	$ 5,607

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
2022	$ (1,349)
2023	(1,417)
2024	(1,347)
2025	(342)
2026	219
Thereafter	66

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.

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

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

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 \$22.3 million and \$12.2 million, respectively, for fiscal year ended June 30, 2021, 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 \$57 million, \$14 million, and \$16 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, 2021
Nonspendable:				
Receivables, inventory & prepaid	$ 36,874	$ -	$ -	$ 36,874
Advances to other Funds	13,729,897	-	-	13,729,897
Total Nonspendable	13,766,771	-	-	13,766,771
Restricted For:				
Gas tax programs	-	-	2,177,613	2,177,613
Housing & Community Development	-	21,111,742	13,043,653	34,155,395
Maintenance districts	-	-	1,603,675	1,603,675
Operating grants	-	-	1,530,605	1,530,605
Debt service	-	-	723,083	723,083
Environmental enforcements	535,084	-	-	535,084
Parks & recreation	-	-	8,828,315	8,828,315
Streets and highway	-	-	35,897,099	35,897,099
Public safety	582,831	-	-	582,831
Library	19,488	-	-	19,488
Public facilities	178,300	-	2,397,031	2,575,331
Donations	641,761	-	531,697	1,173,458
Pension rate stabilization program	23,978,098	-	-	23,978,098
Employee deferred plan	7,848	-	-	7,848
Storm drain	-	-	641,202	641,202
Total Restricted	25,943,410	21,111,742	67,373,973	114,429,125
Committed to:				
Housing programs	-	-	3,865,477	3,865,477
Parks & recreation	-	-	4,335,324	4,335,324
Streets and highway	-	-	15,631,409	15,631,409
Storm drain	-	-	8,759,739	8,759,739
Public safety	-	-	950,598	950,598
Library	-	-	197,438	197,438
Public facilities	-	-	16,817,894	16,817,894
Building inspection	16,068,108	-	-	16,068,108
Land investment	24,120,767	-	-	24,120,767
Historical preservation	91,402	-	-	91,402
Total Committed	40,280,277	-	50,557,879	90,838,156
Assigned to:				
General Government	7,027,253	-	-	7,027,253
Other purposes	103,773	-	-	103,773
Total Assigned	7,131,026	-	-	7,131,026
Unassigned:	90,680,697	-	-	90,680,697
Total Fund Balances	$ 177,802,181	$ 21,111,742	$ 117,931,852	$ 316,845,775

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, 2021, the Budget Stabilization and Capital Projects Reserves were $57 million and $14 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, 2021, the balances in the pension rate stabilization program trust for the General Fund and Enterprise Funds are listed as follows:

NOTE 18 – NET POSITION/FUND EQUITY (continued)

Fund Name	Pension Rate Stabilization Balances
General Fund:	$ 23,978,098
Enterprise Funds:	
Electric Utility	6,808,996
Water Utility	1,422,251
Sewer Utility	557,999
Water Recycling	70,450
Solid Waste	305,929
	$ 33,143,723

D. Net Position/Fund Balance Deficits

The funds listed below had an accumulated deficit as of June 30, 2021:

Fund Name	Accumulated Deficit
Enterprise Funds:	
Cemetery	$ 5,122,682
Solid Waste	$ 2,348,145
Internal Service Funds:	
Information Technology Services	$ 1,382,599
Special Liability Insurance Claims	$ 2,730,421
Workers' Compensation Insurance Claims	$ 13,706,453

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, Information Technology Services, Special Liability Insurance Claims, and Workers Compensation Insurance Claims' Internal Service Fund accumulated deficits are expected to be offset by future charges to the General Fund and the proprietary funds.

E. Prior Period Adjustments

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2021.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, Accounting and Financial Reporting for Fiduciary Activities (GASB 84).The objective of this statement is to

NOTE 18 – NET POSITION/FUND EQUITY (continued)

improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

The implementation of the above Statement required the City to make prior period adjustments. As a result, the OPEB Trust Fund was closed as of July 1, 2020 and net position restated in the amount of $25,892,029 and the beginning fund balances of the General Fund, Non-Major Governmental Funds, and Custodial Fund were increased by $206,549, $8,450,744, and $2,825,838, respectively.

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, 2021, the estimated claims payable of $28,737,000, 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, 2021, totaled $7,394,000 and $25,127,000 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, 2019 resulted from the following:

	Special Liability	Workers' Compensation	Total
Liability as of June 30, 2019	$ 6,735,000	$ 19,997,000	$ 26,732,000
Claims and changes in estimates during fiscal 2020	8,823,751	5,613,921	14,437,672
Claim payments	(7,861,751)	(4,007,921)	(11,869,672)
Liability as of June 30, 2020	$ 7,697,000	$ 21,603,000	$ 29,300,000
Claims and changes in estimates during fiscal 2021	11,449,175	4,529,703	15,978,878
Claim payments	(12,212,175)	(4,329,703)	(16,541,878)
Liability as of June 30, 2021	$ 6,934,000	$ 21,803,000	$ 28,737,000
Current Claims Payable	$ 2,151,000	$ 3,604,000	$ 5,755,000
Long Term Claims Payable	4,783,000	18,199,000	22,982,000
Liability as of June 30, 2021	$ 6,934,000	$ 21,803,000	$ 28,737,000

NOTE 19 – RISK MANAGEMENT (continued)

With respect to the Special Liability accrual of $6.9 million, the City has numerous unsettled lawsuits filed or claims asserted against it as of June 30, 2021. 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, 2021, are approximately $6.9 million. The final outcome of claims and lawsuits, which have been categorized as reasonably possible loss contingencies, is not presently determinable and any associated potential loss cannot be estimated. Accordingly, no provision has been made in the accompanying basic financial statements relative to the potential outcome of such claims and lawsuits. However, the ultimate resolution of such claims and lawsuits is not expected to have a material effect on the accompanying basic financial statements.

NOTE 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, 2021, total governmental fund encumbrance balances for the City are as follows:

General Fund	$	4,817,658
Santa Clara Housing Successor		344,361
Nonmajor Governmental Funds		33,892,816
Total Governmental Funds	$	39,054,835

NOTE 20 – COMMITMENTS AND CONTINGENCIES (continued)

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

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

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

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

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

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

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.

NOTE 20 – COMMITMENTS AND CONTINGENCIES (continued)

The City paid its surcharge of $762,384 during fiscal year 2020-21, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2021-22 is estimated to be $836,796.

E. Santa Clara Stadium Authority and Litigation

Asset Retirement Obligation

Pursuant to the Ground Lease, the Stadium Authority may be required to demolish the Stadium and other improvements at the end of the lease term, upon written notice from the City. Pursuant to the Stadium Lease, the Stadium Authority will establish reserves to fund the cost of demolishing the stadium at the end of the lease term. While such reserves are projected to cover the entire demolition cost, StadCo will be responsible for funding any shortfall.

ManagementCo Expenses

On June 13, 2019, the Stadium Authority partially suspended payments to ManagementCo for Operating and Management Expenses and Shared Expenses incurred by ManagementCo due to its continued procurement violations of State laws. The Stadium Authority was concerned with releasing public funds to ManagementCo while it continued to violate State laws. StadCo and ManagementCo have initiated arbitration proceedings to dispute the Stadium Authority's position. Since the Stadium Authority has reasonable justification for the suspension and the case is still under litigation, the Stadium Authority does not recognize the suspended payments as an expense as of March 31, 2021 and 2020.

On July 3, 2019, ManagementCo, acting independently, began issuing certificates 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 to pay for the suspended Shared Expenses of approximately $6,634,000, which covers expenses from June 2019 thru February 2020. The draw incurred $109,436 in interest expense and increased the Management Company Revolving Loan balance amount to $6,300,653 in principal and interest for fiscal year 2019-20.

In addition to drawing from the Management Company Revolving Loan, ManagementCo charged the Stadium Authority $544,000 for March 2020's Shared Expenses, $750,000 in Lender and Administrative Fees, and $ 271,398 in Capital Expenditures in fiscal year 2019-20.

On April 1, 2020, the Stadium Authority completed the Trust Excess Cash Flow funding instructions and provided it to the FinanceCo and StadCo to complete fiscal year 2019-20's year-end Trust Excess Cash Flow funding distribution per the Deposit and Disbursement Agreement. The Trust Excess Cash Flow instruction specifically excluded payments to the Revolving Loan of $6,300,653 because the Stadium Authority did not recognize this as an expense due to the fact that it is currently under litigation. StadCo deviated from the funding instructions and took the Excess Revenues from the distribution to pay off the Management Company Revolving Loan. The Stadium Authority was informed of this deviation in a letter dated April 27, 2020. On May 18, 2020, the Stadium Authority notified StadCo and the Trust that the deviation is in direct contravention of the Stadium Authority's instructions to the Trustee with regards to the use of Excess Revenue. Subsequently, the Stadium Authority recorded a receivable from StadCo for $6,300,653 as of June 30, 2020.

NOTE 20 – COMMITMENTS AND CONTINGENCIES (continued)

ManagementCo continued to issue certificates of loan to the Stadium Authority for the suspended Shared Expenses of approximately $7,249,747, which covers expenses from March 2020 through March 2021, in fiscal year 2020-21. ManagementCo also issued a certificate of loan for $1,601,538 to pay for a portion of the $2,741,014 invoice from fiscal year 2019-20's Non-NFL Events' net loss reported by ManagementCo. The remaining balance of $1,139,476 in the Non-NFL Events' net loss invoice was from the City's Public Safety costs, which ManagementCo had requested that the City recoup the costs directly with the Stadium Authority. The Stadium Authority included the Non-NFL Events' net loss draw of $1,601,538 in the overall dispute with ManagementCo. On March 31, 2021, the Stadium Authority completed the Trust Excess Cash Flow funding instructions and provided it to the FinanceCo and StadCo to complete fiscal year 2020-21's year-end Trust Excess Cash Flow funding distribution per the Deposit and Disbursement Agreement. The Trust Excess Cash Flow instruction requested that the Trust pay the StadCo Subordinated Loan in the amount of $5,796,711. However, StadCo deviated from the funding instructions and used $2,167,689 from the distribution to pay off the Management Company Revolving Loan instead. The Stadium Authority was informed of this deviation in a letter dated May 18, 2021. Subsequently, the Stadium Authority recorded a receivable from StadCo for $2,167,689.

Historical SBL Buffet Costs

On April 30, 2020, the Stadium Authority received an invoice in the amount of $4,388,709 for previously un-billed "complimentary" buffet costs associated with certain SBL holders for the NFL seasons from 2014 thru 2018. On May 13, 2020, the Stadium Authority issued a response letter disputing the newly-billed costs citing that the costs were not presented in a reasonable manner relative to the financial planning and reporting requirements of the Lease Agreement and Stadium Management Agreement and there is no justification for delaying presentment and demand for payment. The invoices presented also lack sufficient supporting documentations in order to confirm the validity of the costs and charges under the Lease Agreement terms. StadCo and ManagementCo have initiated arbitration proceedings to dispute the Stadium Authority's position and dispute is still outstanding as of March 31, 2021.

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, the fund 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. The excess surplus balances as of July 1, 2019, July 1, 2020, and July 1, 2021 were $0. $15.7 million Agrihood project loans have been disbursed in June 2021. The other loan was expected to be disbursed to the developer in the

NOTE 20 – COMMITMENTS AND CONTINGENCIES (continued)

calendar year 2021. Due to the extended COVID-19 impact, this loan is expected to be disbursed in the calendar year 2022.

G. COVID-19 Global Pandemic

On March 11, 2020, The World Health Organization declared the novel stain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is a considerable uncertainty around the duration of the closings and whether shelter in place orders will be reinstated. Although many of the City's services are considered essential, City Hall was closed to the public, certain other services transitioned to online-only and because the City's major revenue sources, including businesses that collect sales and transient occupancy taxes, are directly impacted by these events, it is probable that this matter will negatively impact the City. However, the ultimate financial impact and duration cannot be reasonable estimated at this time.

NOTE 21 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. Defeased Bonds

Bayshore North Project 2011 Tax Allocation Bonds

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

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	10,643,264	From June 1, 2022 to June 1, 2026	June 1, 2021
	$ 31,411,295		$ 21,958,264		

B. Enforceable Obligations

On November 20, 2020, the City, Successor Agency, Santa Clara Parking District No. 122 and Santa Clara Bridge District entered into a Compensation Agreement for the City to acquire the Convention Center Complex Parcels, which is the land under the Convention Center building and the Convention Center Common Area parcels. The agreement provides that the City pay the taxing entities $15 million for all the parcels. The City shall also continue to allow existing Hotel Ground Lease and Office Ground Lease access

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

to parking, uses and hotel expansion to the common area of the Convention Center. The term of use will be for the term of the existing Ground Leases. The agreement also described categories of credits the City will receive to effectively reduce the purchase price including: foregoing its distribution of sales proceeds ($1,459,232); waiving its rights to payments for any previously re-entered agreements on a future Recognized Obligation Payment Schedule as allowable under Dissolution Laws ($5,682,287); and waving its rights to use a portion of the 2011 bond proceeds for City purposes ($3,750,086). The resulting final purchase price for the Convention Center parcels is $4,108,395. The City completed the purchase with the fund transfer to the County on December 21, 2020.

As part of the Compensation Agreement with the Successor Agency, the City waived its rights to the long-term advances owed by the Successor Agency. The long-term advances in the amount of $2.40 million for the Franklin Mall Cooperation and Reimbursement Reentry Agreement and $1.96 million for the Agreement Reentering into Promissory Note to Facilitate Implementation of the Affordable Housing Program were written off as of June 30, 2021, respectively. As of June 30, 2021, the City does not have any enforceable obligations with the Successor Agency.

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 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. 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, 2020 in the amount of $9,942,167 were passed on to the Successor Agency. For the fiscal year ended June 30, 2021, Lessee paid rent of $1,331,000.

NOTE 22 – SUCCESSOR AGENCY LEASE AGREEMENTS (continued)

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

Fiscal Year	Amount
2022	$ 1,331,000
2023	1,342,092
2024	1,464,100
2025	1,464,100
2026	1,464,100
Thereafter	52,189,646
Total	$ 59,255,038

B. Hyatt Regency Hotel Ground Lease and Ballroom Lease

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

The Settlement Agreement states that a portion of the ground lease payments from the Hyatt Hotel are derived from the Convention Center Ballroom space rental and are not related to the Hyatt Hotel ground lease. The Settlement Agreement states the City shall retain all revenues generated from the Ballroom Agreement starting July 1, 2015. Lease revenues collected from July 1, 2012 to June 30, 2015 in the amount of $921,270 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, 2020 in the amount of $14,293,169 were passed on to the Successor Agency. For the fiscal year ended June 30, 2021, the City applied the $166,667 percentage rent for January and February 2021 to the minimum due. Lessee paid minimum rent of $200,000 through May 2021. The remaining minimum lease of $33,333 is due and expected to be paid in fiscal year 2021-22.

NOTE 22 – SUCCESSOR AGENCY LEASE AGREEMENTS (continued)

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

Fiscal Year	Ground Lease Amount
2022	$ 400,000
2023	400,000
2024	400,000
2025	400,000
2026	400,000
Thereafter	3,533,333
Total	$ 5,533,333

This page intentionally left blank

Required Supplementary Information

CITY OF SANTA CLARA
REQUIRED SUPPLEMENTARY INFORMATION

This part of the City of Santa Clara's Annual Comprehensive 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 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

	2020	2019
Total Pension Liability		
Service cost	$ 15,079,332	$ 14,448,007
Interest	54,277,035	51,858,572
Changes of assumptions	-	-
Differences between expected and actual experience	9,229,485	10,888,358
Benefit payments, including refunds of employee contributions	(43,050,194)	(41,003,947)
Net change in total pension liability	35,535,658	36,190,990
Total pension liability - beginning	763,875,314	727,684,324
Total pension liability - ending	$ 799,410,972	$ 763,875,314
Plan Fiduciary Net Position		
Contributions - employer	$ 28,827,466	$ 25,715,248
Contributions - employee	6,650,350	6,182,683
Net investment income	24,008,623	30,342,401
Benefit payments, including refunds of employee contributions	(43,050,194)	(41,003,947)
Plan to plan resource movement	-	-
Administrative expense	(675,430)	(326,982)
Other Misc Income/(Expense) (2)	-	1,065
Net change in plan fiduciary net position	15,760,815	20,910,468
Plan fiduciary net position - beginning	479,111,639	458,201,171
Plan fiduciary net position - ending	$ 494,872,454	$ 479,111,639
Net Pension Liability - ending	$ 304,538,518	$ 284,763,675
Plan fiduciary net position as a percentage of the total pension liability	61.90%	62.72%
Covered payroll	$ 89,410,939	$ 81,872,333
Net pension liability as percentage of covered payroll	340.61%	347.76%

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.

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)

2018	2017	2016	2015	2014
$ 13,159,021	$ 11,975,850	$ 10,415,730	$ 9,909,421	$ 10,345,749
49,394,806	47,384,580	46,283,869	44,755,550	42,969,016
(5,067,759)	37,018,109	-	(10,233,178)	-
10,229,369	(2,176,270)	(2,265,081)	108,957	-
(38,252,869)	(35,744,281)	(33,491,738)	(31,858,297)	(29,847,146)
29,462,568	58,457,988	20,942,780	12,682,453	23,467,619
698,221,756	639,763,768	618,820,988	606,138,535	582,670,916
$ 727,684,324	$ 698,221,756	$ 639,763,768	$ 618,820,988	$ 606,138,535
$ 22,508,822	$ 22,015,885	$ 18,464,042	$ 15,625,285	$ 14,887,751
5,957,917	5,247,078	5,151,548	4,755,791	5,439,513
36,908,188	44,308,442	2,186,435	9,037,882	61,358,126
(38,252,869)	(35,744,281)	(33,491,738)	(31,858,297)	(29,847,146)
(1,065)	-	(788)	(368)	-
(674,790)	(587,320)	(247,274)	(457,051)	-
(1,281,438)	-	-	-	-
25,164,765	35,239,804	(7,937,775)	(2,896,758)	51,838,244
433,036,406	397,796,602	405,734,377	408,631,135	356,792,891
$ 458,201,171	$ 433,036,406	$ 397,796,602	$ 405,734,377	$ 408,631,135
$ 269,483,153	$ 265,185,350	$ 241,967,166	$ 213,086,611	$ 197,507,400
62.97%	62.02%	62.18%	65.57%	67.42%
$ 75,515,390	$ 71,285,526	$ 61,942,363	$ 58,051,406	$ 58,020,890
356.81%	371.95%	390.63%	367.07%	340.41%

Changes in assumptions: None in 2016, 2019 and 2020. 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 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 PLAN CONTRIBUTIONS

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

Last Ten Fiscal Years Ended June 30 (1)

Miscellaneous Plan

	2021	2020	2019
Actuarially determined contribution	$ 31,035,143	$ 28,987,800	$ 23,615,964
Contributions in relation to the actuarially determined contributions	(31,035,143)	(28,987,800)	(23,615,964)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 89,321,766	$ 89,410,939	$ 81,872,333
Contributions as a percentage of covered payroll	34.75%	32.42%	28.84%
Notes to schedule			
Valuation date	6/30/2018	6/30/2017	6/30/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years as of valuation date
Asset valuation method	5-year smoothed market
Inflation	2.75% for 2015 to 2019, 2.675% for 2020 and 2.50% for 2021
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50% for 2015 to 2018, 7.375%, for 2019, 7.25% for 2020, and 7% for 2021, net of pension plan investment expense, including inflation
Retirement age	The probabilities of Retirement are based on the CalPERS Experience Study
Mortality	The probabilities of mortality are based on CalPERS Experience Study. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale AA published by the Society of Actuaries for 2015 to 2018. For 2019, 2020, and 2021, pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

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

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)

2018	2017	2016	2015
$ 25,256,224	$ 21,613,984	$ 18,543,534	$ 15,257,771
(25,256,224)	(21,613,984)	(18,543,534)	(15,257,771)
$ -	$ -	$ -	$ -
$ 75,515,390	$ 71,285,526	$ 61,942,363	$ 58,051,406
33.45%	30.32%	29.94%	26.28%
6/30/2015	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

	2020	2019
Total Pension Liability		
Service cost	$ 15,518,467	$ 14,861,460
Interest	56,740,930	54,154,256
Changes of assumptions	-	-
Differences between expected and actual experience	10,124,845	8,480,853
Benefit payments, including refunds of employee contributions	(44,599,326)	(41,984,265)
Net change in total pension liability	37,784,916	35,512,304
Total pension liability - beginning	797,995,035	762,482,731
Total pension liability - ending	$ 835,779,951	$ 797,995,035
Plan Fiduciary Net Position		
Contributions - employer	$ 26,654,865	$ 23,458,623
Contributions - employee	5,589,396	5,781,715
Net investment income	26,348,251	33,408,137
Benefit payments, including refunds of employee contributions	(44,599,326)	(41,984,265)
Plan to plan resource movement	-	-
Administrative expense	(744,424)	(362,341)
Other Misc Income/(Expense) [2]	-	1,182
Net change in plan fiduciary net position	13,248,762	20,303,051
Plan fiduciary net position - beginning	528,052,458	507,749,407
Plan fiduciary net position - ending	$ 541,301,220	$ 528,052,458
Net Pension Liability - ending	$ 294,478,731	$ 269,942,577
Plan fiduciary net position as a percentage of the total pension liability	64.77%	66.17%
Covered payroll	$ 54,338,284	$ 50,808,770
Net pension liability as percentage of covered payroll	541.94%	531.29%

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.

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]

2018	2017	2016	2015	2014
$ 13,999,625	$ 13,111,358	$ 10,985,005	$ 10,678,931	$ 10,748,085
51,713,042	49,741,737	48,410,844	46,944,730	45,454,864
(3,333,870)	40,842,398	-	(11,249,844)	-
5,782,119	(1,814,831)	(3,491,487)	(3,604,245)	-
(38,978,890)	(37,370,686)	(35,868,203)	(34,372,454)	(33,072,631)
29,182,026	64,509,976	20,036,159	8,397,118	23,130,318
733,300,705	668,790,729	648,754,570	640,357,452	617,227,134
$ 762,482,731	$ 733,300,705	$ 668,790,729	$ 648,754,570	$ 640,357,452
$ 20,510,633	$ 19,580,881	$ 16,679,012	$ 14,692,277	$ 12,839,821
5,395,755	4,913,868	4,376,079	4,079,023	4,866,079
40,902,179	49,621,113	2,362,110	10,236,992	70,347,760
(38,978,890)	(37,370,686)	(35,868,203)	(34,372,454)	(33,072,631)
(1,182)	-	788	-	-
(751,243)	(658,507)	(279,579)	(516,273)	-
(1,426,623)	-	-	-	-
25,650,629	36,086,669	(12,729,793)	(5,880,435)	54,981,029
482,098,778	446,012,109	458,741,902	464,622,337	409,641,308
$ 507,749,407	$ 482,098,778	$ 446,012,109	$ 458,741,902	$ 464,622,337
$ 254,733,324	$ 251,201,927	$ 222,778,620	$ 190,012,668	$ 175,735,115
66.59%	65.74%	66.69%	70.71%	72.56%
$ 47,569,993	$ 47,064,869	$ 41,116,053	$ 38,909,866	$ 38,845,554
535.49%	533.74%	541.83%	488.34%	452.39%

Changes in assumptions: None in 2016, 2019 and 2020. 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 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 PLAN CONTRIBUTIONS

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

Last Ten Fiscal Years Ended June 30 (1)

Safety Plan

	2021	2020	2019
Actuarially determined contribution	$ 29,295,456	$ 27,099,469	$ 23,484,760
Contributions in relation to the actuarially determined contributions	(29,295,456)	(27,099,469)	(23,484,760)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 54,912,443	$ 54,338,284	$ 50,808,770
Contributions as a percentage of covered payroll	53.35%	49.87%	46.22%
Notes to schedule			
Valuation date	6/30/2018	6/30/2017	6/30/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years as of valuation date
Asset valuation method	5-year smoothed market
Inflation	2.75% for 2015 to 2019, 2.625% for 2020 and 2.50% for 2021
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50% for 2015 to 2018, 7.375%, for 2019, 7.25% for 2020, and 7% for 2021, net of pension plan investment expense, including inflation
Retirement age	The probabilities of Retirement are based on the CalPERS Experience Study
Mortality	The probabilities of mortality are based on CalPERS Experience Study. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries for 2015 to 2018. For 2019, 2020, and 2021, pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

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

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]

2018	2017	2016	2015
$ 22,002,506	$ 19,735,867	$ 17,365,058	$ 14,776,850
(22,002,506)	(19,735,867)	(17,365,058)	(14,776,850)
$ -	$ -	$ -	$ -
$ 47,569,993	$ 47,064,869	$ 41,116,053	$ 38,909,866
46.25%	41.93%	42.23%	37.98%
6/30/2015	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)

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	$ 2,091	$ 2,030	$ 2,264	$ 2,198	$ 2,134
Interest	3,292	3,200	3,478	3,343	3,194
Differences between expected and actual experience	(326)	-	(1,644)	-	-
Changes of assumptions	1,709	-	(5,838)	-	-
Benefit payments including refunds	(3,592)	(3,498)	(3,096)	(3,036)	(2,034)
Net change in total OPEB liability	3,174	1,732	(4,836)	2,505	3,294
Total OPEB liability - beginning	62,412	60,680	65,516	63,011	59,717
Total OPEB liability - ending	$ 65,586	$ 62,412	$ 60,680	$ 65,516	$ 63,011
Plan Fiduciary Net Position					
Contributions - employer	$ 4,535	$ 4,696	$ 5,366	$ 6,300	$ 2,733
Net investment income	2,957	1,403	1,410	524	738
Benefit payments including refunds	(3,592)	(3,498)	(3,096)	(3,036)	(2,034)
Administrative expense	(59)	(100)	(91)	(71)	(73)
Net change in plan fiduciary net position	3,841	2,501	3,589	3,717	1,364
Plan fiduciary net position - beginning	25,035	22,534	18,945	15,228	13,864
Plan fiduciary net position - ending	$ 28,876	$ 25,035	$ 22,534	$ 18,945	$ 15,228
Net OPEB Liability - ending	$ 36,710	$ 37,377	$ 38,146	$ 46,571	$ 47,783
Plan fiduciary net position as a percentage of the total OPEB liability	44.0%	40.1%	37.1%	28.9%	24.2%
Covered-employee payroll	$ 163,594	$ 164,431	$ 151,453	$ 135,297	$ 102,468
Net OPEB liability as percentage of covered payroll	22.4%	22.7%	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)

	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 4,826	$ 4,681	$ 5,306	$ 5,466	$ 2,981
Contributions in relation to the actuarially determined contributions	4,535	4,696	5,366	6,300	2,981
Contribution deficiency (excess)	$ 291	$ (15)	$ (60)	$ (834)	$ -
Covered-employee payroll	163,594	164,431	151,453	$ 135,297	$ 102,468
Contributions as a percentage of covered payroll	2.77%	2.86%	3.54%	4.66%	2.91%

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 2020-21 Actuarially Determine Contributions	
Actuarial valuation date	June 30, 2018
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 (18 Years remaining on June 30, 2021) 20 years (closed period) for implied subsidy on 06/30/2019 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 fair value
Discount rate	5.25%
General inflation	2.75%
Healthcare trend	Non-Medicare - 7.5% for 2020, decreasing to an ultimate rate of 4% in 2076 Medicare (Non-Kaiser)- 6.1% for 2020 decreasing to an ultimate rate of 4% in 2076 Medicare (Kaiser)- 5% for 2020 decreasing to an ultimate rate of 4% in 2076
Mortality	CalPERS 1997-2015 Experience Study
Mortality improvement	Post-retirement mortality projected fully generational with Scale MP-2018

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, 2021

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts Budgetary Basis	Positive (Negative)
REVENUES				
Taxes:				
Sales	$ 55,600,000	$ 55,600,000	$ 56,178,097	$ 578,097
Ad valorem	66,982,000	66,982,000	68,772,921	1,790,921
Transient occupancy	17,625,000	3,625,000	2,949,235	(675,765)
Other	5,938,000	5,938,000	5,823,809	(114,191)
Licenses, permits, fines and penalties	12,509,300	11,509,300	12,558,892	1,049,592
Intergovernmental	226,000	2,724,317	2,722,419	(1,898)
Charges for services	45,721,818	39,545,818	35,220,034	(4,325,784)
Contributions in-lieu of taxes	23,699,830	23,699,830	24,548,225	848,395
Interest and rents	15,301,409	13,689,581	14,770,835	1,081,254
Other	350,000	8,387,922	6,732,356	(1,655,566)
Total Revenues	243,953,357	231,701,768	230,276,823	(1,424,945)
EXPENDITURES				
General Government:				
General Administration	22,806,052	18,521,796	14,839,620	3,682,176
City Clerk	2,070,555	1,866,147	1,789,568	76,579
City Attorney	2,716,125	2,542,517	2,299,963	242,554
Human Resources	4,477,933	3,733,152	3,063,719	669,433
Finance	17,456,419	16,578,031	15,919,523	658,508
Total General Government	49,527,084	43,241,643	37,912,393	5,329,250
Public Works	24,287,567	23,490,990	23,145,030	345,960
Parks and Recreation	22,987,124	17,087,456	16,891,514	195,942
Public Safety:				
Police	78,033,073	74,413,692	74,126,694	286,998
Fire	58,731,539	59,821,393	58,524,558	1,296,835
Total Public Safety	136,764,612	134,235,085	132,651,252	1,583,833
Planning and Inspection	16,592,755	16,031,849	13,554,943	2,476,906
Library	11,905,848	10,255,330	8,801,390	1,453,940
Total Expenditures	262,064,990	244,342,353	232,956,522	11,385,831

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, 2021
(continued)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(18,111,633)	(12,640,585)	(2,679,699)	9,960,886
OTHER FINANCING SOURCES (USES)				
Transfers in	1,463,765	6,238,152	7,876,198	1,638,046
Transfers (out)	(23,180,390)	(33,043,894)	(33,043,894)	-
Total Other Financing Sources (Uses)	(21,716,625)	(26,805,742)	(25,167,696)	1,638,046
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS	$ (39,828,258)	$ (39,446,327)	$ (27,847,395)	$ 11,598,932
ADJUSTMENTS TO BUDGETARY BASIS:				
Prior year encumbrances recognized on the GAAP basis			(4,273,691)	
Current year encumbrances recognized on the budgetary basis			4,817,658	
Net change in receivables recognized on the GAAP basis			(9,245,076)	
Net change in accrued liabilities recognized on the GAAP basis			(4,451,191)	
Net change in funds for GAAP Basis not included in annual budget			19,165	
Beginning Fund balance			218,576,162	
GASB84 implementation adjustment			206,549	
Ending Fund balance			$ 177,802,181	

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, 2021

	Budgeted Amounts			Variance
	Original	Final	Actual Amount Budgetary Basis	Positive (Negative)
REVENUES				
Charges for services	$ 31,000	$ 31,000	$ 9,751	$ (21,249)
Interest and rents	200,000	200,000	199,832	(168)
Other	300,000	11,950,000	12,992,674	1,042,674
Total Revenues	531,000	12,181,000	13,202,257	1,021,257
EXPENDITURES				
Current:				
General Administration				
Salary & benefits	375,994	375,994	251,941	124,053
Material, service & supplies	557,500	589,934	656,865	(66,931)
Internal service fund charges	31,450	30,352	30,352	-
Capital outlay	5,000,000	21,650,000	11,657,596	9,992,404
Total General Administration	5,964,944	22,646,280	12,596,754	10,049,526
Total Expenditures	5,964,944	22,646,280	12,596,754	10,049,526
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,433,944)	(10,465,280)	605,503	11,070,783
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$ (5,433,944)	$ (10,465,280)	605,503	$ 11,070,783
ADJUSTMENTS TO BUDGETARY BASIS:				
Expenditures of prior year encumbrances recognized on the GAAP basis			(165,334)	
Current year encumbrances recognized on the budgetary basis			344,361	
Net change in accrued liabilities recognized on the GAAP basis			88,704	
Net change in land held for development recognized on the GAAP basis			(11,650,000)	
Beginning Fund balance			31,888,508	
Ending Fund balance			$ 21,111,742	

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.

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 the Lawrence Station Community Facility District and 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.

NEW DEVELOPMENT SERVICE FEE

This fund accounts for the revenues and expenditures from the new development-related activities across the City departments.

This page intentionally left blank

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.

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.

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, 2021

	SPECIAL REVENUE FUNDS		
	Gas Tax	**HUD Programs**	**City Affordable Housing**
ASSETS			
Cash and investments:			
Pooled cash and investments	$ 1,621,881	$ 1,056,591	$ 11,669,924
Investments with fiscal agent - current	-	-	-
Restricted cash	-	-	-
Receivables (net of allowance for uncollectibles):			
Accounts	-	-	-
Loans	-	11,216,692	34,774,136
Intergovernmental	555,732	1,326,486	241,417
Investments with fiscal agent - noncurrent	-	-	-
Total Assets	$ 2,177,613	$ 13,599,769	$ 46,685,477
LIABILITIES			
Accrued liabilities	$ -	$ 1,112,862	$ 137,903
Unearned revenue	-	-	-
Advances from other funds	-	-	-
Total Liabilities	-	1,112,862	137,903
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Loans	-	11,216,692	34,774,136
Total Deferred Inflows of Resources	-	11,216,692	34,774,136
FUND BALANCES			
Restricted	2,177,613	1,270,215	11,773,438
Committed	-	-	-
Total Fund Balances	2,177,613	1,270,215	11,773,438
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,177,613	$ 13,599,769	$ 46,685,477

CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2021

SPECIAL REVENUE FUNDS				DEBT SERVICE FUND
Santa Clara Housing Authority	Maintenance	Operating Grants Fund	New Development Service Fee	Public Facilities Financing Corp.
$ 3,888,627	$ 1,499,710	$ 14,514,570	$ 694,338	$ 19,365
-	-	-	-	4
-	144,324	-	-	-
-	-	-	-	-
6,811,512	-	-	-	-
-	-	383,916	-	-
-	-	-	-	703,714
$ 10,700,139	$ 1,644,034	$ 14,898,486	$ 694,338	$ 723,083
$ 23,150	$ 40,359	$ 252,218	$ 162,641	$ -
-	-	13,115,663	-	-
-	-	-	-	-
23,150	40,359	13,367,881	162,641	-
6,811,512	-	-	-	-
6,811,512	-	-	-	-
-	1,603,675	1,530,605	531,697	723,083
3,865,477	-	-	-	-
3,865,477	1,603,675	1,530,605	531,697	723,083
$ 10,700,139	$ 1,644,034	$ 14,898,486	$ 694,338	$ 723,083

CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2021 (continued)

	CAPITAL PROJECTS FUNDS		
	Parks and Recreation Facilities	Streets and Highways Improvement	Storm Drain Improvement
ASSETS			
Cash and investments:			
Pooled cash and investments	$ 19,950,222	$ 46,040,287	$ 10,019,678
Investments with fiscal agent - current	-	-	-
Restricted cash	-	2,146,253	-
Receivables (net of allowance for uncollectibles):			
Accounts	-	4,488	113,468
Loans	-	-	-
Intergovernmental	-	6,082,203	-
Investments with fiscal agent - noncurrent	-	-	-
Total Assets	$ 19,950,222	$ 54,273,231	$ 10,133,146
LIABILITIES			
Accrued liabilities	$ 167,835	$ 2,744,723	$ 732,205
Unearned revenue	-	-	-
Advances from other funds	6,618,748	-	-
Total Liabilities	6,786,583	2,744,723	732,205
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Loans	-	-	-
Total Deferred Inflows of Resources	-	-	-
FUND BALANCES			
Restricted	8,828,315	35,897,099	641,202
Committed	4,335,324	15,631,409	8,759,739
Total Fund Balances	13,163,639	51,528,508	9,400,941
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 19,950,222	$ 54,273,231	$ 10,133,146

CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2021 (continued)

CAPITAL PROJECTS FUNDS				
Fire Department Improvement	Library Department Improvement	Public Facilities	Special Assessments	Total Non-Major Governmental Funds
$ 957,169	$ 211,532	$ 18,913,044	$ -	$ 131,056,938
-	-	-	-	4
-	-	-	-	2,290,577
-	-	727,273	-	845,229
-	-	-	-	52,802,340
-	-	-	-	8,589,754
-	-	-	-	703,714
$ 957,169	$ 211,532	$ 19,640,317	$ -	$ 196,288,556
$ 6,571	$ 14,094	$ 425,392	$ -	$ 5,819,953
-	-	-	-	13,115,663
-	-	-	-	6,618,748
6,571	14,094	425,392	-	25,554,364
-	-	-	-	52,802,340
-	-	-	-	52,802,340
-	-	2,397,031	-	67,373,973
950,598	197,438	16,817,894	-	50,557,879
950,598	197,438	19,214,925	-	117,931,852
$ 957,169	$ 211,532	$ 19,640,317	$ -	$ 196,288,556

CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the year ended June 30, 2021

	SPECIAL REVENUE FUNDS		
	Gas Tax	**HUD Programs**	**City Affordable Housing**
REVENUES			
Taxes:			
Other	$ -	$ -	$ -
Intergovernmental	5,249,951	3,143,268	840
Charges for services	-	1,467	52,564
Interest and rents	232,220	29,731	156,976
Other	-	867,105	1,110,893
Total Revenues	5,482,171	4,041,571	1,321,273
EXPENDITURES			
Current:			
General Administration	-	3,507,932	902,731
Public Works	-	-	-
Parks and Recreation	-	-	-
Public Safety:			
Police	-	-	-
Fire	-	-	-
Planning and Inspection	-	-	-
Library	-	-	-
Capital outlay	-	204,267	-
Debt service:			
Principal payments	-	-	-
Interest and fiscal fees	-	-	-
Total Expenditures	-	3,712,199	902,731
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,482,171	329,372	418,542
OTHER FINANCING SOURCES (USES)			
Transfers in	2,076,876	-	3,100,000
Transfers (out)	(5,710,356)	-	-
Total Other Financing Sources (Uses)	(3,633,480)	-	3,100,000
NET CHANGE IN FUND BALANCE	1,848,691	329,372	3,518,542
Fund balances - beginning	328,922	940,843	8,254,896
GASB84 Implementation Adjustment	-	-	-
Fund balances - beginning as restated	328,922	940,843	8,254,896
Fund balances - ending	$ 2,177,613	$ 1,270,215	$ 11,773,438

CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2021

SPECIAL REVENUE FUNDS				DEBT SERVICE FUND
Santa Clara Housing Authority	**Maintenance**	**Operating Grants Fund**	**New Development Service Fee**	**Public Facilities Financing Corp.**
$ -	$ 195,280	$ -	$ -	$ -
-	-	1,952,634	-	-
1,047	937,040	58,148	-	-
55,259	7,296	7,871	-	303
300,301	-	38,757	411,861	-
356,607	1,139,616	2,057,410	411,861	303
135,566	-	1,805,494	-	-
-	1,355,278	78,340	-	-
-	7,724	491,961	-	-
-	-	869,585	-	-
-	-	1,198,012	-	-
-	-	233,534	1,167,148	-
-	-	118,284	-	-
-	-	258,867	-	-
-	-	-	-	1,930,000
-	-	-	-	572,457
135,566	1,363,002	5,054,077	1,167,148	2,502,457
221,041	(223,386)	(2,996,667)	(755,287)	(2,502,154)
-	926,920	3,512,601	-	2,500,344
-	(6,000)	(1,000,000)	-	-
-	920,920	2,512,601	-	2,500,344
221,041	697,534	(484,066)	(755,287)	(1,810)
3,644,436	906,141	2,014,671	-	724,893
-	-	-	1,286,984	-
3,644,436	906,141	2,014,671	1,286,984	724,893
$ 3,865,477	$ 1,603,675	$ 1,530,605	$ 531,697	$ 723,083

CITY OF SANTA CLARA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended June 30, 2021 (continued)

	CAPITAL PROJECTS FUNDS		
	Parks and Recreation Facilities	Streets and Highways Improvement	Storm Drain Improvement
REVENUES			
Taxes:			
Other	$ -	$ -	$ -
Intergovernmental	30,845	9,243,506	-
Charges for services	-	-	1,479,661
Interest and rents	359,753	199,547	9,233
Other	2,785,991	1,558,984	-
Total Revenues	3,176,589	11,002,037	1,488,894
EXPENDITURES			
Current:			
General Administration	-	-	-
Public Works	-	3,010,088	819,055
Parks and Recreation	141,065	-	-
Public Safety:			
Police	-	-	-
Fire	-	-	-
Planning and Inspection	-	-	-
Library	-	-	-
Capital outlay	4,805,876	14,468,967	1,746,533
Debt service:			
Principal payments	-	-	-
Interest and fiscal fees	-	-	-
Total Expenditures	4,946,941	17,479,055	2,565,588
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,770,352)	(6,477,018)	(1,076,694)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,221,880	16,987,460	4,489,447
Transfers (out)	(803,549)	(2,839,832)	(1,461,000)
Total Other Financing Sources (Uses)	418,331	14,147,628	3,028,447
NET CHANGE IN FUND BALANCE	(1,352,021)	7,670,610	1,951,753
Fund balances - beginning	14,515,660	36,694,138	7,449,188
GASB84 Implementation Adjustment	-	7,163,760	-
Fund balances - beginning as adjusted	14,515,660	43,857,898	7,449,188
Fund balances - ending	$ 13,163,639	$ 51,528,508	$ 9,400,941

CITY OF SANTA CLARA

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

For the year ended June 30, 2021 (continued)

CAPITAL PROJECTS FUNDS				
Fire Department Improvement	Library Department Improvement	Public Facilities	Special Assessments	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ 195,280
-	-	-	-	19,621,044
-	-	-	-	2,529,927
-	-	2,375	-	1,060,564
-	-	1,880,650	-	8,954,542
-	-	1,883,025	-	32,361,357
-	-	3,790,441	5,477	10,147,641
-	-	170,921	-	5,433,682
-	-	-	-	640,750
-	-	-	-	869,585
60,433	-	-	-	1,258,445
-	-	-	-	1,400,682
-	13,076	-	-	131,360
6,570	107,652	4,350,226	-	25,948,958
-	-	-	-	1,930,000
-	-	-	-	572,457
67,003	120,728	8,311,588	5,477	48,333,560
(67,003)	(120,728)	(6,428,563)	(5,477)	(15,972,203)
290,796	128,058	6,243,227	-	41,477,609
(192,673)	(21,119)	(5,033,566)	(1,079,916)	(18,148,011)
98,123	106,939	1,209,661	(1,079,916)	23,329,598
31,120	(13,789)	(5,218,902)	(1,085,393)	7,357,395
919,478	211,227	24,433,827	1,085,393	102,123,713
-	-	-	-	8,450,744
919,478	211,227	24,433,827	1,085,393	110,574,457
$ 950,598	$ 197,438	$ 19,214,925	$ -	$ 117,931,852

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, 2021

	Maintenance		
	Budget	Actual Amount Budgetary Basis	Variance Positive (Negative)
REVENUES			
Taxes-Other	$ 197,252	$ 195,280	$ (1,972)
Charges for services	937,144	937,040	(104)
Interest and rents	3,826	7,296	3,470
Total Revenues	1,138,222	1,139,616	1,394
EXPENDITURES			
Current:			
Total Public Works	1,844,211	1,286,814	557,397
Total Parks and Recreation	157,802	65,567	92,235
Total Expenditures	2,002,013	1,352,381	649,632
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(863,791)	(212,765)	651,026
OTHER FINANCING SOURCES (USES)			
Transfers in	926,920	926,920	-
Transfers out	(6,000)	(6,000)	-
Total Other Financing Sources (Uses)	920,920	920,920	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$ 57,129	708,155	$ 651,026
ADJUSTMENTS TO BUDGETARY BASIS:			
Expenditures of prior year encumbrances recognized on the GAAP basis		(83,729)	
Current year encumbrances recognized on the budgetary basis		65,791	
Beginning Fund balance		906,141	
Ending Fund balance		$ 1,603,675	

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, 2021

	Solid Waste	Cemetery	Santa Clara Golf and Tennis Club
ASSETS			
Current assets:			
Cash and investments:			
Pooled cash and investments	$ 5,517,078	$ 2,441,092	$ -
Receivables (net of allowance for uncollectible):			
Accounts	4,473,242	8	-
Due from other funds	-	255,944	-
Total current assets	9,990,320	2,697,044	-
Noncurrent assets:			
Restricted cash	1,107,028	-	-
Capital assets:			
Land	-	1,096,874	-
Buildings, infrastructure and land improvements	127,362	1,280,641	-
Equipment	37,170	17,705	-
Construction in progress	-	-	-
	164,532	2,395,220	-
Less accumulated depreciation	75,466	1,134,045	-
Net capital assets	89,066	1,261,175	-
Total noncurrent assets	1,196,094	1,261,175	-
Total assets	11,186,414	3,958,219	-
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related items	21,705	8,624	-
Pension related items	698,749	277,649	-
Total deferred outflows of resources	720,454	286,273	-

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2021

Santa Clara Convention Center	Sports and Open Space Authority	TOTAL Non-Major Enterprise Funds
$ 11,740,400	$ 13,686	$ 19,712,256
265,692	-	4,738,942
-	-	255,944
12,006,092	13,686	24,707,142
61,605	-	1,168,633
-	1,995,998	3,092,872
78,353,492	-	79,761,495
2,957,267	-	3,012,142
731,967	-	731,967
82,042,726	1,995,998	86,598,476
58,716,683	-	59,926,194
23,326,043	1,995,998	26,672,282
23,387,648	1,995,998	27,840,915
35,393,740	2,009,684	52,548,057
-	-	30,329
-	-	976,398
-	-	1,006,727

(continued)

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2021

	Solid Waste	Cemetery	Santa Clara Golf and Tennis Club
LIABILITIES			
Current liabilities:			
Accrued liabilities	3,125,039	21,892	-
Unearned revenue	-	-	-
Accrued compensated absences	21,784	17,185	-
Current portion of landfill closure liability	623,700	-	-
Total current liabilities	3,770,523	39,077	-
Noncurrent liabilities:			
Advance from other funds	-	7,111,149	-
Long-term compensated absences	168,653	133,050	-
Landfill closure liability	5,071,359	-	-
Net OPEB liability	554,320	220,259	-
Net pension liability	4,598,534	1,827,232	-
Total noncurrent liabilities	10,392,866	9,291,690	-
Total liabilities	14,163,389	9,330,767	-
DEFERRED INFLOWS OF RESOURCES			
OPEB related items	84,668	33,643	-
Pension related items	6,956	2,764	-
Total deferred inflows of resources	91,624	36,407	-
NET POSITION			
Net investment in capital assets	89,066	1,261,175	-
Restricted for capital projects and other agreements	1,107,028	1,932,884	-
Unrestricted	(3,544,239)	(8,316,741)	-
Total net position (deficit)	$ (2,348,145)	$ (5,122,682)	$ -

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2021

Santa Clara Convention Center	Sports and Open Space Authority	TOTAL Non-Major Enterprise Funds
276,713	-	3,423,644
6,489,656	-	6,489,656
-	-	38,969
-	-	623,700
6,766,369	-	10,575,969
-	-	7,111,149
-	-	301,703
-	-	5,071,359
-	-	774,579
-	-	6,425,766
-	-	19,684,556
6,766,369	-	30,260,525
-	-	118,311
-	-	9,720
-	-	128,031
23,326,043	1,995,998	26,672,282
61,605	-	3,101,517
5,239,723	13,686	(6,607,571)
$ 28,627,371	$ 2,009,684	$ 23,166,228

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, 2021

	Solid Waste	Cemetery	Santa Clara Golf and Tennis Club
Operating revenues:			
Charges for services	$ 26,070,404	$ 837,287	$ -
Other	509,001	6,643	-
Total operating revenues	26,579,405	843,930	-
Operating expenses:			
Salaries and benefits	1,737,844	838,026	-
Materials, services and supplies	27,887,748	517,440	-
Depreciation	8,626	11,182	-
Total operating expenses	29,634,218	1,366,648	-
Operating income (loss)	(3,054,813)	(522,718)	-
Nonoperating revenues (expenses):			
Interest revenue	32,965	26,087	-
Rents and royalties	24,041	-	-
Total nonoperating revenues (expenses)	57,006	26,087	-
Income (loss) before contributions and transfers	(2,997,807)	(496,631)	-
Transfers in	1,023,659	300,000	4,224,133
Transfers (out)	(38,570)	(2,741)	-
Change in net position	(2,012,718)	(199,372)	4,224,133
Total net position - beginning	(335,427)	(4,923,310)	(4,224,133)
Total net position - ending	$ (2,348,145)	$ (5,122,682)	$ -

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, 2021

Santa Clara Convention Center	Sports and Open Space Authority	TOTAL Non-Major Enterprise Funds
$ 1,220,633	$ -	$ 28,128,324
-	-	515,644
1,220,633	-	28,643,968
348,199	5,550	2,929,619
2,787,612	4,439	31,197,239
1,548,354	-	1,568,162
4,684,165	9,989	35,695,020
(3,463,532)	(9,989)	(7,051,052)
29,972	267	89,291
-	-	24,041
29,972	267	113,332
(3,433,560)	(9,722)	(6,937,720)
2,981,488	-	8,529,280
(20,000)	-	(61,311)
(472,072)	(9,722)	1,530,249
29,099,443	2,019,406	21,635,979
$ 28,627,371	$ 2,009,684	$ 23,166,228

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2021

	Solid Waste	Cemetery	Santa Clara Golf and Tennis Club
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 25,454,161	$ 843,923	$ -
Payments to suppliers	(26,464,773)	(531,930)	-
Payments to employees for salaries and benefits	(1,502,096)	(788,618)	-
Rents and royalties received	24,041	-	-
Other receipts	433,974	-	-
Net cash provided (used) by operating activities	(2,054,693)	(476,625)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
(Increase) in due from other funds	-	(26,930)	-
Advances from other funds	-	771,768	-
Deposits to pension rate stablization fund	75,027	-	-
Transfers in	1,023,659	300,000	-
Transfers (out)	(38,570)	(2,741)	-
Cash Flows from Noncapital Financing Activities	1,060,116	1,042,097	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets, net	-	-	-
Cash Flows from Capital and Related Financing Activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	32,965	26,087	-
Cash Flows from Investing Activities	32,965	26,087	-
Net increase (decrease) in cash and cash equivalents	(961,612)	591,559	-
Cash and cash equivalents at beginning of period	7,585,718	1,849,533	-
Cash and cash equivalents at end of period	$ 6,624,106	$ 2,441,092	$ -
Cash and cash equivalents:			
Pooled cash and investments	$ 5,517,078	$ 2,441,092	$ -
Restricted cash	1,107,028	-	-
Total cash and cash equivalents	$ 6,624,106	$ 2,441,092	$ -

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2021

Santa Clara Convention Center	Sports and Open Space Authority	TOTAL Non-Major Enterprise Funds
$ 961,646	$ -	$ 27,259,730
(2,889,266)	(4,439)	(29,890,408)
(348,199)	(5,550)	(2,644,463)
-	-	24,041
-	-	433,974
(2,275,819)	(9,989)	(4,817,126)
-	-	(26,930)
-	-	771,768
-	-	75,027
2,981,488	-	4,305,147
(20,000)	-	(61,311)
2,961,488	-	5,063,701
(711,167)	-	(711,167)
(711,167)	-	(711,167)
29,972	267	89,291
29,972	267	89,291
4,474	(9,722)	(375,301)
11,797,531	23,408	21,256,190
$ 11,802,005	$ 13,686	$ 20,880,889
$ 11,740,400	$ 13,686	$ 19,712,256
61,605	-	1,168,633
$ 11,802,005	$ 13,686	$ 20,880,889

(continued)

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2021

	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)	$ (3,054,813)	$ (522,718)	$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
(Decrease) Increase in due to OPEB system	(27,030)	(41,619)	-
(Decrease) Increase in due to retirement system	128,011	81,745	-
Depreciation	8,626	11,182	-
Change in assets and liabilities:			
Receivables, net	(616,243)	(8)	-
Accrued liabilities	1,347,948	(14,488)	-
Compensated absences	134,767	9,281	-
Unearned revenue	-	-	-
Other receipts	24,041	-	-
Net cash provided (used) by operating activities	$ (2,054,693)	$ (476,625)	$ -
NONCASH TRANSACTIONS:			
Forgiveness of advances	$ -	$ -	$ 4,224,133

CITY OF SANTA CLARA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2021

Santa Clara Convention Center	Sports and Open Space Authority	TOTAL Non-Major Enterprise Funds
$ (3,463,532)	$ (9,989)	$ (7,051,052)
-	-	(68,649)
-	-	209,756
1,548,354	-	1,568,162
172,279	-	(443,972)
(101,654)	-	1,231,806
-	-	144,048
(431,266)	-	(431,266)
-	-	24,041
$ (2,275,819)	$ (9,989)	$ (4,817,126)
$ -	$ -	$ 4,224,133

This page intentionally left blank

CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues or expenses of each internal service fund are eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net 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.

PUBLIC WORKS CAPITAL PROJECTS MANAGEMENT

This fund accounts for the Public Works staff time and non-personnel costs utilized to manage and work on specific capital improvement programs of the City. The source of revenue for this fund is fees charged to the departments requiring Public Works capital project services.

INFORMATION TECHNOLOGY SERVICES

This fund accounts for citywide cost associated with computer and telephone equipment replacement as well as other services including new or upgraded software, additional licenses for new users, and general information technology services provided to all City departments. The source of revenue for this fund is fees charged to the departments that require information technology services.

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, 2021

	Automotive Services	Technical Equipment Services	PW Capital Projects Management
ASSETS			
Current assets:			
Cash and investments:			
Pooled cash and investments	$ 10,242,228	$ 1,568,436	$ 564,617
Receivables (net of allowance for uncollectible):			
Accounts	71,719	-	-
Due from other funds	32,875	-	-
Materials, supplies and prepaids	200,918	-	-
Total current assets	10,547,740	1,568,436	564,617
Noncurrent assets:			
Capital assets:			
Equipment	38,124,763	3,379,177	-
Total capital assets	38,124,763	3,379,177	-
Less accumulated depreciation	25,802,874	3,106,502	-
Net capital assets	12,321,889	272,675	-
Total noncurrent assets	12,321,889	272,675	-
Total assets	22,869,629	1,841,111	564,617
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related items	27,023	-	-
Pension related items	869,967	-	-
Total deferred outflows of resources	896,990	-	-

CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2021

Information Technology Services	Special Liability Insurance Claims	Workers' Compensation Insurance Claims	TOTAL
$ 2,147,308	$ 4,050,633	$ 6,979,709	$ 25,552,931
4,340	289,176	1,131,104	1,496,339
-	-	-	32,875
-	-	-	200,918
2,151,648	4,339,809	8,110,813	27,283,063
6,040	-	-	41,509,980
6,040	-	-	41,509,980
2,315	-	-	28,911,691
3,725	-	-	12,598,289
3,725	-	-	12,598,289
2,155,373	4,339,809	8,110,813	39,881,352
12,362	-	-	39,385
397,964	-	-	1,267,931
410,326	-	-	1,307,316

(continued)

CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2021

	Automotive Services	Technical Equipment Services	PW Capital Projects Management
LIABILITIES			
Current liabilities:			
Accrued liabilities	381,861	-	-
Due to other funds	3,079,480	802,025	-
Accrued compensated absences	28,519	-	-
Total current liabilities	3,489,860	802,025	-
Noncurrent liabilities:			
Long-term portion estimated claims	-	-	-
Long-term compensated absences	220,801	-	-
OPEB pension liability	690,145	-	-
Net pension liability	5,725,322	-	-
Total noncurrent liabilities	6,636,268	-	-
Total liabilities	10,126,128	802,025	-
DEFERRED INFLOWS OF RESOURCES			
OPEB related items	105,415	-	-
Pension related items	8,661	-	-
Total deferred inflows of resources	114,076	-	-
NET POSITION			
Net investment in capital assets	12,321,889	272,675	-
Unrestricted	1,204,526	766,411	564,617
Total net position (deficit)	$ 13,526,415	$ 1,039,086	$ 564,617

CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2021

Information Technology Services	Special Liability Insurance Claims	Workers' Compensation Insurance Claims	TOTAL
678,397	2,287,230	3,618,266	6,965,754
-	-	-	3,881,505
32,369	-	-	60,888
710,766	2,287,230	3,618,266	10,908,147
-	4,783,000	18,199,000	22,982,000
250,611	-	-	471,412
315,705	-	-	1,005,850
2,619,032	-	-	8,344,354
3,185,348	4,783,000	18,199,000	32,803,616
3,896,114	7,070,230	21,817,266	43,711,763
48,222	-	-	153,637
3,962	-	-	12,623
52,184	-	-	166,260
3,725	-	-	12,598,289
(1,386,324)	(2,730,421)	(13,706,453)	(15,287,644)
$ (1,382,599)	$ (2,730,421)	$ (13,706,453)	$ (2,689,355)

CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For the year ended June 30, 2021

	Automotive Services	Technical Equipment Services	PW Capital Projects Management
Operating revenues:			
Charges for services	$ 6,985,022	$ 443,833	$ 3,821,799
Insurance refunds and other	-	-	-
Total operating revenues	6,985,022	443,833	3,821,799
Operating expenses:			
Salaries and benefits	2,555,662	-	3,081,462
Materials, services and supplies	2,241,011	338,465	420,121
General and administrative	-	-	-
Depreciation	2,699,697	110,296	-
Total operating expenses	7,496,370	448,761	3,501,583
Operating income (loss)	(511,348)	(4,928)	320,216
Nonoperating revenues (expenses):			
Interest revenue	-	-	-
Other revenue	341,586	-	-
Gain (loss) on retirement of assets	(29,431)	-	-
Total nonoperating revenues (expenses)	312,155	-	-
Income (loss) before contributions and transfers	(199,193)	(4,928)	320,216
Transfers in	119,215	-	-
Change in net position	(79,978)	(4,928)	320,216
Total net position - beginning	13,606,393	1,044,014	244,401
Total net position - ending	$ 13,526,415	$ 1,039,086	$ 564,617

CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the year ended June 30, 2021

Information Technology Services	Special Liability Insurance Claims	Workers' Compensation Insurance Claims	TOTAL
$ 11,674,254	$ 7,277,538	$ 5,865,066	$ 36,067,512
-	277,656	349,365	627,021
11,674,254	7,555,194	6,214,431	36,694,533
4,545,188	-	-	10,182,312
9,693,102	-	-	12,692,699
-	11,428,072	4,738,727	16,166,799
1,208	-	-	2,811,201
14,239,498	11,428,072	4,738,727	41,853,011
(2,565,244)	(3,872,878)	1,475,704	(5,158,478)
-	220	-	220
-	156,507	-	498,093
-	-	-	(29,431)
-	156,727	-	468,882
(2,565,244)	(3,716,151)	1,475,704	(4,689,596)
-	-	289,223	408,438
(2,565,244)	(3,716,151)	1,764,927	(4,281,158)
1,182,645	985,730	(15,471,380)	1,591,803
$ (1,382,599)	$ (2,730,421)	$ (13,706,453)	$ (2,689,355)

CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2021

	Automotive Services	Technical Equipment Services	PW Capital Projects Management
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 6,934,200	$ 443,833	$ 3,821,799
Payments to suppliers	(1,733,475)	(338,465)	(222,401)
Payments to employees for salaries and benefits	(2,400,036)	-	(3,081,462)
Internal activity - payments to other funds	(185,578)	-	(238,319)
Claims paid	-	-	-
Other receipts	341,586	-	-
Net cash provided (used) by operating activities	2,956,697	105,368	279,617
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Decrease in due from other funds	108,917	-	-
Increase in due to other funds	593,645	93,020	-
Transfers in	119,215	-	-
Cash Flows from Noncapital Financing Activities	821,777	93,020	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets, net	(2,513,613)	-	-
Cash Flows from Capital and Related Financing Activities	(2,513,613)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	-	-	-
Cash Flows from Investing Activities	-	-	-
Net increase (decrease) in cash and cash equivalents	1,264,861	198,388	279,617
Cash and investments at beginning of period	8,977,367	1,370,048	285,000
Cash and investments at end of period	$ 10,242,228	$ 1,568,436	$ 564,617
Cash and cash equivalents:			
Pooled cash and investments	$ 10,242,228	$ 1,568,436	$ 564,617
Total cash and cash equivalents	$ 10,242,228	$ 1,568,436	$ 564,617

CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2021

Information Technology Services	Special Liability Insurance Claims	Workers' Compensation Insurance Claims	TOTAL
$ 11,687,276	$ 7,277,538	$ 5,883,078	$ 36,047,724
(9,762,766)	-	-	(12,057,107)
(1,972,564)	-	-	(7,454,062)
(56,998)	-	-	(480,895)
-	(12,212,175)	(4,329,703)	(16,541,878)
-	132,422	-	474,008
(105,052)	(4,802,215)	1,553,375	(12,210)
-	-	-	108,917
-	-	-	686,665
-	-	289,223	408,438
-	-	289,223	1,204,020
-	-	-	(2,513,613)
-	-	-	(2,513,613)
-	220	-	220
-	220	-	220
(105,052)	(4,801,995)	1,842,598	(1,321,583)
2,252,360	8,852,628	5,137,111	26,874,514
$ 2,147,308	$ 4,050,633	$ 6,979,709	$ 25,552,931
$ 2,147,308	$ 4,050,633	$ 6,979,709	$ 25,552,931
$ 2,147,308	$ 4,050,633	$ 6,979,709	$ 25,552,931

(continued)

CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2021

	Automotive Services	Technical Equipment Services	PW Capital Projects Management
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (511,348)	$ (4,928)	$ 320,216
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
(Decrease) Increase in due to OPEB system	(33,654)	-	-
(Decrease) Increase in due to retirement system	159,374	-	-
Depreciation	2,699,697	110,296	-
Change in assets and liabilities:			
Receivables, net	(50,822)	-	-
Inventory	123,286	-	-
Accrued liabilities	198,672	-	(40,599)
Long-term portion estimated claims	-	-	-
Compensated absences	29,906	-	-
Other receipts	341,586	-	-
Net cash provided (used) by operating activities	$ 2,956,697	$ 105,368	$ 279,617

CITY OF SANTA CLARA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2021

Information Technology Services	Special Liability Insurance Claims	Workers' Compensation Insurance Claims	TOTAL
$ (2,565,244)	$ (3,872,878)	$ 1,475,704	(5,158,478)
(15,395)	-	-	(49,049)
2,570,425	-	-	2,729,799
1,208	-	-	2,811,201
13,022	(288,700)	18,012	(308,488)
-	-	-	123,286
(126,662)	(643,337)	(117,651)	(729,577)
-	(153,807)	177,310	23,503
17,594	-	-	47,500
-	156,507	-	498,093
$ (105,052)	$ (4,802,215)	$ 1,553,375	$ (12,210)

This page intentionally left blank

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.

CUSTODIAL FUNDS

Custodial Funds are presented separately from the Government-wide and Fund financial statements.

Custodial 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 SUPPLEMENTAL FUND

This fund is used to account for monies collected and disbursed for the employees paid leave program that is administered by respective bargaining units.

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.

CUSTODIAL DEPOSITS

This fund accounts for various miscellaneous deposits for other entities.

CITY OF SANTA CLARA
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2021

	Charitable Trust	Successor Agency	Total Private Purpose Trust
ASSETS			
Cash and investments:			
Pooled cash and investments	$ 957,762	$ 340,175	$ 1,297,937
Total cash	957,762	340,175	1,297,937
Receivables (net of allowance for uncollectibles):			
Leases and rent	16,203	200,000	216,203
Total receivables	16,203	200,000	216,203
Investments at fair value:			
Investment with fiscal agent-noncurrent	2,789,301	-	2,789,301
Total investments	2,789,301	-	2,789,301
Land held for resale	-	532,542	532,542
Total Assets	3,763,266	1,072,717	4,835,983
LIABILITIES			
Accrued liabilities	-	500	500
Unearned revenues	-	110,917	110,917
Due to other agencies	-	330,000	330,000
Total Liabilities	-	441,417	441,417
NET POSITION			
Held in trust for private purpose	3,763,266	-	3,763,266
Restricted for individuals, organization and other governments	-	631,300	631,300
Total Net Position	$ 3,763,266	$ 631,300	$ 4,394,566

CITY OF SANTA CLARA
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2021

	Charitable Trust	Successor Agency	Total Private Purpose Trust
ADDITIONS			
Investment income:			
Net change in fair value of investments	$ 262,884	$ -	$ 262,884
Interest and rents	73,797	1,564,345	1,638,142
Net investment income	336,681	1,564,345	1,901,026
Other	-	4,355,641	4,355,641
Total additions	336,681	5,919,986	6,256,667
DEDUCTIONS			
General and administrative	85,531	3,102	88,633
Pass through to the County of Santa Clara	-	1,610,000	1,610,000
Total deductions	85,531	1,613,102	1,698,633
Net increase (decrease) in fiduciary net position	251,150	4,306,884	4,558,034
Net position - beginning	3,512,116	(3,675,584)	(163,468)
Net position - ending	$ 3,763,266	$ 631,300	$ 4,394,566

CITY OF SANTA CLARA
CUSTODIAL FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2021

	Employee Supplemental	Special Assessments	Custodial Deposits	Total Custodial Funds
ASSETS				
Cash and investments:				
Pooled cash and investments	$ 385,460	$ 172,134	$ 25,245	$ 582,839
Total cash	385,460	172,134	25,245	582,839
Total Assets	385,460	172,134	25,245	582,839
NET POSITION				
Restricted for individuals, organization and other govern	385,460	172,134	25,245	582,839
Total Net Position	$ 385,460	$ 172,134	$ 25,245	$ 582,839

CITY OF SANTA CLARA
CUSTODIAL FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2021

	Employee Supplemental	Special Assessments	Custodial Deposits	Total Custodial Funds
ADDITIONS				
Contributions:				
Employee contributions	$ 83,349	$ -	$ -	$ 83,349
Other plans	-	403,087	-	403,087
Gifts and bequest	-	-	750	750
Total contributions	83,349	403,087	750	487,186
Investment income:				
Interest and rents	4,979	-	-	4,979
Net investment income	4,979	-	-	4,979
Total additions	88,328	403,087	750	492,165
DEDUCTIONS				
General and administrative	-	2,449,796	770	2,450,566
Benefits paid	2,577	-	-	2,577
Pass through to the Stadium Authority	-	282,021	-	282,021
Total deductions	2,577	2,731,817	770	2,735,164
Net increase (decrease) in fiduciary net position	85,751	(2,328,730)	(20)	(2,242,999)
Net position - beginning	-	-	-	-
GASB 84 implementation	299,709	2,500,864	25,265	2,825,838
Net position - beginning, as restated	299,709	2,500,864	25,265	2,825,838
Net position - ending	$ 385,460	$ 172,134	$ 25,245	$ 582,839

This page intentionally left blank

Statistical Section (Unaudited)

CITY OF SANTA CLARA
STATISTICAL SECTION

This part of the City of Santa Clara's Annual Comprehensive 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

	2021	2020	2019	2018	2017	2016	2015 [2]	2014	2013 [1]	2012
Governmental Activities:										
Net Investment in Capital Assets	$ 626,115	$ 613,187	$ 585,201	$ 553,135	$ 532,255	$ 507,390	$ 524,645	$ 528,043	$ 522,175	$ 520,899
Restricted	275,653	260,872	244,775	246,048	242,393	207,996	198,316	189,618	230,545	213,158
Unrestricted	(289,637)	(224,176)	(169,513)	(180,368)	(135,818)	(125,913)	(186,423)	102,421	127,390	172,350
Total Governmental Activities Net Assets:	$ 612,131	$ 649,883	$ 660,463	$ 618,815	$ 638,830	$ 589,473	$ 536,538	$ 820,082	$ 880,110	$ 906,407
Business - Type Activities:										
Net Investment in Capital Assets	$ 1,042,058	$ 974,612	$ 953,098	$ 917,738	$ 882,187	$ 844,911	$ 760,150	$ 496,107	$ 406,972	$ 445,554
Restricted	234,289	249,516	185,267	174,595	142,459	133,718	93,891	96,318	90,437	8,214
Unrestricted	100,116	80,997	31,258	(24,141)	(13,132)	(61,843)	(1,573)	325,633	382,992	430,774
Total Business - Type Activities Net Position	$ 1,376,463	$ 1,305,125	$ 1,169,623	$ 1,068,192	$ 1,011,514	$ 916,786	$ 852,468	$ 918,058	$ 880,401	$ 884,542
Primary Government										
Net Investment in Capital Assets	$ 1,668,173	$ 1,587,799	$ 1,538,299	$ 1,470,873	$ 1,414,442	$ 1,352,301	$ 1,284,795	$ 1,024,150	$ 929,147	$ 966,453
Restricted	509,942	510,388	430,042	420,643	384,852	341,714	292,207	285,936	320,982	221,372
Unrestricted	(189,521)	(143,179)	(138,255)	(204,509)	(148,950)	(187,756)	(187,996)	428,054	510,382	603,124
Total Primary Government Net Position	$ 1,988,594	$ 1,955,008	$ 1,830,086	$ 1,687,007	$ 1,650,344	$ 1,506,259	$ 1,389,006	$ 1,738,140	$ 1,760,511	$ 1,790,949

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses:										
Governmental Activities:										
General Administration	$ 33,381	$ 26,436	$ 30,328	$ 25,467	$ 20,636	$ 22,692	$ 18,310	$ 15,208	$ 15,799	$ 8,703
City Clerk	1,414	1,292	1,263	864	1,020	309	389	263	388	179
City Attorney	1,890	1,945	1,700	1,000	860	270	194	102	100	303
Human Resources	1,616	2,751	2,011	1,886	1,675	748	654	502	367	486
Finance	10,188	10,497	7,111	6,253	5,323	1,633	1,357	844	1,270	1,680
Public Works	41,951	46,176	45,725	38,276	34,314	30,365	29,713	30,287	29,337	28,802
Parks and Recreation	20,266	27,491	23,285	21,369	18,616	17,106	16,135	15,913	15,858	15,567
Public Safety:										
Police	87,563	89,477	72,449	76,742	63,612	58,599	54,252	47,105	45,120	43,516
Fire	71,025	67,767	58,120	55,372	43,384	37,120	35,341	34,099	33,162	31,702
Planning and Inspection	15,537	16,281	12,879	10,614	9,162	7,855	7,593	6,848	6,383	5,838
Library	10,864	13,773	12,687	12,302	10,553	10,718	8,851	8,161	7,712	7,728
Interest on long term debt	487	560	630	695	749	803	853	1,125	2,107	6,991
Pass Through Payments	-	-	-	-	-	-	-	-	-	1,085
Total Governmental Activities Expenses (Net)	296,182	304,446	268,188	250,840	209,904	188,218	173,642	160,457	157,603	152,580
Business-Type Activities:										
Utilities:										
Electric	454,503	453,112	408,812	437,419	402,977	386,239	377,017	362,303	338,786	315,257
Water	45,353	43,196	46,067	41,777	35,649	32,254	29,482	28,181	26,683	25,076
Sewer	30,103	28,614	29,462	25,689	23,047	19,081	17,981	17,237	16,054	15,348
Water Recycling	5,844	6,344	5,909	4,972	4,858	2,672	2,902	2,030	1,979	3,326
Solid Waste	29,769	25,567	25,393	23,363	26,621	20,142	19,717	18,486	19,222	17,322
Cemetery	1,359	1,659	1,257	1,174	820	781	676	901	991	958
Sports and Open Space Authority	8	10	9	10	53	102	97	95	44	48
Santa Clara Golf and Tennis Club	-	1,675	2,837	2,951	2,772	2,777	2,754	2,827	2,662	2,759
Santa Clara Convention Center	4,667	16,738	12,967	8,423	8,478	9,075	9,006	8,926	8,553	8,073
Santa Clara Stadium Authority	41,181	79,539	103,899	111,210	105,593	147,435	98,363	21,913	27,442	5,393
Total Business-Type Activities Expenses	612,787	656,454	636,612	656,988	610,868	620,558	557,995	462,899	442,416	393,560
Total Primary Expenses	$ 908,969	$ 960,900	$ 904,800	$ 907,828	$ 820,772	$ 808,776	$ 731,637	$ 623,356	$ 600,019	$ 546,140

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Program Revenues:										
Governmental Activities:										
Charges for Services:										
General Administration	$ 3,475	$ 8,837	$ 7,904	$ 398	$ 1,651	$ 1,247	$ 416	$ 355	$ 562	$ 680
Parks and Recreation	891	1,495	3,431	3,126	3,169	3,114	4,207	3,157	2,825	2,868
Planning and Inspection	16,470	15,564	19,048	12,837	13,658	15,065	13,944	9,299	6,872	12,509
Other Programs	12,604	15,057	17,476	21,303	19,658	23,022	16,281	12,296	9,352	10,397
Operating Grants and Contributions	17,053	9,455	8,457	7,172	4,723	5,809	8,240	6,566	3,922	4,444
Capital Gains and Contributions	11,598	29,619	23,634	20,273	14,280	12,100	5,848	10,347	4,490	4,737
Total Governmental Activities Program Revenues	62,091	80,027	79,950	65,109	57,139	60,357	48,936	42,020	28,023	35,635
Business-Type Activities:										
Utilities:										
Electric	528,388	507,494	460,263	475,434	459,849	412,441	381,858	364,280	345,045	358,667
Equity in income (losses) of joint ventures (1)	-	-	-	-	-	-	(4,719)	4,214	6,111	(3,576)
Water	52,530	51,373	47,017	46,685	39,953	31,955	31,462	30,979	30,177	28,232
Sewer	16,587	71,041	44,763	50,942	43,176	41,659	43,400	34,585	32,090	27,036
Equity in income (losses) of joint ventures (1)	-	-	-	-	-	-	(10,036)	(3,383)	(3,654)	(2,239)
Water Recycling	6,182	6,304	6,299	5,479	4,834	3,841	3,381	3,136	2,774	4,319
Solid Waste	26,603	26,645	25,983	23,544	22,585	21,854	20,404	20,154	19,575	18,460
Cemetery	844	585	634	666	799	693	649	528	632	519
Sports and Open Space Authority	-	-	-	-	58	72	66	82	420	2,056
Santa Clara Golf and Tennis Club	-	674	2,001	1,991	1,780	1,666	2,207	2,857	2,929	2,973
Santa Clara Convention Center	1,221	14,252	12,734	9,061	9,581	7,399	7,112	7,240	6,933	6,119
Santa Clara Stadium Authority	38,682	87,976	112,550	112,039	110,059	146,619	102,908	33,193	-	5
Total Business-Type Activities Program Revenues	671,037	766,344	712,244	725,841	692,674	668,199	578,692	497,865	443,032	442,571
Total Primary Government Program Revenues	733,128	846,371	792,194	790,950	749,813	728,556	627,628	539,885	471,055	478,206
Net (Expense) Revenue:										
Governmental Activities	(234,091)	(224,419)	(188,238)	(185,731)	(152,765)	(127,861)	(124,706)	(118,437)	(129,580)	(116,945)
Business-Type Activities	58,250	109,890	75,632	68,853	81,806	47,641	20,697	34,966	616	49,011
Total Primary Government Net (Expense) Revenue	$ (175,841)	$ (114,529)	$ (112,606)	$ (116,878)	$ (70,959)	$ (80,220)	$ (104,009)	$ (83,471)	$ (128,964)	$ (67,934)

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Revenue and other changes in Net Position										
Governmental Activities:										
Taxes:										
Sales	$ 56,178	$ 55,270	$ 65,036	$ 56,320	$ 55,751	$ 57,797	$ 49,648	$ 46,736	$ 44,159	$ 41,280
Ad Valorem Property	68,358	65,132	58,502	54,965	50,943	45,627	37,574	39,187	31,651	43,880
Transient occupancy	2,949	15,994	23,229	20,580	20,484	20,557	18,186	15,141	13,673	11,755
Other	6,019	5,967	5,955	6,392	5,671	5,510	5,173	5,191	4,333	3,034
Internal Governmental, unrestricted:										
Motor Vehicle in-lieu	-	-	-	-	55	49	50	-	51	120
Contribution in-lieu of taxes	24,548	22,710	21,304	21,986	21,117	19,057	17,493	16,591	15,219	15,343
Investment earnings	6,451	8,700	6,990	4,600	3,466	2,178	1,702	3,380	6,058	7,900
Net increase (decrease) in the fair value of investments	(5,207)	6,531	8,082	(2,452)	(3,217)	1,049	496	1,815	(3,567)	(707)
Equity in income (losses) of joint ventures	(290)	95	28	25	49	44	(40)	(106)	(286)	(285)
Rents and royalties	9,852	9,032	9,762	10,494	11,410	13,642	11,189	3,781	13,658	13,115
Other	24,590	22,513	30,257	16,243	39,956	8,551	12,154	4,317	4,434	4,104
Co-op Agreements Activities	-	-	-	-	-	-	-	-	-	(5)
Special item	-	-	-	-	-	(24,451)	(9,224)	(80,152)	(29,563)	106,602
Total Government General Revenue and Special Item	193,448	211,944	229,145	189,153	205,685	149,610	144,401	55,881	99,820	246,136
Business-Type Activities: [(2)]										
Investment earnings	13,569	16,709	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	(6,246)	10,798	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	7,323	27,507	26,539	12,171	9,359	47,863	16,210	5,219	(1,294)	76,710
Total Primary Government General Revenue	200,771	239,451	255,684	201,324	215,044	197,473	160,611	61,100	98,526	322,846
Change in Net Position - Total Primary Government	24,930	124,922	143,078	84,446	144,085	117,253	56,602	(22,371)	(30,438)	254,912
Net Position - Beginning of Year (2012 & 2015 Adjusted)	1,955,007	1,830,085	1,687,007	1,650,344	1,506,259	1,389,006	1,738,140	1,760,511	1,790,949	1,536,037
GASB68 Implementation	-	-	-	-	-	-	(405,736)	-	-	-
GASB75 Implementation	-	-	-	(47,783)	-	-	-	-	-	-
GASB84 Implementation	8,657	-	-	-	-	-	-	-	-	-
Net Position - End of Year - Total Primary Government	$ 1,988,594	$ 1,955,007	$ 1,830,085	$ 1,687,007	$ 1,650,344	$ 1,506,259	$ 1,389,006	$ 1,738,140	$ 1,760,511	$ 1,790,949

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

Table 3

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Fund:										
Nonspendable	$ 13,767	$ 24,260	$ 24,421	$ 25,002	$ 13,837	$ 13,517	$ 13,247	$ 12,850	$ 12,785	$ 12,466
Restricted	25,943	28,507	17,652	13,585	7,083	11,865	9,546	9,641	7,191	10,922
Committed	40,280	36,978	30,902	41,914	58,580	64,111	55,121	78,125	86,949	86,942
Assigned	7,131	5,861	7,879	7,473	4,639	4,875	6,761	4,752	4,927	4,033
Unassigned	90,681	122,969	147,739	107,801	107,404	103,430	58,946	23,910	38,522	33,393
Total General Fund	177,802	218,575	228,593	195,775	191,543	197,798	143,621	129,278	150,374	147,756
All other Governmental Funds:										
Restricted	88,486	89,256	86,802	91,290	89,818	67,612	76,848	60,489	105,785	125,100
Committed	50,558	44,757	45,345	40,473	44,936	38,953	20,237	25,697	21,351	32,007
Total All Other Governmental Funds	139,044	134,013	132,147	131,763	134,754	106,565	97,085	86,186	127,136	157,107
Total Governmental Funds	$ 316,846	$ 352,588	$ 360,740	$ 327,538	$ 326,297	$ 304,363	$ 240,706	$ 215,464	$ 277,510	$ 304,863

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

Table 4

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
REVENUES:										
Taxes:										
Sales	$ 56,178	$ 55,270	$ 65,036	$ 56,321	$ 55,750	$ 57,796	$ 49,649	$ 46,736	$ 44,160	$ 41,280
Ad valorem property	68,773	65,498	58,502	54,965	50,943	45,627	37,574	39,187	31,651	43,880
Transient occupancy	2,949	15,994	23,229	20,580	20,484	20,557	18,186	15,141	13,673	11,755
Other	5,824	5,967	5,955	6,392	5,671	5,510	5,173	5,191	4,333	4,139
Licenses, permits, fees and penalties	12,568	11,476	16,478	8,665	10,536	11,530	9,508	6,860	6,523	9,222
Intergovernmental	22,589	19,905	29,685	13,920	15,269	8,570	13,766	10,611	6,838	8,091
Charges for services	38,171	44,029	49,067	45,237	42,941	46,938	39,012	32,749	26,621	32,767
Contribution in-lieu of taxes	24,548	22,710	21,304	21,986	21,117	19,057	17,493	16,591	15,219	15,343
Interest and rents	16,161	17,673	16,927	15,223	14,636	15,617	10,692	7,672	20,026	21,329
Net increase (decrease) in the fair value of investments	(5,207)	6,531	8,082	(2,452)	(3,217)	1,049	496	1,815	(3,567)	(707)
Other	17,161	17,955	15,021	11,957	32,209	9,578	13,792	6,740	4,627	3,645
TOTAL REVENUES	$ 259,715	$ 283,008	$ 309,286	$ 252,794	$ 266,339	$ 241,829	$ 215,341	$ 189,293	$ 170,104	$ 190,744

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
EXPENDITURES										
Current:										
General Administration	$ 37,273	$ 28,927	$ 36,093	$ 28,997	$ 24,265	$ 23,743	$ 18,684	$ 17,101	$ 17,615	$ 26,430
City Clerk	1,697	1,429	1,440	1,361	1,594	1,007	1,060	863	970	703
City Attorney	2,330	2,154	2,006	1,690	1,658	1,500	1,329	1,335	1,226	1,328
Human Resources	3,201	3,876	3,151	3,175	2,993	2,616	2,322	2,279	2,055	1,979
Finance	15,852	14,924	11,697	10,484	9,725	9,319	8,455	8,231	7,876	7,588
Public Works	28,443	28,186	31,595	25,595	24,018	20,088	18,424	17,562	16,765	16,231
Parks and Recreation	17,822	22,551	20,026	18,882	17,364	16,162	14,506	14,428	14,063	14,124
Public Safety:										
Police	74,918	74,168	62,799	67,841	62,290	61,015	54,344	45,584	42,991	41,912
Fire	59,799	56,421	50,975	49,043	42,550	39,129	35,144	33,267	32,370	31,522
Planning and Inspection	14,712	13,534	11,521	9,896	9,156	8,231	7,620	6,938	6,268	5,725
Library	8,879	10,392	10,234	10,426	9,113	9,479	7,611	7,206	6,564	6,594
Capital Outlay	30,514	24,021	30,382	19,933	29,329	13,434	10,730	8,736	15,060	46,490
Debt Service:										
Principal payments	1,930	1,859	1,786	1,731	1,674	1,620	1,576	8,520	24,302	4,294
Interest and fiscal fees	572	644	712	767	825	879	925	1,174	2,009	7,038
Bond issuance cost	-	-	-	7	2	1	2	5	411	5
Pass Through Payments	-	-	-	-	-	-	-	-	-	1,085
TOTAL EXPENDITURES	297,942	283,086	274,417	249,828	236,556	208,223	182,732	173,229	190,545	213,048
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(38,227)	(78)	34,869	2,966	29,783	33,606	32,609	16,064	(20,441)	(22,304)
OTHER FINANCING SOURCES (USES):										
Co-op Agreements Activities	-	-	-	-	-	-	-	-	-	(5)
Proceeds from Bond Issuance	-	-	-	-	-	-	-	-	19,572	-
Transfers in	49,402	29,003	43,334	21,381	44,983	58,473	14,152	27,961	17,525	96,634
Transfers out	(55,575)	(37,076)	(45,001)	(23,106)	(52,832)	(27,581)	(12,295)	(25,918)	(14,446)	(20,180)
TOTAL OTHER FINANCING SOURCES (USES)	(6,173)	(8,073)	(1,667)	(1,725)	(7,849)	30,892	1,857	2,043	22,651	76,449
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM	$ (44,400)	$ (8,151)	$ 33,202	$ 1,241	$ 21,934	$ 64,498	$ 34,466	$ 18,107	$ 2,210	$ 54,145
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	$ (44,400)	$ (8,151)	$ 33,202	$ 1,241	$ 21,934	$ 63,656	$ 25,242	$ (62,045)	$ (27,353)	$ 22,298
DEBT SERVICE AS A PERCENTAGE OF NON-CAPITAL EXPENDITURES	1%	1%	1%	1%	1%	1%	1%	6%	15%	7%

Source: Finance Office, City of Santa Clara.

221

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	% Growth of Assessed Valuation	Total Direct Tax Rate
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%
2019 / 20	38,502,828	870	7,629,244	46,132,942	46,232,453	99.78%	5.17%	1.20%
2020 / 21	42,047,766	870	7,972,493	50,021,129	50,118,954	99.80%	8.43%	1.18%

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
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%
2019 / 20	1.0388%	0.1472%	0.0041%	1.1901%
2020 / 21	1.0388%	0.1356%	0.0037%	1.1781%

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 2020-21 is $414,866

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
2020-21 AND 2011-12 COMPARISON FOR GENERAL FUND
(In Thousands)

Table 7

Taxpayers	2020-21 Assessed Valuation	2020-21 Percentage of Total Assessed Valuation	2011-12 Assessed Valuation	2011-12 Percentage of Total Assessed Valuation
Intel Corporation	$ 1,809,007	3.61%	$ 943,658	3.97%
Nvidia Corporation (formerly Nvidia Land Development LLC)	998,260	1.99%	337,617	1.42%
Microsoft Corporation	972,813	1.94%	-	-
SI LLC	882,243	1.76%	646,476	2.72%
Santa Clara Phase III EFH LLC	842,870	1.68%	-	-
Vantage Data Centers LLC	776,443	1.55%	-	-
Forty Niners SC Stadium Company LLC	775,211	1.55%	-	-
Apple Inc	594,107	1.19%	-	-
Santa Clara Square Apartments	569,847	1.14%	-	-
Coresite Real Estate	544,018	1.09%	-	-
Agilent Technologies	-	-	168,939	0.71%
Applied Materials, Inc.	-	-	211,225	0.89%
Oracle America Inc (formerly Sun Microsystems)	-	-	226,306	0.95%
Marvell Technology Inc	-	-	204,210	0.86%
Silicon Valley California LLC	-	-	183,680	0.77%
Yahoo Inc.	-	-	226,655	0.95%
National Semiconductor Corporation	-	-	170,287	0.72%
Top Ten Total	$ 8,764,819	17.50%	$ 3,319,053	13.96%
City Total	$ 50,118,984		$ 23,764,030	

Sources: Santa Clara County Assessor 2020-21 and 2011-12 Combined Tax Rolls through HdL Coren & Cone.

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

Table 8

Fiscal Year Ending June 30	Gross Tax Levy	Current Tax Collections	Percentage of Current Levy Collected	Delinquent Tax Collected	Total Collections	Percentage of Total Levy Collected
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%
2019 / 20	40,288	40,288	100.00%	-	40,288	100.00%
2020 / 21	43,680	43,680	100.00%	-	43,680	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, 2021

Table 9

This list is in alphabetical order and represents sales from July 2020 to June 2021
The Top 25 Sales / Use Tax contributors generate 46.5% of Santa Clara's total sales and use tax revenue

AG Electronic Materials	NVDIA Corporation
Applied Materials	One Workplace
Arista Networks	Oracle America
Costco Wholesale	Pace Supply
Financial Services Vehicle Trust	Pivot Interiors
Frontier Ford	Porsches Stevens Creek
Granite Construction company	Stevens Creek Auto Imports
Home Depot	Stevens Creek BMW
Ingrasys Technology USA	Target Stores
Intel Corporation	University Electric Co
Keysight Technologies	Wiwynn International
Lexus of Stevens Creek	ZT Systems
Norman S. wright Mechanical Equipment Corp	

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

	Governmental Activities		Business Activities	Santa Clara Stadium Authority	Total Primary Government	Population	Debt per Capita	Total Personal Income ($000)	Debt/ Income Ratio
	Public Facilities Financing Corporation								
Fiscal Year Ending June 30	Certificates of Participation	Total Governmental Activities	Revenue Bonds	Revenue Bonds					
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%
2019 / 20	15,638	15,638	196,012	325,265	536,915	129,104	4,159	6,180,008	8.69%
2020 / 21	13,654	13,654	184,933	296,796	495,383	130,746	3,789	6,596,037	7.51%

Notes:

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
2011 / 12	118.8	$23,764,030
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	129.6	40,109,539
2018 / 19	128.7	43,964,914
2019 / 20	129.1	46,232,453
2020 / 21	130.7	50,118,954

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, 2021

Table 12

Description	% Applicable	Debt
Direct Debt:		
2010 Lease Financing	100%	$ 1,065,000
2013 Refunding Certificates of Participation	100%	12,005,000
Total Gross Direct Debt		**13,070,000**
Unamortized Premium/Discount	100%	583,691
Total Net Direct Debt		**13,653,691**
Overlapping Debt:		
Santa Clara County General Fund Obligations		83,233,717
Santa Clara County Pension Fund Obligations		31,057,085
Santa Clara Valley Water District Benefit Assessment District		5,186,200
Santa Clara County Board of Education Certificates of Participation		242,890
San Jose-Evergreen Community College District Pension Obligations		26,572
West Valley-Mission Community College District General Fund Obligations		14,963,475
Foothill-DeAnza Community College District		8,544,741
San Jose-Evergreen Community College District		490,243
West Valley Community College District		176,824,144
Fremont Union High School District		16,663,322
Campbell Union High School District General Fund Obligations		415,000
Campbell Union School District		9,300,321
Campbell Union High School District		7,427,359
Campbell Union School District Certificates of Participation		95,964
El Camino Hospital District		1,522,236
San Jose Unified School District		827,344
Cupertino Union School District		14,006,524
Santa Clara Unified School District		635,772,832
San Jose Unified School District Certificates of Participation		12,394
Santa Clara County		73,929,954
Foothill-DeAnza Community College District Certificates of Participation		266,566
Santa Clara Unified School District Certificates of Participation		8,539,081
Santa Clara County Vector Control District Certificates of Participation		160,562
Total Overlapping Debt		**1,089,508,526**
Total Gross Direct and Overlapping Bonded Debt (1)		**1,102,578,526**
Direct Unamortized Premium/Discount		-
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT		**$ 1,102,578,526**

2020 / 21 Assessed Value	$ 50,118,954,445	
Ratios to Assessed Valuation:		
Direct Debt	$ 13,653,691	0.030%
Total Gross Debt		2.200%
Total Net Debt		2.200%

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
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	28,650,443	4,297,566	-	4,297,566
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
2019 / 20	46,132,942	6,919,941	-	6,919,941
2020 / 21	50,021,129	7,503,169	-	7,503,169

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]
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
2019 / 20	445,142	368,162	76,980	11,700	6,787	316	18,803	4.09
2020 / 21	501,414	407,627	93,787	9,580	3,862	349	13,791	6.80

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
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%
2019 / 20	129,104	6,180,008	47,868	34.2	15,306	11.0%	9.0%
2020 / 21	130,746	6,596,037	50,449	33.9	14,808	7.0%	5.9%

Sources: MuniServices, LLC \ Avenu Insights & Analytics
(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.
Other school districts within the City are not accounted for in this report.

CITY OF SANTA CLARA
PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago

Table 16

Company	2021 Number of Employees	2021 Percentage of Total City Employment	2012 Number of Employees	2012 Percentage of Total City Employment
Applied Materials, Inc.	8,500	20.7%	8,500	14.4%
Intel Corporation	7,801	19.0%	7,001	11.8%
Advanced Micro Devices Inc.	3,000	7.3%		
California's Great America	2,500	6.1%	2,500	4.4%
Nvidia	2,500	6.1%		
Dell	2,088	5.1%		
Santa Clara University	2,000	4.9%	1,200	2.0%
City of Santa Clara	1,783	4.3%		
Kaiser Foundation Hospitals	1,459	3.6%		
Macy's	1,200	2.9%	1,200	2.0%
Catalyst Semiconductor Inc.	-	-	1,100	1.9%
EMC Corporation	-	-	1,338	2.3%
AAA-Affordable Tutoring	-	-	4,324	7.3%
Texas Instruments	-	-	3,500	5.9%
Agilent Technologies	-	-	1,000	1.7%
Total Top Ten	32,831	80.0%	31,663	53.7%
All Others	8,251	20.0%	27,437	46.3%
Total Employment	41,082	100%	59,100	100%

Sources: Fiscal year 2021: Reference Solutions database, Infogroup, Inc., Papillion, Nebraska

CITY OF SANTA CLARA
FULL-TIME EQUIVALENT BUDGETED CITY EMPLOYEES BY PROGRAM/FUNCTION
Last Ten Fiscal Years

Table 17

	Fiscal Year Ending June 30									
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
City Council	9.00	10.00	10.00	11.00	10.00	9.00	8.50	8.50	8.50	8.50
City Clerk	7.00	5.00	6.00	7.00	7.00	5.00	5.00	5.00	4.00	4.00
City Attorney	8.00	7.00	7.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
City Manager	13.00	13.00	13.00	14.00	13.00	16.00	9.00	9.00	8.00	8.00
Information Technology	7.00	7.00	7.00	7.00	7.00	5.00	5.00	4.00	4.00	4.00
Human Resources	15.75	15.75	15.00	15.00	15.00	14.50	14.50	14.50	14.50	14.50
Finance	72.75	64.75	61.00	61.00	61.75	60.25	58.25	58.00	58.00	58.00
Parks & Recreation	82.75	82.75	80.75	80.75	79.00	82.75	82.75	82.00	82.00	82.00
Library	46.75	46.75	46.75	45.50	45.50	47.00	46.50	46.50	42.00	42.00
Community Development	68.75	66.00	65.00	64.00	56.00	42.00	44.00	40.00	40.00	40.00
Engineering	42.25	39.25	39.92	40.92	39.25	38.25	38.00	38.00	38.00	38.00
Building Maintenance	13.00	13.00	13.23	13.23	12.90	10.90	11.40	11.50	11.50	11.50
Street	60.60	60.60	58.60	58.60	59.60	65.35	63.10	62.00	63.00	63.00
Automotive Services	15.65	15.65	15.75	15.75	15.75	15.00	15.00	15.00	16.00	18.00
Police	239.00	239.00	239.00	239.00	231.00	222.00	219.00	222.00	222.00	222.00
Fire	168.25	167.25	167.25	167.50	166.50	179.50	179.50	179.50	179.50	179.50
Non-Departmental	11.00	9.00	4.00	-	-	-	-	-	-	-
Electric Utility	198.00	197.00	189.00	186.00	179.00	166.00	156.00	142.00	135.00	135.00
Water Utility	50.80	50.80	50.35	50.85	52.70	50.10	47.10	45.40	45.80	45.80
Sewer Utility	22.20	22.20	22.65	22.15	21.30	19.90	17.90	15.60	14.20	14.20
TOTAL	1,151.50	1,131.75	1,111.25	1,105.25	1,078.25	1,054.50	1,026.50	1,004.50	992.00	994.00

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									
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Culture and Recreation:										
Number of library items circulated	736,301	1,598,171	2,509,201	2,612,102	2,700,315	2,479,126	2,491,553	2,260,844	2,525,555	2,527,883
Fire Protection:										
Number of calls answered	8,853	9,339	9,456	8,849	8,850	8,933	8,403	8,336	8,232	8,135
Number of inspections conducted	4,004	4,303	6,404	8,470	9,696	8,260	8,067	8,784	9,097	9,775
Police Protection:										
Number of calls for service (1)	67,211	63,860	58,912	53,865	50,429	51,853	60,208	59,474	59,158	57,018
Electric System:										
Maximum annual demand (MW)	590.6	579.3	587.8	586.6	568.1	526.4	491.1	482.4	471.1	463.01
Total annual energy (Mwh)	3,956,474	3,773,864	3,693,251	3,733,800	3,628,200	3,488,004	3,238,372	3,145,100	3,102,166	3,052,818
Sewer System:										
Number of service connections	25,948	25,359	25,481	26,236	26,162	25,744	25,656	25,660	25,530	25,300
Peak flow (5-day average, WPCP) (MG)	110	110	110	110	110	110	121	121	121	121
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	25,592	24,904	25,293	25,670	25,714	25,716	25,656	25,530	25,530	25,300
Daily Average consumption (MG)	16	16	16	15	15	15	16.8	18.8	19	19
Maximum daily capacity of plant:										
Potable Water (MGD)	80	80	80	80	80	96	87	87	87	87
Recycled Water (MGD)	15	15	15	15	30	14	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									
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Culture and Recreation:										
Number of community centers	4	4	4	4	4	4	4	4	4	4
Number of parks	44	44	39	39	35	34	34	32	32	32
Park acreage	367	353	254	311	330	274	273	273	273	273
Number of golf courses	-	-	1	1	1	1	1	1	1	1
Number of swimming pools	11	11	11	11	11	5	5	5	5	5
Number of tennis courts	27	27	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	7	7	3	3	3	3	3	3	3	3
Number of lighted softball fields	4	4	7	7	7	7	7	7	7	7
Number of neighborhood park buildings	10	10	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	3	3	2	2	2	2
Cemetery	2	2	2	2	2	2	2	2	2	2
Fire Protection:										
Number of stations	9	10	10	10	10	10	10	10	10	10
Police Protection:										
Number of stations	1	2	2	2	2	2	2	2	2	2
Electric System:										
Number of meters	58,230	57,066	55,971	55,139	54,942	53,824	53,360	52,775	52,957	52,867
Miles of high voltage lines	618	616	613	612	608	605	591	590	586	582
Number of substations	29	29	28	27	27	27	27	26	26	26
Sewerage System:										
Miles of sanitary sewers	288	288	288	288	288	288	288	288	288	286
Miles of storm sewers	196	195	195	195	195	195	195	-	141	141
Number of treatment plants	1	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary
Water System:										
Miles of water mains	306	306	335	335	335	310	335	335	335	335
Number of fire hydrants	3,248	3,429	3,404	3,382	3,501	3,383	3,315	3,315	3,315	3,315
Miles of recycled watermains	34	34	33	33	33	33	33	33	33	33
Streets:										
Miles of Streets	252	252	252	252	252	252	252	249	249	249
Number of Street Lights	8,404	8,235	8,187	8,118	8,112	8,103	8,097	8,054	8,077	8,046
Number of Traffic Signals	183	182	207	207	207	206	200	196	191	188

Source: City of Santa Clara

CITY OF SANTA CLARA
STATEMENT OF INSURANCE COVERAGE
June 30, 2021

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	PRISM and various other carriers	$50 million	$1,206,450	1	7/1/2021
Workers' Compensation	Self-insured (since 1973)	$750 thousand	n/a	-	Ongoing
Excess Workers' Compensation	PRISM	$5 million	$802,693	1	7/1/2021
Property Coverage					
All Risks, including flood, excluding earthquake	Alliant Property Insurance Program (APIP) Various excess carriers	$800 million	$707,384	1	7/1/2021
Boiler and Machinery	Alliant Property Insurance Program (APIP) Various excess carriers	$100 million	$249,697	1	7/1/2021
Financial Loss Bonds					
Crime Coverage Bond	PRISM	$10 million	$11,840	1	6/30/2021

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 Annual Comprehensive Report provides detailed information to better understand the data presented within the financial statements, note disclosures, and required supplementary information.

This page intentionally left blank

SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA
BAYSHORE NORTH PROJECT AREA
HISTORICAL TAX INCREMENT
Last Ten Fiscal Years
(In Thousands)

Table 1

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Real Property Value	$ 5,708,617	$ 5,372,322	$ 6,024,538	$ 6,136,642	$ 5,710,559	$ 4,474,495	$ 2,504,578	$ 2,428,787	$ 2,443,683	$ 2,337,717
Other Property Value	28,733	25,324	22,913	25,857	27,877	796,082	551,425	450,943	468,788	492,292
Total Project Value	5,737,350	5,397,646	6,047,451	6,162,499	5,738,436	5,270,577	3,056,003	2,879,730	2,912,471	2,830,009
Less Base Value	(8,838)	(8,838)	(8,838)	(8,838)	49,632	49,322	(8,829)	(8,838)	(8,838)	(8,838)
Increment Over Base Value	5,728,512	5,388,808	6,038,613	6,153,661	5,788,068	5,319,899	3,047,174	2,870,892	2,903,633	2,821,171
Redevelopment Property										
Tax Trust Fund (RPTFF) (1)	-	-	-	-	-	5,697	9,365	26,759	13,366	-
Tax Increment Revenue	-	-	-	-	-	-	-	-	-	15,035
Supplemental Tax Revenue	-	-	-	-	-	-	-	-	-	-
Total Tax Revenue	-	-	-	-	-	5,697	9,365	26,759	13,366	15,035
Less:										
AB 1484 True-Up Payment (2)	-	-	-	-	-	-	-		(378)	-
Pass Through Payments	-	-	-	-	-	-	-	-	-	(1,085)
SERAF Payment	-	-	-	-	-	-	-	-	-	-
Housing Set-Aside	-	-	-	-	-	-	-	-	-	(3,007)
County Administrative Charge	-	-	-	-	-	-	-	-	-	-
Net Tax Revenue	$ -	$ -	$ -	$ -	$ -	$ 5,697	$ 9,365	$ 26,759	$ 12,988	$ 10,943

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 ABXI 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, 2021

Table 2

	ASSESSEE	ASSESSED PROPERTY USE		ASSESSED PROPERTY VALUATION	PERCENT OF TOTAL
1	Forty Niners SC Stadium Company LLC	Commercial Office Building	$	775,211,384	13.51%
2	SI LLC	Commercial Office Building		530,522,319	9.25%
3	Innovation Commons Owner LLC	Commercial Office Building		275,914,066	4.81%
4	The Irvine Company	Commercial Office Building		228,756,027	3.99%
5	PC Santa Clara Gateway 2 LLC	Commercial Office Building		213,578,547	3.72%
6	STC Ventures LLC	Commercial Office Building		169,331,486	2.95%
7	PR II TWRS of GRT America Owner	Commercial Office Building		167,059,617	2.91%
8	PR3976 Freedom Circle LLC	Commercial Office Building		166,919,279	2.91%
9	RAR2 - Stadium Techcter 123 LLC	Commercial Office Building		162,093,536	2.83%
10	California's Great America LLC	Commercial Office Building		153,255,000	2.67%
		TOTAL	$	2,842,641,261	49.55%
		TOTAL AGENCY ASSESSED VALUE	$	5,728,512,431	

Source: HDL Coren & Cone

SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA
BAYSHORE NORTH PROJECT AREA
ASSESSMENT APPEAL ACTIVITY OF TOP 20 ASSESSEES
2020-21 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	$ 555,214,000	S	15.0278			$ 88,000,000	Commerical
984-92-104	FORTY NINERS	555,214,000	S	15.0279			88,000,000	Commerical
984-92-103	FORTY NINERS	555,214,000	S	15.028			88,000,000	Commerical
984-92-104	FORTY NINERS	555,214,000	S	15.0281			88,000,000	Commerical
984-92-103	FORTY NINERS	554,267,314	S	17.0232			140,000,000	Commerical
984-92-104	FORTY NINERS	554,267,314	S	17.0233			140,000,000	Commerical
984-92-104	FORTY NINERS	548,980,708	S	16.0256			100,000,000	Commerical
984-92-103	FORTY NINERS	548,980,708	S	16.0257			100,000,000	Commerical
984-92-103	FORTY NINERS	253,784,158	S	18.1918			250,500,000	Commerical
16-081995	TELLABS OPER	96,468,721	U	16.G209			30,000,001	N/A
17-018611	CEDAR FAIR S	59,280,246	U	17.1041			58,852,511	N/A
18-018278	CEDAR FAIR S	58,493,748	U	18.0594			50,547,232	N/A
104-50-025	COHERENT INC	46,023,273	U	15.0256			15,251,322	N/A
10-037856	SAVVIS COMMU	45,935,890	U	10.5814			40,000,000	N/A
14-032002	SAVVIS COMMU	44,195,581	U	14.171			22,000,000	N/A
20-012639	APPLE INC	41,718,286	U	20.1073			3,100,001	N/A
15-032178	SAVVIS COMMU	41,523,802	U	15.1129			20,750,000	N/A
16-031422	SAVVIS COMMU	38,571,488	U	16.0981			19,500,000	N/A
13-087734	SAVVIS COMMU	37,849,162	U	14.029			3,257,469	N/A
104-04-077	SAVVIS COMMU	35,273,625	S	14.1709			17,700,000	Commerical
		$ 5,226,470,024					$ 1,363,458,536	

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, 2021

Table 4

2020-21 Assessed Valuation:	$ 5,737,350,387				
Base Year Valuation:	(8,837,956)				
Incremental Valuation:	$ 5,728,512,431				
		Total Debt 6/30/2021	% Applicable[1]	Project Area's Share of Debt 6/30/21	
OVERLAPPING TAX AND ASSESSMENT DEBT:					
Santa Clara Unified School District		$ 1,001,785,000	7.823%	$ 78,369,641	
West Valley-Mission Community College District		589,080,000	3.611%	21,271,679	
Santa Clara County		812,685,000	1.041%	8,460,051	
Santa Clara Valley Water District Benefit Assessment District		57,010,000	1.041%	593,474	
El Camino Hospital District		116,290,000	0.009%	10,466	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT				$ 108,705,311	
OVERLAPPING GENERAL FUND DEBT:					
Santa Clara County General Fund Obligations		$ 914,957,860	1.041%	$ 9,524,711	
Santa Clara County Pension Obligations		341,399,194	1.041%	3,553,966	
Santa Clara County Board of Education Certificates of Participation		2,670,000	1.041%	27,795	
West Valley-Mission Community College District Certificates of Participation		49,850,000	3.611%	1,800,084	
Santa Clara Unified School District Certificates of Participation		13,455,000	7.823%	1,052,585	
City of Santa Clara General Fund Obligations		13,070,000	11.447%	1,496,123	
Santa Clara County Vector Control District Certificates of Participation		1,765,000	1.041%	18,374	
TOTAL OVERLAPPING GENERAL FUND DEBT				$ 17,473,638	
Less: Santa Clara County supported obligations				(263,137)	
COMBINED TOTAL DIRECT AND OVERLAPPING DEBT				$ 126,178,949	(2)
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT				$ 125,915,812	

(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 2020-21 Assessed Valuation:

Combined Total Direct and Overlapping Debt	2.20%
Net Combined Total Direct and Overlapping Debt	2.19%

CITY OF SANTA CLARA
ELECTRIC UTILITY ENTERPRISE FUND
(SILICON VALLEY POWER)
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE TOTALS
AS OF JUNE 30, 2020
CITY OF SANTA CLARA, CALIFORNIA
1500 WARBURTON AVENUE
SANTA CLARA. CA 95050-3796

CITY OF SANTA CLARA ELECTRIC UTILITY ENTERPRISE FUND
(SILICON VALLEY POWER)

TABLE OF CONTENTS

Page

This page intentionally left blank

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 year ended June 30, 2021, 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 audit. 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 year ended June 30, 2021, related to the calculation of the Investments in Joint Ventures. At June 30, 2021, the Investment in these Joint Ventures collectively represents 3.5%, 4.7% and 0.3%, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 opinion.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Opinion

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 financial position of Silicon Valley Power as of June 30, 2021, and the change in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Silicon Valley Power's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2020. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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, 2021, the changes in its financial position, or, where applicable, its cash flows for the year 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 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 November 30, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Santa Clara's 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
November 30, 2021

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 the 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 Basic 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 Basic 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 fiscal year.

FISCAL YEAR 2020-21 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, 2021, 2020, and 2019
(in millions)

Description	2021	2020	Increase (Decrease) Amount	Increase (Decrease) %	2019
Pooled cash and investments	$ 434.9	$ 382.8	$ 52.1	13.6%	$ 354.2
Other assets	179.5	160.3	19.2	12.0%	147.7
Capital assets	601.7	587.0	14.7	2.5%	576.5
Total Assets	1,216.1	1,130.1	86.0	7.6%	1,078.4
Deferred outflows on derivative instruments	-	0.3	(0.3)	-100.0%	-
Deferred outflows on refunding	7.1	7.9	(0.8)	-10.1%	4.5
Deferred outflows on pension and OPEB related items	15.4	12.8	2.6	20.3%	15.3
Total Deferred Outflows of Resources	22.5	21.0	1.5	7.1%	19.8
Long-term liabilities outstanding (including current portion)	156.5	171.7	(15.2)	-8.9%	189.5
Net OPEB liability	11.9	12.1	(0.2)	-1.7%	13.3
Net pension liabilities	98.4	92.0	6.4	7.0%	94.2
Other liabilities	39.6	28.2	11.4	40.4%	26.6
Total Liabilities	306.4	304.0	2.4	0.8%	323.6
Deferred inflows on derivative instruments	13.0	0.8	12.2	1525.0%	-
Deferred inflows on refunding	1.8	2.0	(0.2)	-10.0%	0.4
Deferred inflows on pension related items	0.2	1.7	(1.5)	-88.2%	1.5
Deferred inflows on OPEB related items	1.8	1.7	0.1	5.9%	2.2
Total Deferred Inflows of Resources	16.8	6.2	10.6	171.0%	4.1
Net Position:					
Net investment in capital assets	463.7	435.1	28.6	6.6%	412.3
Restricted for pension benefits	6.8	5.2	1.6	30.8%	4.3
Unrestricted	444.9	400.6	44.3	11.1%	353.9
Total Net Position	$ 915.4	$ 840.9	$ 74.5	8.9%	$ 770.5

Table 2
Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2021, 2020 and 2019
(in millions)

			Increase (Decrease)		
Description	**2021**	**2020**	**Amount**	**%**	**2019**
Revenues:					
Retail	$ 453.3	$ 433.9	$ 19.4	4.5%	$ 406.9
Wholesale	22.3	24.8	(2.5)	-10.1%	27.7
Interest Revenue	6.8	7.5	(0.7)	-9.3%	6.0
Net increase (decrease) in fair value of investments	(4.8)	8.4	(13.2)	-157.1%	7.4
Rents and royalties	3.8	3.6	0.2	5.6%	3.7
Renewable energy credits	1.9	4.3	(2.4)	-55.8%	4.4
Mandated program receipts	13.0	12.3	0.7	5.7%	13.5
Other	32.2	28.6	3.6	12.6%	14.1
Total Revenues	528.5	523.4	5.1	1.0%	483.7
Expenses:					
Retail	432.3	408.8	23.5	5.7%	368.1
Wholesale	12.3	30.0	(17.7)	-59.0%	22.5
Interest on long term debt and swap termination payment	3.8	6.9	(3.1)	-44.9%	11.7
Mandated program disbursement	5.8	6.9	(1.1)	-15.9%	7.3
Other	-	-	-	-	10.2
Total Expenses	454.2	452.6	1.6	0.4%	419.8
Increase (decrease) in net position before transfers	74.3	70.8	3.5	4.9%	63.9
Contribution	1.9	-	1.9	-	-
Transfers in (out)	(1.7)	(0.4)	(1.3)	-325.0%	1.0
Increase (decrease) in net position	74.5	70.4	4.1	5.8%	64.9
Net Position - July 1	840.9	770.5	70.4	9.1%	705.6
Net Position - June 30	$ 915.4	$ 840.9	$ 74.5	8.9%	$ 770.5

SVP retail operating revenues were $453.3 million in fiscal year 2020-21, $433.9 million in fiscal year 2019-20, and $406.9 million in fiscal year 2018-19, reflecting increases of approximately 4.5% and 6.6% from fiscal years 2019-20 and 2018-19, respectively. The main reason for the increase in fiscal year 2020-21 was due to a 3% rate increase effective February 1, 2021.

Retail operating expenses were $432.3 million in fiscal year 2020-21, $408.8 million in fiscal year 2019-20, and $368.1 million in fiscal year 2018-19, reflecting an increase of $23.5 million and $40.7 million or 5.7% and 11.1% from fiscal years 2019-20 and 2018-19, respectively. The retail operating expenses for fiscal year 2020-21 were higher primarily due to an increase in the purchased power of $22.2 million.

Revenues from wholesale resources (include gas and power) sales were $22.3 million in fiscal year 2020-21, $24.8 million in fiscal year 2019-20 as restated, and $27.7 million in fiscal year 2018-19. Concurrently, the cost of wholesale resources purchases was $12.3 million in fiscal year 2020-21, $30.0 million in fiscal year 2019-20, and $22.5 million in fiscal year 2018-19. The decrease of wholesale power purchases in fiscal year 2020-21 was due to high priced contracts that expired in December 2020, partially offset by profits from fixed price gas future contracts.

Interest income was $6.8 million is fiscal year 2020-21, $7.5 million in fiscal year 2019-20, and $6.0 million in fiscal year 2018-19. The decrease in the current fiscal year was primarily the result of lower returns on investments throughout the fiscal year ended June 30, 2021. Interest expense was $12.3 million in fiscal year 2020-21, $30.0 million in fiscal year 2019-20, and $22.5 million in fiscal year 2018-19. The decrease of interest expenses in fiscal year 2020-21 was due to refunding of Electric Revenue Refunding Bonds, Series 2011A, callable portion of Electric Revenue Refunding Bonds, Series 2013A, and the Bank of America Loan Agreement, Series 2014 in fiscal year 2019-20. Further detail maybe found in Note 5 to the financial statements.

SVP had a net position of $915.4 million at June 30, 2021, an increase of $74.5 million from the prior fiscal year. Of this amount, $28.6 million was an increase in net investment in capital assets, $1.6 million was an increase of restricted for pension benefits, and $44.3 million was an increase of unrestricted net position.

CAPITAL ASSETS

At the end of fiscal year 2020-21 SVP had $601.7 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, 2021, SVP had various projects completed or under construction. In fiscal year 2020-21, the Capital Improvement Projects Budget included appropriations for significant investments in substation improvements in future 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, 2021, SVP's debt is comprised of two issues of Revenue Bonds and three issues of Subordinate Revenue Bonds totaling of $156.5 million at that date. These Bonds are secured by net electric revenues earned by SVP and mature in fiscal years 2022 through 2033.

In fiscal year 2019-20, SVP issued Subordinate Electric Revenue Refunding Bonds, Series 2020-1, 2020-2, and 2020-3 to refinance Electric Revenue Refunding Bonds, Series 2011A, the callable portion of Electric Revenue Refunding Bonds, Series 2013A, and the Bank of America Loan Agreement, Series 2014, respectively. 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 Annual Comprehensive Financial Report for the year ended June 30, 2021.

CONTACTING SVP'S FINANCIAL MANAGEMENT

These Basic Financial Statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of SVP's finances. Questions about these Basic Financial Statements should be directed to the City of Santa Clara 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, 2021
with Comparative Totals as of June 30, 2020

ASSETS	2021	2020
Current Assets:		
Pooled cash and investments (Note 3)	$ 434,877,562	$ 382,751,374
Investments with fiscal agent (Note 3)	14,774,682	11,371,364
Receivables (net of allowances)		
Accounts	76,744,991	81,060,655
Interest	1,470,576	1,413,301
Derivative instrument (Note 5I)	1,604,352	-
Due from the City of Santa Clara (Note 2E)	2,603,215	2,001,967
Inventory of materials and supplies (Note 2F)	12,136,795	10,705,194
Total Current Assets	544,212,173	489,303,855
Noncurrent Assets:		
Capital assets (Note 4)		
Land	14,371,743	14,371,743
Construction in progress	99,971,096	93,557,073
Buildings, improvements and infrastructure	974,506,146	944,850,866
Equipment	9,698,465	9,852,172
Accumulated depreciation	(496,816,889)	(475,677,771)
Total Capital Assets (Net of Accumulated Depreciation)	601,730,561	586,954,083
Other Noncurrent Assets:		
Restricted investments (Note 3)	6,808,996	5,165,892
Derivative instrument (Note 5I)	11,427,770	807,345
Investments in joint ventures (Note 6)	42,673,081	40,994,710
Investments with fiscal agent (Note 3)	3,721,334	3,632,533
Deposits (Note 3)	5,522,664	3,226,542
Total Other Noncurrent Assets	70,153,845	53,827,022
Total Noncurrent Assets	671,884,406	640,781,105
Total Assets	1,216,096,579	1,130,084,960
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging instruments	-	334,870
Deferred outflow on refunding of debt	7,051,125	7,909,839
Deferred outflows on OPEB related items (Note 8)	464,425	-
Deferred outflows on pension related items (Note 7)	14,951,393	12,824,723
Total Deferred Outflows of Resources	22,466,943	21,069,432

See accompanying notes to financial statements

CITY OF SANTA CLARA ELECTRIC UTILITY ENTERPRISE FUND
(SILICON VALLEY POWER)
STATEMENTS OF NET POSITION
June 30, 2021
with Comparative Totals as of June 30, 2020

LIABILITIES	**2021**	**2020**
Current Liabilities:		
Accrued liabilities	31,729,971	25,522,020
Interest payable	1,672,931	1,769,774
Accrued compensated absences	705,530	595,527
Current portion of long-term debt (Note 5)	13,005,000	9,580,000
Current portion derivative financial instruments (Note 5I)	-	334,870
Total Current Liabilities	47,113,432	37,802,191
Noncurrent Liabilities:		
Long-term portion accrued compensated absences	5,462,387	4,848,943
Net pension liability (Note 7)	98,396,395	92,007,139
Net OPEB liability (Note 8)	11,860,957	12,076,500
Long-term debt (Note 5)	143,529,398	157,287,631
Total Noncurrent Liabilities	259,249,137	266,220,213
Total Liabilities	306,362,569	304,022,404
DEFERRED INFLOWS OF RESOURCES		
Accumulated increase in fair value of hedging instruments (Note 5I)	13,032,122	807,345
Deferred inflow on refunding of debt	1,793,331	2,049,598
Deferred inflows pension related items (Note 7)	148,855	1,672,377
Deferred inflows OPEB related items (Note 8)	1,811,678	1,710,087
Total Deferred Inflows of Resources	16,785,986	6,239,407
NET POSITION		
Net investment in capital assets	463,692,179	435,090,349
Restricted for Pension Rate Stabilization Program	6,808,996	5,165,892
Unrestricted net position	444,913,792	400,636,340
Total Net Position	$ 915,414,967	$ 840,892,581

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, 2021
with Comparative Totals for the Year Ended June 30, 2020

	2021	2020
Operating Revenues:		
Residential sales	$ 35,440,461	$ 31,866,563
Commercial sales	16,489,095	15,472,086
Industrial sales	399,940,409	383,703,654
Renewable energy credits	1,901,898	4,338,867
Wholesale power sales (Note 9)	22,324,165	24,838,645
Mandated program receipts	12,952,572	12,327,329
Other operating revenues	20,614,578	10,500,743
Total Operating Revenues	509,663,178	483,047,887
Operating Expenses:		
Operations	80,459,901	83,333,675
Maintenance	22,049,243	18,642,359
Purchased power	320,726,558	316,263,824
Mandated program disbursement	5,821,317	6,920,162
Depreciation	21,359,932	20,562,428
Total Operating Expenses	450,416,951	445,722,448
Operating Income	59,246,227	37,325,439
Nonoperating Revenues (Expenses):		
Interest revenue	6,823,316	7,521,559
Net changes in the fair value of investments	(4,791,168)	8,352,454
Interest expense	(3,744,098)	(6,858,905)
Equity in income (losses) of joint ventures	1,678,371	3,662,398
Rents and royalties	3,767,123	3,580,121
Other revenues	11,379,050	17,203,800
Total Nonoperating Revenues, net	15,112,594	33,461,427
Income Before Transfers	74,358,821	70,786,866
Contributions	1,900,000	-
Transfers from the City of Santa Clara	166,540	1,349,196
Transfers to the City of Santa Clara	(1,902,975)	(1,781,291)
Net Income	74,522,386	70,354,771
Net Position, Beginning of Year	840,892,581	770,537,810
Net Position, End of Year	$ 915,414,967	$ 840,892,581

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, 2021
with Comparative Totals for the Year Ended June 30, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 476,627,250	$ 429,961,855
Payments to suppliers	(353,242,680)	(349,887,806)
Payments to employees for salaries and benefits	(43,598,710)	(40,874,235)
Rents and royalties received	2,972,934	3,480,384
Wholesale trading escrow	(2,296,122)	(1,821,170)
Wholesale resources sales	22,324,165	24,838,645
Wholesale resources purchases	(12,282,782)	(29,986,421)
Renewable energy credits	1,901,898	4,338,867
Other receipts	17,536,223	21,235,299
Net Cash from Operating Activities	109,942,176	61,285,418
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase (decrease) in due from other funds	(601,248)	(542,658)
Changes in restricted investments	1,643,104	836,026
Transfers in	166,540	1,349,196
Transfers out	(1,902,975)	(1,781,291)
Cash Flows from Noncapital Financing Activities	(694,579)	(138,727)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets, net	(40,389,333)	(24,539,562)
Proceeds from debt issuance	-	104,020,000
Gain (loss) on issuance of debt	-	(7,577,802)
Debt retirement	-	(104,968,000)
Principal payments on debt	(9,580,000)	(11,700,000)
Cost of issuance	-	(315,657)
Interest paid on debt	(3,991,726)	(8,715,579)
Cash Flows from Capital and Related Financing Activities	(53,961,059)	(53,796,600)

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, 2021
with Comparative Totals for the Year Ended June 30, 2020

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	6,766,041	7,559,051
Net increase (decrease) in the fair value of investments	(4,791,168)	8,352,454
Payments made by fiscal agent	13,538,574	15,737,931
Deposits made with fiscal agent	(17,030,693)	(9,613,816)
Cash Flows from Investing Activities	(1,517,246)	22,035,620
Net Increase (Decrease) in Cash and Cash Equivalents	53,769,292	29,385,711
Cash and cash equivalent at Beginning of Period	387,917,266	358,531,555
Cash and cash equivalent at End of Period	$ 441,686,558	$ 387,917,266
Reconciliation of Operating Gain(Loss) to Net Cash Provided (Used) by Operating activities:		
Operating income	$ 59,246,227	$ 37,325,439
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Decrease) Increase in due to OPEB system	(578,377)	(1,772,614)
(Decrease) Increase in due to retirement system	2,739,064	417,032
Depreciation	21,359,932	20,562,428
Change in assets and liabilities:		
Receivable, net	4,315,664	(12,112,118)
Inventory	(1,431,601)	981,438
Accrued liabilities	12,360,873	(3,099,953)
Restricted cash	(1,643,104)	(836,026)
Compensated absences	723,447	857,041
Other receipts	15,146,173	20,783,921
Wholesale trading escrow	(2,296,122)	(1,821,170)
Net Cash Provided by Operating Activities	$ 109,942,176	$ 61,285,418
NONCASH TRANSACTIONS:		
Joint Ventures		
Nonoperating Income (Expense)	$ 1,678,371	$ 3,662,398

See accompanying notes to financial statements

NOTE 1 – DEFINITION OF THE REPORTING ENTITY

A. Silicon Valley Power

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 8,404 streetlights and serves approximately 58,036 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.

B. Reclassification

Certain amounts reported in the prior year financial statements have been reclassified to conform to the current year's presentation.

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 Annual Comprehensive Financial Report, and therefore, these financial statements do not purport to represent the financial position and changes in financial position of the City.

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, 2021, SVP implemented the following GASB Statement:

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, 2020. The adoption of this standard did not have an impact to the SVP's 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, 2020. SVP does not have any majority equity interests that meet the criteria of this pronouncement.

The GASB issued Statement No. 92 *"Omnibus 2020."* The objective of this statement is to enhance comparability in reporting and improve the consistency of authoritative literature by addressing practice issues identified during implantation of certain GASB statements. Certain provision of this statement becomes effective upon issuance for requirements related to GASB 87 and the remaining provisions are effective for periods beginning after June 15, 2021. SVP implemented the GASB 87 provision of this omnibus during the year ended June 30, 2021.

NOTE 2- SUMMARY OF SIGNIIFICANT ACCOUNTING POLICIES (continued)

The GASB issued Statement No. 98 *"The Annual Comprehensive Financial Report."* This statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for fiscal years ending after December 15, 2021. This standard was adopted for fiscal year ending June 30, 2021.

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

The GASB issued Statement No. 87 *"Leases."* The objective of this statement is to improve accounting and financial reports related to the recognition of lease assets and liabilities that previously were classified as operating leases. This statement becomes effective for periods beginning after June 15, 2021. 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, 2020. 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, 2021. SVP is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 92 *"Omnibus 2020."* The objective of this statement is to enhance comparability in reporting and improve the consistency of authoritative literature by addressing practice issues identified during implantation of certain GASB statements. This statement becomes effective upon issuance for requirements related to GASB 87. For GASB 73, GASB 74, and GASB 84 as well as measurement of liabilities associated with asset retirement obligations, the requirements become effective for reporting periods beginning after June 15, 2021. SVP is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 93 *"Replacement of Interbank Offered Rates."* The objective of this statement is to address accounting and financial reporting implication that results from the replacement of an IBOR. This statement becomes effective for periods beginning after June 15, 2021. SVP is currently evaluating the impact on the financial statements.

NOTE 2- SUMMARY OF SIGNIIFICANT ACCOUNTING POLICIES (continued)

The GASB issued Statement No. 94 *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements."* The objective of this statement is to address issues related to public-private and public-public partnership arrangements and to provide guidance for accounting and financial reporting for availability payment arrangements. This statement becomes effective for periods beginning after June 15, 2022. SVP is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 96 *"Subscription-Based Information Technology Arrangements."* The objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement becomes effective for periods beginning after June 15, 2022. SVP is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 97 *"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-An Amendment of GASB Statements No.14 and No. 84, and a Supersession of GASB Statement No. 32."* The objectives of this statement are to (1) increase consistency and comparability related to reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement becomes effective for periods beginning after June 15, 2021. The City 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.

NOTE 2- SUMMARY OF SIGNIIFICANT ACCOUNTING POLICIES (continued)

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.

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

NOTE 2- SUMMARY OF SIGNIIFICANT ACCOUNTING POLICIES (continued)

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 years ended June 30, 2020 or 2021.

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.

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

NOTE 2- SUMMARY OF SIGNIIFICANT ACCOUNTING POLICIES (continued)

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 four fiscal years. Additional information with respect to the City's self-insurance programs can be found in the City's Annual Comprehensive Financial Report.

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 operating 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.

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.

NOTE 2- SUMMARY OF SIGNIIFICANT ACCOUNTING POLICIES (continued)

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 Annual Financial Report.

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	N/A	100%	100%
U.S. Agency Securities [1]	5 years	Top three ratings categories	80%[2]	40%
Negotiable Certificates of Deposit	5 years	A/A1	30%	5%
Bankers Acceptances	180 days	N/A	25%	5%
Commercial Paper	270 days	Top Rating Category	25%	5%
California Local Agency Investment Fund	N/A	N/A	None	$75M Per A/C
Repurchase Agreements	60 days	N/A	50%	20%
Reverse Repurchase Agreements (requires City Council approval)	92 days	N/A	20%	10%
Municipal Obligations	5 years	N/A	20%	5%
Medium Term Corporate Notes	5 years	A	20%	5%
Mutual Funds / Money Market Funds	N/A	Top rating category	20%	10%
Joint Power Authority Investment Pools	N/A	Top rating category	100%	100%
Supranational Obligations	5 years	AA	20%	10%
Asset-Backed & Mortgage-Backed Securities	5 years	AA	10%	5%
Non-Negotiable Certificates of Deposit	5 years	N/A	10%	5%

[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.

[2] Callable securities are limited to 30% of the portfolio.

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 make an initial deposit of $3.5 million in fiscal year 2018 towards pre-funding the City's pension obligations. As of June 30, 2021, the balance in the pension rate stabilization program trust was $6.8 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.

NOTE 3 – CASH AND INVESTMENTS (continued)

		Maturity				2021	2020
Type of Investment	Credit Rating	Under 180 Days	181 - 365 Days	1 - 3 Years	3 - 5 Years	Fair Value	Fair Value
Cash and Investments - City Treasury:							
Cash	N/A	$ 68,251,715	$ -	$ -	$ -	$ 68,251,715	$ 72,856,053
U.S. Treasury notes	Aaa	17,822,613	21,626,822	103,476,888	28,864,347	171,790,670	151,631,643
Federal Farm Credit Bank	Aaa	-	2,246,909	21,936,989	21,294,914	45,478,812	41,139,348
Federal Home Loan Bank	Aaa	6,712,832	2,258,098	14,069,010	8,724,276	31,764,216	43,292,658
Federal National Mortgage Association	Aaa	2,232,228	2,246,197	6,794,218	17,863,691	29,136,334	32,507,325
Federal Home Loan Mortgage Corporation	Aaa	2,227,178	-	7,492,113	6,407,084	16,126,375	7,288,926
Corporate notes	AAA/Aaa	-	-	-	4,586,331	4,586,331	-
Corporate notes	AA	-	-	1,884,359	4,756,032	6,640,391	-
Corporate notes	A	-	-	4,944,092	9,998,945	14,943,037	-
Supranational	Aaa	-	-	3,255,588	-	3,255,588	-
Asset-Backed Securities	AAA	-	-	-	1,758,039	1,758,039	-
California Municipal Bonds	Aaa	-	-	-	1,199,332	1,199,332	-
California Municipal Bonds	Not Rated	-	-	648,456	-	648,456	-
Certificates of Deposit	A1 / P1	-	8,171,859	-	-	8,171,859	-
Wells Fargo Money Market Fund	Not Rated	90,363	-	-	-	90,363	-
State Investment Pool (LAIF)	Not Rated	31,036,044	-	-	-	31,036,044	25,438,654
Mutual Fund - Fidelity	Aaam	-	-	-	-	-	8,596,767
Cash and Investments - City Treasury		128,372,973	36,549,885	164,501,713	105,452,991	434,877,562	382,751,374
Cash and Investments - Other:							
Cash (Debt Fund)	N/A	91,549	-	-	-	91,549	435
Mutual Fund - Goldman FS - Money Market Funds (Debt Funds)	Aaam	14,055,910	-	-	-	14,055,910	13,672,092
Mutual Fund - JP Morgan - Money Market Funds (Debt Funds)	Aaam	4,348,557	-	-	-	4,348,557	1,331,370
Pension Rate Stabilization Investment (Cash and Equivalents)	Not Rated	69,156	-	-	-	69,156	220,080
Pension Rate Stabilization Investment (Mutual Fund - Equity)	Not Rated	2,134,902	-	-	-	2,134,902	1,493,945
Pension Rate Stabilization Investment (Mutual Fund - Fixed Income)	Not Rated	4,604,938	-	-	-	4,604,938	3,451,867
Collateral Obligations (Archer Daniels Midland and CAISO)	Not Rated	5,522,664	-	-	-	5,522,664	3,226,542
Investments - Other		30,827,676	-	-	-	30,827,676	23,396,331
Total Cash and Investments		$ 159,200,649	$ 36,549,885	$ 164,501,713	$ 105,452,991	$ 465,705,238	$ 406,147,705

NOTE 3 – CASH AND INVESTMENTS (continued)

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 $75 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.

Mutual funds are available for withdrawal on demand. See City's Annual Financial Report Note 7 to the financial statements for additional detail on the fiscal year 2019-20 investment portfolio.

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 Annual Financial Report Note 7 to the financial statements for more detailed information.

NOTE 3 – CASH AND INVESTMENTS (continued)

		Fair Value Measurements Using		
	Investments and Derivative Instruments Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets	Other Observable Inputs	
	6/30/2021	Level 1	Level 2	Exempt [1]
Investments by Fair Value Level				
Short Term Investments				
US Treasury Notes	$ 171,790,670	171,790,670	$ -	$ -
Federal Farm Credit Banks	45,478,812	-	45,478,812	-
Federal Home Loan Banks	31,764,216	-	31,764,216	-
Federal National Mortgage Association	29,136,334	-	29,136,334	-
Federal Home Loan Mortgage Corp	16,126,375	-	16,126,375	-
Corporate notes	26,169,759	-	26,169,759	-
Supranational	3,255,588	-	3,255,588	-
Asset-Backed Securities	1,758,039	-	1,758,039	-
California Municipal Bonds	1,847,788	-	1,847,788	-
Certificates of Deposit	8,171,859	-	8,171,859	-
Wells Fargo Money Market Fund	90,363	-	-	90,363
Total Short Term Investments	335,589,803	171,790,670	163,708,770	90,363
Debt Securities and Other				
Mutual Fund - Goldman FS - Money Market Funds (Debt Funds)	14,055,910	-	-	14,055,910
Mutual Fund - JP Morgan - Money Market Funds (Debt Funds)	4,348,557	-	-	4,348,557
Pension Rate Stabilization Investment (Cash and Equivalents)	69,156	69,156	-	-
Pension Rate Stabilization Investment (Mutual Fund - Equity)	2,134,902	2,134,902	-	-
(Mutual Fund - Fixed Income)	4,604,938	3,627,788	977,150	-
Collateral Obligations (Archer Daniels Midland and CAISO)	5,522,664	-	-	5,522,664
Total Debt Securities and Other	30,736,127	177,622,516	977,150	23,927,131
Total Investment by Fair Value Level	366,325,930	$ 349,413,186	$ 164,685,920	24,017,494
Investments Measured at the Amortized Cost				
State Investment Pool (LAIF)	31,036,044	-	-	31,036,044
Total Investments	397,361,974	$ 349,413,186	$ 164,685,920	$ 55,053,538
Cash in Banks	68,343,264			
Total Cash and Investment	$ 465,705,238			
Investments Derivative Instruments				
Open contract power trading - current assets	$ 1,604,352		$ 1,604,352	
Open contract gas trading - non-current assets	11,427,770		11,427,770	
Total Investment Derivative Instruments	$ 13,032,122		$ 13,032,122	

[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.

NOTE 3 – CASH AND INVESTMENTS (continued)

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

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, 2020	Additions	Retirements	Transfers	Balance June 30, 2021
Non Depreciable Assets:					
Land	$ 14,371,743	$ -	$ -	$ -	$ 14,371,743
Construction In Progress	93,557,073	34,169,303	-	(27,755,280)	99,971,096
Total Non Depreciable Assets	107,928,816	34,169,303	-	(27,755,280)	114,342,839
Capital assets being depreciated:					
Buildings and Improvements	944,850,866	1,900,000	-	27,755,280	974,506,146
Machinery & Equipment	9,852,172	67,107	(220,814)	-	9,698,465
Total capital assets being depreciated	954,703,038	1,967,107	(220,814)	27,755,280	984,204,611
Less accumulated depreciation for:					
Buildings and Improvements	(467,321,569)	(21,039,558)	-	-	(488,361,127)
Machinery & Equipment	(8,356,202)	(320,374)	220,814	-	(8,455,762)
Total accumulated depreciation	(475,677,771)	(21,359,932)	220,814	-	(496,816,889)
Net Depreciable Assets	479,025,267	(19,392,825)	-	27,755,280	487,387,722
Enterprise Activity Capital Assets, Net	$ 586,954,083	$ 14,776,478	$ -	$ -	$ 601,730,561

NOTE 4 – CAPTIAL ASSETS (continued)

B. Construction in Progress

Construction in progress as of June 30, 2021 consisted of the following in SVP Projects.

Projects	Authorized	Expended	Commitments
Replace NRS 115/60KV Transformers	$ 18,673,045	$ 1,279,952	$ 17,393,093
SVP Utility Center	17,413,108	188,173	17,224,935
Serra Substation	18,887,411	7,887,229	11,000,182
Fairview Substation	28,502,108	23,349,610	5,152,498
San Tomas Junction	5,041,285	233,933	4,807,352
Great America Tasman Street Lighting Improvements	4,830,772	767,162	4,063,610
Other Projects	85,261,120	66,265,037	18,996,083
Total	$ 178,608,849	$ 99,971,096	$ 78,637,753

NOTE 5 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS

Changes in long-term debt for the year ended June 30, 2021, consisted of the following:

Type of Indebtedness Rate, Issue Date and Maturity	Outstanding as of June 30, 2020	Debt Retired / Defeased	Additions and Amortization of Discounts	Outstanding as of June 30, 2021	Current Portion
Obligation Bonds:					
2013 Series A Refunding Revenue Bonds 3%-5%, 04/24/13-07/01/22	$ 12,980,000	$ 4,115,000	$ -	$ 8,865,000	$ 4,320,000
2018 Series A Refunding Revenue Bonds, 5%, 12/18/18 - 07/01/27	44,595,000	4,485,000	-	40,110,000	4,785,000
Unamortized Discount/Premium	5,272,631	-	753,233	6,025,864	-
Subtotal Electric Utility Revenue Bonds	62,847,631	8,600,000	753,233	55,000,864	9,105,000
Direct Placement:					
Series 2020-1 Revenue Refunding Bonds, 1.74%, 04/10/2020 - 07/01/2032	52,985,000	-		52,985,000	-
Series 2020-2 Revenue Refunding Bonds, 1.31%, 04/10/2020 - 07/01/2028	34,315,000	-		34,315,000	-
Series 2020-3 Revenue Refunding Bonds, 0.58% 04/10/2020 - 07/01/2024	16,720,000	980,000		15,740,000	3,900,000
Subtotal Electric Utility Revenue Bonds	104,020,000	980,000	-	103,040,000	3,900,000
Total Electric Utility Activities - Bonds and Notes from Direct Borrowing	$ 166,867,631	$ 9,580,000	$ 753,233	$ 158,040,864	$ 13,005,000

A. Electric Revenue Refunding Bonds, Series 2011A

On March 22, 2011, the City issued $54.830 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.

As of April 1, 2020, all $54.830 million of the Electric 2011 A Bonds were outstanding and callable at par beginning July 1, 2021. The passage of the Tax Cuts and Jobs Act on December 22, 2017 eliminated tax-exempt advance refunding of tax-exempt bonds beginning January 1, 2018, and therefore tax-exempt advance refunding is no longer a refinancing option.

On April 10, 2020, SVP refinanced $54.830 million outstanding principal amount of Electric 2011 A Bonds through a direct placement with Bank of America, N.A. under a Taxable to Tax-

NOTE 5 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

Exempt Conversion structure. The Taxable to Tax-Exempt conversion was completed as of April 2, 2021. The refunding resulted in overall debt service savings of $18,997,127. The net present value of the debt service savings is called an economic gain and after an addition for prior funds on hand of $3,846, amounted to $17,021,397. See Notes below for Subordinated Electric Revenue Refunding Bonds, Series 2020-1.

B. Electric Revenue Refunding Bonds, Series 2013A

On April 24, 2013, the City 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 SVP.

As of April 1, 2020, $43.705 million of the Electric 2013A Bonds were outstanding and $30.725 million would be callable at par beginning January 1, 2023. With the passage of the Tax Cuts and Jobs Act on December 22, 2017 eliminated tax-exempt advance refunding of tax-exempt bonds beginning January 1, 2018, and therefore tax-exempt advance refunding is no longer a refinancing option.

On April 10, 2020, SVP refinanced $30.725 million callable portion of the outstanding principal amount of Electric 2013 A Bonds through a direct placement with Bank of America, N.A. under a Taxable to Tax-Exempt Conversion structure. The refunding resulted in overall debt service savings of $1,706,384. The net present value of the debt service savings is called an economic gain and after an addition for prior funds on hand of $203, amounted to $1,703,470. See Notes below for Subordinated Electric Revenue Refunding Bonds, Series 2020-2.

As of June 30, 2021, $8.865 million non-callable principal of Electric 2013A Bonds were outstanding. 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.

C. Bank of America Loan Agreement, Series 2014

On June 16, 2014, the City 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

NOTE 5 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

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. The City issued a $31.153 million Subordinated Electric Revenue Bond, Series 2014 (Electric Series 2014), of which $19.413 million principal amount was outstanding and unpaid as of April 1, 2020.

On April 10, 2020, SVP refinanced all $19.413 million of principal amount outstanding of the Electric Series 2014 Loan Agreement. The refunding resulted in overall debt service savings of $875,057. The net present value of the debt service savings is called an economic gain and after an addition for prior funds on hand of $3,408, amounted to $818,263. See Notes below for Subordinate Electric Revenue Refunding Bonds, Series 2020-3.

D. 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 a 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, 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.

E. Subordinate Electric Revenue Refunding Bonds, Series 2020-1

The City Council determined that it was in the best interests of the City to enter into a credit facility with a bank for the purpose of refunding all outstanding Electric 2011A Bonds; and for the indebtedness created under such credit facility to be evidenced by a subordinate electric

NOTE 5 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

revenue bond to be issued by the City and delivered to the bank as authorized by Resolution No. 20-8834 adopted by the City Council on April 7, 2020.

On April 10, 2020, the City entered into a loan agreement with Bank of America, N.A. (the "Bank") and issued $52.985 million of Subordinate Electric Revenue Refunding Bonds, Series 2020-1 (Electric 2020-1 Bonds) to refinance $54.830 million outstanding principal amount of Electric Series 2011A Bonds under a Taxable to Tax-Exempt Conversion structure. The Electric 2020-1 Bonds bear 1.74% coupon rates, mature annually beginning on July 1, 2028 through July 1, 2032 and were sold at a true interest cost of 1.43% with an average coupon rate of 1.40%. Electric 2020-1 Bonds were priced at taxable rates and was converted to tax-exempt on April 2, 2021. Both the taxable rate and tax-exempt rate after conversion were fixed at time of issuance. Starting April 2, 2021, the Bonds will bear interest at the tax exempt rate of 1.360% per annum. Debt service on the Electric 2020-1 Bonds is secured by a pledge of Available Electric Revenues of SVP on a basis subordinate to outstanding Electric Revenue Bonds, if any.

In the event of default under the loan agreement for the 2020-1 bonds (including a failure by the City to pay principal or interest on the related bonds, a failure by the City to perform or observe its covenants, a default in other specified indebtedness or obligations of the City, certain acts of bankruptcy or insolvency, or other specified events of default), the Bank has the right, upon written notice to the City, to accelerate and declare the City's obligation to repay the related bonds and all other obligations of the City to the Bank under such loan agreement to be immediately due and payable.

F. Subordinate Electric Revenue Refunding Bonds, Series 2020-2

The City Council determined that it was in the best interests of the City to enter into a credit facility with a bank for the purpose of refunding a portion of the outstanding Electric 2013A Bonds; and for the indebtedness created under such credit facility to be evidenced by a subordinate electric revenue bond to be issued by the City and delivered to the Bank as authorized by Resolution No. 20-8834 adopted by the City Council on April 7, 2020.

On April 10, 2020, the City entered into a loan agreement with Bank of America, N.A. (the "Bank") and issued $34.315 million of Subordinate Electric Revenue Refunding Bonds, Series 2020-2 (Electric 2020-2 Bonds) to refinance $30.725 million of the callable portion of the outstanding Electric Revenue Refunding Bonds, Series 2013 A. The Electric 2020-2 Bonds bear 1.31% coupon rates, mature annually beginning on July 1, 2023 through July 1, 2028 and were sold at a true interest cost of 1.21% with an average coupon rate of 1.15%. Electric 2020-2 Bonds were priced at taxable rates and will convert to a tax-exempt rate at the earlier of (i) the call date (1/1/2023) or (ii) the reversal of the advance refunding prohibition. Both the taxable rate and tax-exempt rate at conversion were fixed at the time of issuance. Debt service on the Electric

NOTE 5 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

2020-2 Bonds is secured by a pledge of Available Electric Revenues of SVP on a basis subordinate to outstanding Electric Revenue Bonds, if any.

In the event of default under the loan agreement for the 2020-2 Bonds (including a failure by the City to pay principal or interest on the related bonds, a failure by the City to perform or observe its covenants, a default in other specified indebtedness or obligations of the City, certain acts of bankruptcy or insolvency, or other specified events of default), the Bank has the right, upon written notice to the City, to accelerate and declare the City's obligation to repay the related bonds and all other obligations of the City to the Bank under such loan agreement to be immediately due and payable.

G. Subordinate Electric Revenue Refunding Bonds, Series 2020-3

The City Council determined that it was in the best interests of the City to enter into a credit facility with a bank for the purpose of refunding of the outstanding Electric 2014 Loan Agreement; and for the indebtedness created under such credit facility to be evidenced by a subordinate electric revenue bond to be issued by the City and delivered to the Bank as authorized by Resolution No. 20-8834 adopted by the City Council on April 7, 2020.

On April 10, 2020, SVP issued $16.720 million of Subordinate Electric Revenue Refunding Bonds, Series 2020-3 (Electric 2020-3 Bonds) to refinance $19.413 million outstanding principal amount of Subordinated Electric Revenue Bonds, Series 2014. The Electric 2020-3 Bonds bear 0.58% coupon rates mature annually beginning on July 1, 2020 through July 1, 2024 and were sold at a true interest cost of 0.70%. Debt service on the Electric 2020-3 Bonds is secured by a pledge of Available Electric Revenues of SVP on a basis subordinate to outstanding Electric Revenue Bonds, if any.

In the event of default under the loan agreement for the 2020-3 bonds (including a failure by the City to pay principal or interest on the related bonds, a failure by the City to perform or observe its covenants, a default in other specified indebtedness or obligations of the City, certain acts of bankruptcy or insolvency, or other specified events of default), the Bank has the right, upon written notice to the City, to accelerate and declare the City's obligation to repay the related bonds and all other obligations of the City to the Bank under such loan agreement to be immediately due and payable.

H. Pledge of Future Electric Revenues

The pledge of future Electric Fund revenues ends upon repayment of the $152 million in outstanding principal on the bonds which is scheduled to occur in fiscal year 2032-33. For fiscal year 2020-21, Electric Fund revenues including operating revenues and non-operating interest

NOTE 5 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

earnings amounted to $501.4 million and operating costs including operating expenses, but not interest, depreciation or amortization amounted to $407.6 million. Net revenues available for debt service amounted to $93.8 million which represented a coverage ratio of 6.8 on the $13.8 million of debt service.

I. 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>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 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 the following future derivative instruments outstanding at June 30, 2021 with Archer Daniels Midland Company to hedge cash flows on sales of excess resources in CAISO market in the future months.

NOTE 5 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

Notional Amount (MWh)					Fair Value		Change in Fair Value	
Long	Short	Effective Date	Maturity Date	Average Price	Classification	Amount	Classification	Amount
20,800		4/1/2021	6/30/2021	$44.00	Derivative Instrument	$ 249,808	Deferred inflow	$ 249,808
20,800		4/19/2021	7/31/2021	26.25	Derivative Instrument	61,984	Deferred inflow	61,984
20,800		4/19/2021	8/31/2021	26.50	Derivative Instrument	1,028,560	Deferred inflow	1,028,560
20,000		4/19/2021	9/30/2021	23.00	Derivative Instrument	264,000	Deferred inflow	264,000
						$ 1,604,352		$ 1,604,352

Notional Amount (MMBtu)					Fair Value		Change in Fair Value	
Long	Short	Effective Date	Maturity Date	Average Price	Classification	Amount	Classification	Amount
8,070,000		7/1/2020	12/31/2025	$2.42	Derivative Instrument	$ 4,116,155	Deferred inflow	$ 4,116,155
8,225,000		1/1/2021	12/31/2025	0.56	Derivative Instrument	4,189,200	Deferred inflow	4,189,200
14,610,000		1/1/2022	12/31/2025	2.64	Derivative Instrument	3,122,390	Deferred inflow	3,122,390
14,610,000		1/1/2022	12/31/2025	1.03	Derivative Instrument	25	Deferred inflow	25
						$ 11,427,770		$ 11,427,770
					Grand Total	$ 13,032,122		$ 13,032,122

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. In order to eliminate counterparty credit risk, SVP has transacted both long term power and gas contracts on the Futures market on Intercontinental Exchange (ICE). As of June 30, 2021, all SVP's open derivative power and gas contracts were in an asset position, and the fair values of all open contracts were positive. The open contract was with ADM Investor Service, Inc., a clearing member of ICE and a subsidiary of Archer Daniels Midland Company who was rated A by Standard & Poor's as of June 30, 2021.

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

NOTE 5 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

Company, the accounts are prefunded by SVP. If the account value falls below zero, margin calls are invoked. At June 30, 2021, SVP had posted collateral of $5,522,664 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 bilateral transactions 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.

<u>Price Risk</u>

With respect to price risk under power Futures 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. With respect to price risk under gas Futures contracts, on purchase contracts (long positions), SVP receives PG&E Citygate average daily price at settlement and pays the fixed contracted rate entered into on the trade date; on sales contracts (short positions), SVP pays the PG&E Citygate average daily price 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.

J. 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.

NOTE 5 – LONG-TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)

K. Repayment Requirements

As of June 30, 2021, the debt service requirements to maturity for SVP's long-term debt are as follows:

Long-term Debt
Future Debt Service Requirements

Year Ending	Senior Revenue Bonds			Subordinate Revenue Bonds from Direct Placement		
June 30	Principal	Interest	Total	Principal	Interest	Total
2022	$ 9,105,000	$ 2,221,125	$ 11,326,125	$ 3,900,000	$ 1,067,954	$ 4,967,954
2023	9,655,000	1,752,125	11,407,125	3,925,000	1,203,086	5,128,086
2024	5,440,000	1,374,750	6,814,750	9,700,000	1,075,725	10,775,725
2025	5,795,000	1,093,875	6,888,875	9,665,000	994,377	10,659,377
2026	6,005,000	798,875	6,803,875	5,910,000	923,678	6,833,678
2027-2031	12,975,000	657,125	13,632,125	49,165,000	3,281,077	52,446,077
2032-2033	-	-	-	20,775,000	244,766	21,019,766
	$ 48,975,000	$ 7,897,875	$ 56,872,875	$ 103,040,000	$ 8,790,663	$111,830,663

Reconciliation of Long-term Debt:

Principal Outstanding as of June 30, 2021	$ 152,015,000
Unamortized Discount/Premium - Electric Revenue Bonds	6,025,864
Total Long-term Debt	$ 158,040,864

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.

NOTE 6 – PARTICIPATION IN JOINT VENTURES (continued)

	Date of latest audited financial statement	Joint venture's address
NCPA	6/30/2020	651 Commerce Dr. Roseville, CA 95678
TANC	6/30/2020	P.O. Box 15129 Sacramento, CA 95851
MSR EA	12/31/2020	P.O. Box 4060 Modesto, CA 95352
MSR PPA	12/31/2020	P.O. Box 4060 Modesto, CA 95352

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, 2021 and 2020 reflect the following investments in joint ventures:

	June 30, 2021		June 30, 2020		
	Participating percentage	Investment	Participating percentage	Investment	Method of accounting
NCPA					
Geothermal	44.39%	$37,566,136	44.39%	$37,596,057	Equity
Hydroelectric	37.02%		37.02%		
Combustion Turbine	41.67%		41.67%		
Lodi Energy Center	25.75%		25.75%		
TANC	9.74%	5,106,945	9.85%	3,398,653	Equity
MSR EA	33.40%	-	33.40%	-	Suspended
MSR PPA	35.00%	-	35.00%	-	Suspended
Total		$42,673,081		$40,994,710	

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 sixteen public agencies. NCPA is generally empowered to sell, purchase, generate, transmit, manage electrical energy and provide regulatory and legislative advocacy. 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.

NOTE 6 – PARTICIPATION IN JOINT VENTURES (continued)

Project Financing and Construction

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

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. In FY 19-20, NCPA began a well-workover program to restore underperforming wells.

Based upon current operation protocols and forecasted operations, NCPA expects average annual generation and peak capacity to decrease further, reaching approximately 68 MW by the year 2040.

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

NOTE 6 – PARTICIPATION IN JOINT VENTURES (continued)

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. In January 2020, the Lodi Energy Center suffered a catastrophic turbine failure. NCPA replaced the turbine with a newer state-of-the-art turbine which could use hydrogen as a cleaner fuel source. The majority of the replacement cost was covered by NCPA's insurance resulting in relatively minimal financial impact to project participants.

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

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

California-Oregon Transmission Project

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

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, 2020, the most recent data

NOTE 6 – PARTICIPATION IN JOINT VENTURES (continued)

available, TANC's investment in the Project was $541 million, less accumulated depreciation and amortization of $283.8 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 (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 10.004 %.

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, 2020, the date of the latest available audited financial statements, SVP's unrecognized share of member's deficit of MSR PPA was $0.8 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, 2021 and 2020, SVP made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in SVP's expenses.

NOTE 6 – PARTICIPATION IN JOINT VENTURES (continued)

MSR PPA's principal activity is a 28.8% ownership interest in a 507-megawatt unit of a coal-fired electricity generating plant located in New Mexico (San Juan Plant). The 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%). On December 31, 2017, MSR PPA divested its ownership interest in the San Juan plant and no longer receives electric energy or capacity from the San Juan Generating Station.

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 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%.

MSR 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

NOTE 6 – PARTICIPATION IN JOINT VENTURES (continued)

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 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, 2020, 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, 2021 and 2020, 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, 2020, 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.

NOTE 6 – PARTICIPATION IN JOINT VENTURES (continued)

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.

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, 2020 as follows:

Agreements	Total Debt (Principal)	Silicon Valley Power's Debt Share	Silicon Valley Power's Contingent Liability
NCPA 06/30/20	$ 641,045,690	32.94%	$ 211,166,596
TANC 06/30/20	171,990,000	9.65%	16,599,047
MSR PPA 12/31/20	51,595,000	35.00%	18,058,250
TOTAL	$ 864,630,690		$ 245,823,893

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, 2020 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%	30.9657%
TANC - CA-OR Transmission Project (COTP)	May-2024	9.7386%	9.6512%
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, 2020 is as follows:

Fiscal Year	NGP	NHP	NLEC	COTP	MSR PPA	Total
2021	$ 2,195,431	$ 12,827,022	$ 7,568,602	$ 1,003,914	$ 9,712,500	$ 33,307,469
2022	2,197,534	12,858,730	7,566,771	1,003,698	9,711,100	33,337,833
2023	2,198,863	12,870,163	7,567,678	1,008,307		23,645,011
2024	1,541,819	14,375,558	7,565,130	1,348,027	-	24,830,534
2025	1,545,765	14,399,154	7,565,513	1,465,120	-	24,975,552
2026-2030	-	39,531,862	38,473,227	7,324,272	-	85,329,361
2031-2035	-	25,115,772	38,621,389	7,324,708	-	71,061,869
2036-2040	-	-	38,616,265	5,859,927	-	44,476,192
2041	-	-	7,080,593	-	-	7,080,593
Total	$ 9,679,412	$ 131,978,261	$ 160,625,168	$ 26,337,973	$ 19,423,600	$ 348,044,414

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, 2021, 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	8.00%	6.50%
Required employer contribution rates	11.425%	11.425%
Required unfunded liability contribution	$6,953,033	

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, 2021	June 30, 2020
Contributions - employer	$10,027,454	$9,365,958

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, 2021	June 30, 2020
Miscellaneous	$ 98,396,395	$ 92,007,139

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, 2020, 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, 2019 rolled forward to June 30, 2020 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, 2019 and 2029 was 32.31%.

For the years ended June 30, 2021 and 2010, SVP recognized pension expense of $13,041,275 and $8,823,876 respectively. At June 30, 2021 and 2020, SVP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan:

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 10,027,454	$ -
Differences between expected and actual experience	-	(148,855)
Changes in assumptions	3,879,098	-
Net differences between projected and actual earnings on plan investments	1,044,841	-
Total	$ 14,951,393	$ (148,855)

NOTE 7 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 9,365,958	$ -
Differences between expected and actual experience	-	(645,033)
Changes in assumptions	3,458,765	-
Net differences between projected and actual earnings on plan investments	-	(1,027,344)
Total	$ 12,824,723	$ (1,672,377)

$10,027,454 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. 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
2022	$ 1,330,268
2023	1,613,389
2024	1,192,933
2025	638,496

C. Actuarial Assumptions

For the measurement period ended June 30, 2020, the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2019 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, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by Entry-Age and Service
Investment Rate of Return	7.15% (1)
Post Retirement Benefit Increase	The lesser of Contract COLA or 2% until Purchasing Power Protection 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 probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. 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, 2019 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.

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

NOTE 7 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)

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.

The table below reflects the long-term expected real rate of return by asset class.

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 Annual Comprehensive Financial Report, 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, 2021	June 30, 2020
1% Decrease	6.15%	6.15%
Net Pension Liability	$ 130,318,500	$ 122,704,296
Current Discount Rate	7.15%	7.15%
Net Pension Liability	$ 98,396,395	$ 92,007,139
1% Increase	8.15%	8.15%
Net Pension Liability	$ 71,794,130	$ 66,429,843

Pension Plan Fiduciary Net Position

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

D. Reduction of CalPERS Discount Rate

In July 2021, CalPERS reported a preliminary 21.3% net return on investments for the 12-month period that ended June 30, 2021. Under the Funding Risk Mitigation Policy, approved by the CalPERS Board of Administration in 2015, the 21.3% net return will trigger a reduction in the discount rate used to calculate employer and Public Employees' Pension Reform Act (PEPRA) member contributions. The Funding Risk Mitigation Policy seeks to reduce CalPERS funding risk over time, in which CalPERS investment performance that significantly outperforms the discount rate will trigger adjustments to the discount rate, expected investment return, and strategic asset allocation targets. This is the first time it has been triggered. The discount rate, or assumed rate of return, will drop to 6.8%, from its current level of 7%.

Based on these preliminary fiscal year returns, the CalPERS has announced the funded status of the overall Public Employees Retirement Fund (PERF) is an estimated 82%. This estimate is based on a 7% discount rate. Under the new 6.8% discount rate, however, CalPERS indicated the

NOTE 7 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)

funded status of the overall PERF drops to 80%. This is because existing assets are assumed to grow at a slightly slower rate annually into the future. As intended under the Funding Risk Mitigation Policy, the lower discount rate increases the likelihood that CalPERS can reach its target over the longer term. The CalPERS Board of Administration will continue to review the discount rate through its Asset Liability Management process during the rest of the calendar year.

CalPERS' final fiscal year 2021 investment performance will be calculated based on audited figures and will be reflected in contribution levels for contracting cities, counties, and special districts in fiscal year 2024.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

The City's agent multiple-employer defined benefit Other Post Employment Benefit (OPEB) Plan, 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 $4,524 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.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (continued)

Generally accepted accounting principles require that the reporting results must pertain to liability and asset information within certain defined timeframes. For the fiscal year 2020-21 the following time frames were used.

Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021
Actuarial valuation date (1)	June 30, 2020

(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, 2021, SVP contributed $511 thousand.

C. Actuarial Assumptions

The June 30, 2021 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, 2021 Measurement Date
Actuarial valuation date	June 30, 2020
Discount rate	4.75% at June 30, 2021 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, 2020
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-2020
Healthcare cost trend rates	Non-Medicare - 7% for 2022 scaling down to 4.0% for year 2076 Medicare(Non-Kaiser)- 6.1% for 2022 scaling down to 4.0% for year 2076 Medicare(Kaiser)- 5% for 2022 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, 2021, 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, 2020, rolled forward to June 30, 2021 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 OPEB liability for the Plan as of June 30, 2020 and 2021 was 32.31%.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (continued)

For the year ended June 30, 2021, SVP reported a net OPEB liability of $11,861 thousand and recognized OPEB expense of $511thousand. At June 30, 2021, SVP reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 464	$ 973
Differences between expected and actual experience	-	363
Net differences between projected and actual earnings on OPEB plan investments	-	476
Total	$ 464	$ 1,812

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 1,278
Differences between expected and actual experience	-	360
Net differences between projected and actual earnings on OPEB plan investments	-	73
Total	$ -	$ 1,711

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)
2022	$ (436)
2023	(458)
2024	(435)
2025	(111)
2026	71
Thereafter	21

E. Discount Rate

The discount rate used to measure the total OPEB liability was 4.75% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that City contributions will

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (continued)

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%	4.57%
Mutual Funds - Fixed Income	65%	0.72%
REITS	1%	3.96%
Cash and equivalent	5%	0.06%
	100%	
Expected Inflation		2.75%
Discount Rate		4.75%

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, 2021 calculated using the discount rate of 4.75%, 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, 2021 (In Thousands)	June 30, 2020 (In Thousands)
1% Decrease	3.75%	4.25%
Net OPEB Liability	$ 14,655	$ 14,619
Current Discount Rate	4.75%	5.25%
Net OPEB Liability	$ 11,861	$ 12,077
1% Increase	5.75%	6.25%
Net OPEB Liability	$ 9,564	$ 9,978

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (continued)

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.

	June 30, 2021 (In Thousands)	June 30, 2020 (In Thousands)
1% Decrease	6% Non-Medicare 4% Medicare decreasing to 3.0%	6.5% Non-Medicare 5.5% Medicare decreasing to 3.0%
Net OPEB Liability	$9,133	$9,401
Current Rate	7% Non-Medicare 5% Medicare decreasing to 4.0%	7.5% Non-Medicare 6.5% Medicare decreasing to 4.0%
Net OPEB Liability	$11,861	$12,077
1% Increase	8% Non-Medicare 6% Medicare decreasing to 5.0%	8.5% Non-Medicare 7.5% Medicare decreasing to 5.0%
Net OPEB Liability	$15,255	$15,335

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 purchases.

NOTE 9 – WHOLESALE ACTIVITIES (continued)

B. Restructuring of the California Electric Industry

Deregulation Legislation

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.

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 $22.3 million and $12.2 million, respectively, for fiscal year ended June 30, 2021, 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

NOTE 9 – WHOLESALE ACTIVITIES (continued)

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 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	$ 144,093,108	44.93%
M-S-R Public Power Agency	36,060,714	11.24%
Tri-Dam Project	22,658,953	7.06%

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.

NOTE 12 – NET POSITION AND STABILIZATION AGREEMENTS (continued)

SVP reported net position at June 30 as follows:

	2021	2020
Net investment in capital assets:	$ 463,692,179	$ 435,090,349
Restricted:		
Pension benefits	6,808,996	5,165,892
Unrestricted:		
Capital projects	125,362,902	132,340,181
Rate stabilization	157,736,368	123,947,182
Operations	161,814,522	144,348,977
Total Unrestricted	444,913,792	400,636,340
Total Net Position	$ 915,414,967	$ 840,892,581

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, 2021, the balance of the Rate Stabilization Fund was $157,736,368.

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 make an initial deposit of $3.5 million in fiscal year 2018 toward prefunding pension obligations. As of June 30, 2021, the balance of the Pension Stabilization Fund was $6,808,996.

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, 2020	June 30, 2019	June 30, 2018
Plan's Proportion of the Net Position Liability/(Asset)	32.31%	32.31%	34.97%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$ 98,396,395	$ 92,007,139	$ 94,238,259
Plan's Covered Payroll	$ 28,888,674	$ 26,452,951	$ 26,407,732
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of it's Covered Payroll	340.61%	347.81%	356.86%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	61.90%	62.72%	62.97%

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, 2017	June 30, 2016	June 30, 2015	June 30, 2014
34.97%	34.97%	34.97%	34.97%
$ 92,735,319	$ 84,615,916	$ 74,516,387	$ 69,068,338
$ 24,928,548	$ 21,661,244	$ 20,300,577	$ 20,289,905
372.00%	390.63%	367.07%	340.41%
62.02%	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, 2021	June 30, 2020	June 30, 2019
Actuarially determined contribution	$ 10,027,454	$ 9,365,958	$ 8,258,503
actuarially determined contributions	(10,027,454)	(9,365,958)	(8,258,503)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 28,859,863	$ 28,818,319	$ 28,630,755
Contributions as a percentage of covered payroll	34.75%	32.50%	28.84%
Notes to Schedule			
Valuation date	6/30/2018	6/30/2017	6/30/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years as of valuation date
Asset valuation method	5-year smoothed market
Inflation	2.75% for 2015 to 2019, and 2.625% for 2020 and 2.50% for 2021
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.5% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, and 7% for 2021, net of pension plan investment expense, including inflation
Retirement age	The probabilities of Retirement are based on the CalPERS Experience Study
Mortality	The probabilities of mortality are based on CalPERS Experience Study. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale AA published by the Society of Actuaries for 2015 to 2018. For 2019,2020, and 2021, pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

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

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, 2018	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**
$ 8,832,105	$ 7,558,410	$ 6,484,674	$ 5,335,643
(8,832,105)	(7,558,410)	(6,484,674)	(5,335,643)
$ -	$ -	$ -	$ -
$ 26,407,732	$ 24,928,548	$ 21,661,244	$ 20,300,577
33.45%	30.32%	29.94%	26.28%
6/30/2015	6/30/2014	6/30/2013	6/30/2012

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, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Plan's Proportion of the Net Posistion Liability/(Asset)	32.31%	32.31%	34.97%	34.97%
Plan's Proportionate Share of the Net OPEB Liability/(Asset)	$ 11,860,957	$ 12,076,500	$ 13,339,656	$ 16,285,879
Plan's Covered-employee Payroll	$ 52,857,221	$ 53,127,656	$ 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	22.44%	22.73%	25.19%	34.42%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total OPEB Liability	44.03%	40.11%	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, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially determined contribution	$ 1,559	$ 1,512	$ 1,856	$ 1,911
Contributions in relation to the actuarially determined contributions	(1,465)	(1,518)	(1,876)	(2,203)
Contribution deficiency (excess)	$ 94	$ (6)	$ (20)	$ (292)
Covered-emplyee payroll	$ 52,857	$ 53,128	$ 52,963	$ 47,313
Contributions as a percentage of covered-employee payroll	2.77%	2.86%	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 2020-21 Actuarially Determine Contributions	
Actuarial valuation date	June 30, 2028
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 (18 Years remaining on June 30, 2021) 20 years (closed period) for implied subsidy on 06/30/2019 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 fair value
Discount rate	5.25%
General inflation	2.75%
Healthcare trend	Non-Medicare - 7.5% for 2020, decreasing to an ultimated rate of 4% in 2076 Medicare (non-Kaiser)- 6.1% for 2020, decreasing to an ultimated rate of 4% in 2076 Medicare (Kaiser)- 5% for 2020, decreasing to an ultimated rate of 4% in 2076
Mortality	CalPERS 1997-2015 Experience Study
Mortality improvement	Post-retirement mortality projected fully generational with Scale MP-2018

This page intentionally left blank

CITY OF SANTA CLARA
MEMORANDUM ON INTERNAL CONTROL

FOR THE YEAR ENDED JUNE 30, 2021

This Page Left Intentionally Blank

CITY OF SANTA CLARA
MEMORANDUM ON INTERNAL CONTROL

For the Year Ended June 30, 2021

Table of Contents

This Page Left Intentionally Blank

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, 2021, and have issued our report thereon dated November 30, 2021. Our opinions on the basic financial statements and this report, insofar as they relate to the component unit of 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, 2021, 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
November 30, 2021

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

This Page Left Intentionally Blank

CITY OF SANTA CLARA
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

2021-01 Timely Submission of Purchase Card Supporting Documentation to Finance

Purchase card statement reviews and reconciliations are an important element of the City's internal control. In order to be an effective control, the City should complete the review of purchase card transactions and statement reconciliations as soon as possible after each month-end, usually within thirty to forty-five days of receipt of statements, and the reconciliations should subsequently be reviewed for accuracy. Errors and un-reconciled differences should be researched, understood and corrected immediately, so as to prevent additional errors and a decrease in efficiency. The City's policies require that department supervisors and managers reconcile and verify the purchase card charges against the employee-submitted receipts, and once everything is attached and approved, that information is then submitted to the Finance Department for final review.

We originally selected the months of September 2020 and January 2021, to test for timely reconciliation and proper approval of the purchase card statements and reconciliations. However, as of March 24, 2021, the January 2021 reconciliation was still in process, so we selected another month for testing, December 2020, but the Principal Accountant mentioned that it was still in process. Therefore, we tested the September 2020 and November 2020 purchase card statements and noted that there was a total of 20 statements that were reviewed 30-45 days after month end, but there were fourteen September 2020 statements that were not reviewed timely, with dates ranging from December 11, 2020 to March 30 ,2021, and there were six November 2020 statements that were not reviewed until March 17, 2021.

We understand the review and reconciliation of the purchase card statements was delayed due to documentation not being provided timely by employees to support the purchases, which in turn delayed the department supervisor and manager reviews and submission to the Finance Department.

If the review of purchase card statements is not performed timely, potential errors and/or unauthorized transactions may not be detected and remedied in a timely manner. In addition, if errors and/or unauthorized transactions are not identified timely, the City may lose the ability to contest the items with the bank due to the limit on the length of time the City can do so.

The City should communicate to all employees with purchase cards the importance of remitting supporting documentation in a timely manner to the department supervisors and managers to ensure that purchase card reconciliations can be completed and submitted to the Finance Department for review in a timely manner.

Management's Response:
The City agrees with the recommendation that it should remind employees the importance of remitting complete supporting documentation in a timely manner for the Finance Department to finish their review in a timely manner. The City plans to provide citywide training to all staff to emphasize the importance of complete and timely submission of supporting documentation.

SCHEDULE OF OTHER MATTERS

2021-02 **Developing Funding Plan for Net Position Deficit**

The fund balance or net position of funds should be monitored to ensure that all balances are positive and that plans are developed to eliminate any deficits that may develop. And, cost recovery funds, such as the internal service funds, should set charges for services sufficient to cover costs incurred by the fund.

As of June 30, 2021, the Special Liability Insurance Claims Internal Service Fund had deficit net position of $2.7 million.

During fiscal year 2021, we understand unanticipated claims activity led to the deficit net position in the Fund.

The City must develop plans for funding the deficit to ensure it does not increase and is eliminated in a reasonable period of time.

Management's Response:
The City agrees with the recommendation to fund the deficit balance in a reasonable time. The City normally transfers funds to eliminate the deficit in the Special Liability Insurance Claims Internal Service Funds City in the final Monthly Financial Report in December. Evaluation of this deficit will be addressed during the budget process.

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 have cited them here to keep you informed of developments:

EFFECTIVE FISCAL YEAR 2021/22:

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

GASB 92 – ***Omnibus 2020***

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

GASB 93 – ***Replacement of Interbank Offered Rates***

Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, Leases, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

GASB 93 – *Replacement of Interbank Offered Rates (Continued)*

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

GASB 97 – *Certain Component Unit Criteria, and Accounting for and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

SCHEDULE OF OTHER MATTERS

GASB 97 – *Certain Component Unit Criteria, and Accounting for and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans (Continued)*

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

How the Changes in this Statement will Improve Financial Reporting

The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through hose plans and (2) investment information for all 457 plans.

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2022/23:

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.

SCHEDULE OF OTHER MATTERS

GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

PPPs - This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, Leases, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement 87, as amended (as clarified by this Statement). The PPP term is defined as the period during which an operator has a noncancellable right to use an underlying PPP asset, plus, if applicable, certain periods if it is reasonably certain, based on all relevant factors, that the transferor or the operator either will exercise an option to extend the PPP or will not exercise an option to terminate the PPP.

A transferor generally should recognize an underlying PPP asset as an asset in financial statements prepared using the economic resources measurement focus. However, in the case of an underlying PPP asset that is not owned by the transferor or is not the underlying asset of an SCA, a transferor should recognize a receivable measured based on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, a transferor should recognize a receivable for installment payments, if any, to be received from the operator in relation to the PPP. Measurement of a receivable for installment payments should be at the present value of the payments expected to be received during the PPP term. A transferor also should recognize a deferred inflow of resources for the consideration received or to be received by the transferor as part of the PPP. Revenue should be recognized by a transferor in a systematic and rational manner over the PPP term.

This Statement requires a transferor to recognize a receivable for installment payments and a deferred inflow of resources to account for a PPP in financial statements prepared using the current financial resources measurement focus. Governmental fund revenue would be recognized in a systematic and rational manner over the PPP term.

SCHEDULE OF OTHER MATTERS

GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (Continued)*

This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement). An operator should report an intangible right-to-use asset related to an underlying PPP asset that either is owned by the transferor or is the underlying asset of an SCA. Measurement of the right-to-use asset should be the amount of consideration to be provided to the transferor, plus any payments made to the transferor at or before the commencement of the PPP term, and certain direct costs. For an underlying PPP asset that is not owned by the transferor and is not the underlying asset of an SCA, an operator should recognize a liability measured based on the estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, an operator should recognize a liability for installment payments, if any, to be made to the transferor in relation to the PPP. Measurement of a liability for installment payments should be at the present value of the payments expected to be made during the PPP term. An operator also should recognize a deferred outflow of resources for the consideration provided or to be provided to the transferor as part of the PPP. Expense should be recognized by an operator in a systematic and rational manner over the PPP term.

This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. If a PPP involves multiple underlying assets, a transferor and an operator in certain cases should account for each underlying PPP asset as a separate PPP. To allocate the contract price to different components, a transferor and an operator should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining the best estimate is not practicable, multiple components in a PPP should be accounted for as a single PPP.

This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination. A PPP termination should be accounted for by a transferor by reducing, as applicable, any receivable for installment payments or any receivable related to the transfer of ownership of the underlying PPP asset and by reducing the related deferred inflow of resources. An operator should account for a termination by reducing the carrying value of the right-to-use asset and, as applicable, any liability for installment payments or liability to transfer ownership of the underlying PPP asset. A PPP modification that does not qualify as a separate PPP should be accounted for by remeasuring PPP assets and liabilities.

APAs - An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

SCHEDULE OF OTHER MATTERS

GASB 96 – *Subscription-Based Information Technology Arrangements*

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancelable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.

GASB 96 – *Subscription-Based Information Technology Arrangements (Continued)*

- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

How the Changes in this Statement will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

STATUS OF PRIOR YEAR OTHER MATTERS

2020-01 Timely Cutoff of Terminated Employees from Payroll System

The City should process terminated employees in a timely manner. This includes terminating the employee from both the payroll and general ledger systems upon issuance of their last check. The elapsed time between an employee's final paycheck and their termination in the payroll system should be minimized to reduce fraud risks.

We selected twenty-five employees terminated during fiscal year 2020 for testing of proper and timely cutoff in the City's payroll system and noted two employees had been terminated in the system more than 30 days subsequent to their final check date. The last paycheck for one of the employees was issued in 2017.

We understand that delay in removing the employees from the payroll system may have been due to notification not being given to department management or Human Resources that the employees in question were no longer working for the City.

Employees that are not terminated from the payroll system in a timely manner continue to have an "active" status increases the risk of unauthorized payroll payments.

The City should develop procedures to remove employees from the payroll system immediately after their employment ends with the City, or if there is a chance they may return at a later date, determine if they can be disabled in the system and require approval for reactivation in the system if they return to work.

Current Status:
Implemented.

2018-02 Analyze Refundable Deposit Account Balances

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.

STATUS OF PRIOR YEAR OTHER MATTERS

2018-02 **Analyze Refundable Deposit Account Balances (Continued)**

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:
Implemented.

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.

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2017-02 Developing Funding Plans for Fund Balance/Net Position Deficits (Continued)

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.

Update for June 30, 2020:
The net position deficits for the Cemetery Enterprise Fund increased to $4.9 million and the Workers' Compensation Insurance Claims Internal Service Fund decreased to $15.5 million as of June 30, 2020. In addition, the General Fund's advance to the Cemetery Enterprise Fund increased to $6.3 million.

Update for June 30, 2021:
The net position deficit for the Cemetery Enterprise Fund increased to $5.1 million and the deficit in the Workers' Compensation Insurance Claims Internal Service Fund decreased to $13.7 million as of June 30, 2021. In addition, the General Fund's advance to the Cemetery Enterprise Fund increased to $7.1 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. Evaluation of these deficits will be addressed during the budget process.

This Page Left Intentionally Blank