



# City of Santa Clara

The Center of What's Possible

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## Comprehensive Annual Financial Report

**Fiscal Year Ended  
June 30, 2017**

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT**

**FISCAL YEAR ENDED JUNE 30, 2017**



**THE  
MISSION CITY**

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

**PREPARED BY DEPARTMENT OF FINANCE**

# **Introductory Section**

**CITY OF SANTA CLARA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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December 6, 2017

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

Dear Mayor and Members of the City Council:

It is our pleasure to submit for your information the Comprehensive Annual Financial Report (CAFR) of the City of Santa Clara (City) for the fiscal year ended June 30, 2017. The City compiles and prepares the annual financial report to provide interested parties with reliable information concerning the financial condition and results of operations for the City.

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

The City of Santa Clara's financial statements have been audited by Maze & Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2017 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, 2017 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.

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

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

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

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

The City’s population is estimated at 123,983, indicating the City remains an attractive place both to live and work. The City is one of the most highly desirable areas to live because of the high quality services it provides to residents and its business friendly environment.

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

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

## **LOCAL ECONOMY**

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

Looking forward, the City is continuing the multi-year effort aimed at increasing revenues, continuing to build reserves, and ensuring that ongoing expenditures are in alignment with ongoing revenues. The City is projecting that the regional economy will continue to grow at a moderate rate. Despite the economy being on solid ground and strong performance of several major revenue sources, the City's economic situation remains tightly balanced. With the continuing increases in personnel costs, especially in regard to rising pension costs, it is projected that the City's expenditures will begin to outpace revenues in the coming years.

## **FINANCIAL INFORMATION**

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

The City Council's adopted budget principles for fiscal year 2016-17 reflected the economic challenges that the City faced including the need to rebuild reserves and utilize a multi-pronged strategy to ensure ongoing expenditures are in alignment with ongoing revenues. The adopted principles included but were not limited to the following:

- Pursue economic development objectives and strategies to foster new public and private investment within Santa Clara, and to create employment opportunities.
- One-time unrestricted revenues (e.g. annual General Fund surplus) should only be used for onetime uses such as building reserves, funding capital projects, paying off debt, or paying off unfunded pension or other post-employment benefit liabilities.
- Ensure ongoing revenues are sufficient to cover the full cost of any staffing changes or service level enhancements.
- In accordance with Council policy, continue to maintain the General Fund Working Capital Reserve for the long-term fiscal health of the City.
- With limited exceptions, establish fees based on full cost recovery where individuals/business rather than the community at-large are benefiting from City services. This preserves limited unrestricted resources for providing services that benefit the community as a whole.

The City developed a five-year Capital Improvement Plan detailing specific budgeted capital projects. Each of the projects is consistent with the overall goals and principles of the City. The fiscal year 2016-17 adopted Capital Improvement Project (CIP) Budget totaled \$86.6 million. The CIP included improvements to the City's infrastructure, replacements and upgrades to information technology equipment, and improvements and upgrades to the City's utilities.

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

### **Internal Controls**

The management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse, and that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal controls are designed to provide reasonable, but not absolute,

assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the stated framework. City management believes the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### **Budgetary Controls**

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

### **Independent Audit**

The City Charter and State of California statutes require the City to have an annual audit by an independent certified public accountant. The City goes to the market with a formal Request For Proposal for audit services every five years. The accounting firm of Maze & Associates, Certified Public Accountants, was selected by the City Council in 2012, and again in 2017, and is in the sixth 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 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**

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

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

Construction of the stadium began in April 2012 and Levi's Stadium opened in August 2014. During the fiscal year April 1, 2016 through March 31, 2017, there were 10 NFL games, 18 ticketed non-NFL events, and 126 smaller special events held at the Stadium.

The City's General Fund received \$3.04 million for stadium ground rent, performance rent, senior and youth fees, and parking fees at the Tasman lots, most of which came from the Stadium Authority. This is in relation to the Stadium Authority's 2016-17 fiscal year activities. Additionally, the City is fully

reimbursed for all of its public safety and administration costs by either the Stadium Authority or the Stadium Management Company, LLC.

### **Other Initiatives:**

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

- *Whole Foods* is the anchor for the 120,000 square foot retail center, *MarketPlace*, now open at the Irvine Company's *Santa Clara Square Project*. The City continues to grow its retail sector citywide as there is a trend of new retail and/or expansion/relocation of existing retail such as car dealerships and rentals.
- A number of housing projects have been recently completed or are underway providing much needed residential units in the City. A few of these are: 552 apartments at the *Gallery at Central Park* by *Promethius*, 476 living units at the mixed-use *Gateway Village* by *Essex Properties*, 186 unit apartment project *The Villas on the Boulevard* by *SummerHill Apartment Communities*, and 825 apartments at the mixed-use *Monticello Village* by *The Irvine Company*.
- The Related Company continues through the entitlement process for City Place Santa Clara on 240 City-owned acres north of Tasman Drive. The more than \$6 billion development concept includes a mixed-use retail, entertainment, office and residential project totaling 9 million square feet.

## **FINANCIAL POLICIES**

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

## **AWARDS**

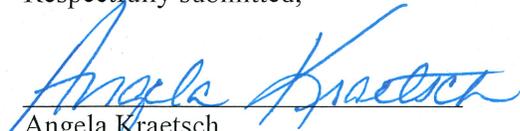
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Excellence in Financial Reporting to the City of Santa Clara for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. The Certificate of Achievement 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-five consecutive years.

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

## ACKNOWLEDGEMENTS

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

Respectfully submitted,



Angela Kraetsch  
Acting Director of Finance

**CITY OF SANTA CLARA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the year ended June 30, 2017**

**ROSTER OF COUNCIL AND COMMISSION MEMBERS**

CITY COUNCIL

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

BOARD OF LIBRARY TRUSTEES

Leonne Broughman, Jan Hintermeister, David Kyo,  
Ashish Mangla, Stephen Ricossa

CULTURAL COMMISSION

Loretta Beavers, Harbir K. Bhatia, Kendra Fehrer,  
Eversley Forte, Debra von Huene, Louis Samara

HOUSING REHABILITATION LOAN COMMITTEE

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

PLANNING COMMISSION

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

CIVIL SERVICE COMMISSION

Mario Bouza, Willie D. Brown Jr., John Casey,  
Carolyn G. McAllister, Pat Staffelbach

HISTORICAL & LANDMARKS COMMISSION

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

PARKS & RECREATION COMMISSION

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

SENIOR ADVISORY COMMISSION

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

YOUTH COMMISSION

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

**CITY OF SANTA CLARA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the year ended June 30, 2017**

**EXECUTIVE MANAGEMENT TEAM**

CITY MANAGER

Rajeev Batra

CITY CLERK/CITY AUDITOR

Rod Diridon Jr.

ASSISTANT CITY MANAGER

Alan Kurotori

INTERIM CITY ATTORNEY

Brian Doyle

ASSISTANT CITY MANAGER

Vacant

CHIEF OF POLICE

Michael J. Sellers

ASSISTANT CITY MANAGER

Vacant

FIRE CHIEF

William Kelly

ECONOMIC DEVELOPMENT OFFICER

Ruth Shikada

COMMUNITY RELATIONS MANAGER

Jennifer Yamaguma

ACTING DIRECTOR OF FINANCE

Angela Kraetsch

DIRECTOR OF ELECTRIC UTILITY

John Roukema

DEPUTY CITY MANAGER

Vacant

ACTING DIRECTOR OF WATER & SEWER UTILITIES

Gary Welling

ACTING ASSISTANT DIRECTOR OF PUBLIC WORKS

Gustavo Gomez

DIRECTOR OF INFORMATION TECHNOLOGY/CIO

Gaurav Garg

DIRECTOR OF COMMUNITY DEVELOPMENT

Andrew Crabtree

CITY LIBRARIAN

Hilary Keith

DIRECTOR OF HUMAN RESOURCES

Elizabeth Brown

DIRECTOR OF PARKS & RECREATION

James Teixeira



Government Finance Officers Association

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in Financial  
Reporting**

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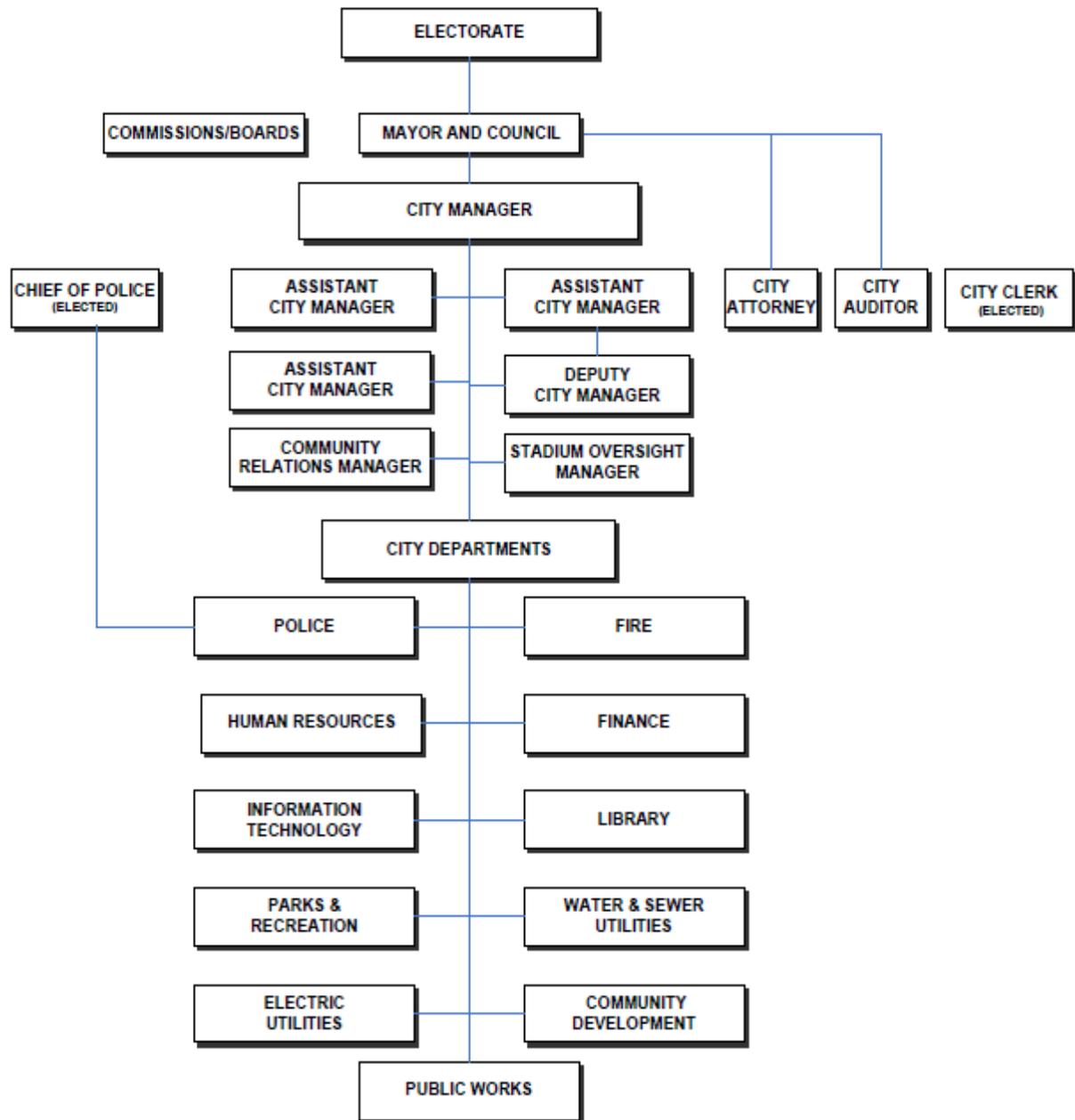
**City of Santa Clara  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

# CITY OF SANTA CLARA ORGANIZATION CHART





# **Financial Section**

*Independent Auditor's Report  
on Basic Financial Statements*

*Management's Discussion and Analysis*



## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Clara, California, as of and for the year ended June 30, 2017, 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, 2017, which is both a major fund and 39.4%, 3.2%, and 17.9% 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, 2016, related to the calculation of the Investments in Joint Ventures. The Investment in these Joint Ventures collectively represents 6.8%, 14.9% and 0.6% 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principles***

Management adopted the provisions of the following Governmental Accounting Standards Board Statement No. 74 – *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans*, which became effective during the year ended June 30, 2017 and changed Other Post-Employment Benefit disclosures in Note 16 to the financial statements and the Other Post-Employment Benefit-Related Required Supplementary Information.

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

### ***Other Matters***

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

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

*Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pleasant Hill, California  
December 6, 2017

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

The Management’s Discussion and Analysis (MD&A) of the City of Santa Clara’s (City) Comprehensive Annual Financial Report (CAFR) provides an overview of the City’s financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the City’s financial performance as a whole. Readers should review the discussion and analysis in conjunction with the basic financial statements, as well as the notes to the financial statements to enhance their understanding of the City’s financial performance.

### **FINANCIAL HIGHLIGHTS**

Financial highlights for fiscal year June 30, 2017 are as follows:

- The assets of the City, as a whole, exceeded its liabilities by \$1.7 billion in fiscal year 2016-17. Of this amount, \$(148) million represents unrestricted net position, an increase of \$40 million from fiscal year 2015-16. The negative position is primarily due to the net pension liability of \$465 million.
- The City’s total net position increased by \$144 million primarily due to a \$50 million increase in governmental activities and \$94 million increase in business activities.
- As of June 30, 2017, the City of Santa Clara’s governmental funds reported combined fund balances of \$326 million, an increase of \$22 million from the prior year. The increase is primarily due to increases in the developer impact fees in the Non-Major Governmental Funds. At June 30, 2017, \$108 million is in the unassigned fund balance and available for spending at the City’s discretion.
- At the close of fiscal year 2016-17, the General Fund had assets of \$198 million and a fund balance of \$192 million. This represents a decrease in fund balance of \$6 million, or 3% from prior fiscal year. Of the total fund balance, \$159 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, 2016 through March 31, 2017. As of March 31, 2017, buildings, infrastructure and land improvements equaled \$782 million and the assets of the Stadium Authority exceeded its liabilities by \$32 million.
- The City’s total outstanding long-term debt decreased by \$45 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

The City is the primary government in this report. These financial statements include four entities that, although legally separate, are important because they are blended component units of the City. These component units are the Stadium Authority, 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 of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds:* Most of the City's basic services are included in Governmental Funds which focus on how money flows into and out of these funds and the balance left at fiscal year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because the focus of governmental funds is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

### **Other information**

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

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

**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, 2017. As noted earlier, the City's total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$1.7 billion at the end of the fiscal year, an increase in net position of \$144 million.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Cash and investments	\$ 309	\$ 280	\$ 500	\$ 430	\$ 809	\$ 710
Other assets	165	163	240	227	405	390
Capital assets	553	530	1,470	1,486	2,023	2,016
<b>Total Assets</b>	<b>1,027</b>	<b>973</b>	<b>2,210</b>	<b>2,143</b>	<b>3,237</b>	<b>3,116</b>
Deferred outflows on derivative instruments	-	-	7	17	7	17
Deferred outflows from refunding	-	-	6	-	6	-
Deferred outflows pension related	67	27	20	9	87	36
<b>Total Deferred Outflows of Resources</b>	<b>67</b>	<b>27</b>	<b>33</b>	<b>26</b>	<b>100</b>	<b>53</b>
Long-term liabilities outstanding	21	23	655	694	676	717
Net pension liability	349	301	116	102	465	403
Other liabilities	72	66	458	450	530	516
<b>Total Liabilities</b>	<b>442</b>	<b>390</b>	<b>1,229</b>	<b>1,246</b>	<b>1,671</b>	<b>1,636</b>
Deferred inflows from refunding	-	-	1	-	1	-
Deferred inflows pension related	13	21	2	6	15	27
<b>Total Deferred Inflows of Resources</b>	<b>13</b>	<b>21</b>	<b>3</b>	<b>6</b>	<b>16</b>	<b>27</b>
Net investment in capital assets	532	507	882	845	1,414	1,352
Restricted	242	208	142	134	384	342
Unrestricted	(135)	(126)	(13)	(62)	(148)	(188)
<b>Total Net Position</b>	<b>\$ 639</b>	<b>\$ 589</b>	<b>\$ 1,011</b>	<b>\$ 917</b>	<b>\$ 1,650</b>	<b>\$ 1,506</b>

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

The largest portion of the City's net position, \$1.4 billion (86%), 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 \$384 million (23%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(148) million (-9%) is unrestricted and is negative due to the City's net pension liability.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

	Governmental		Business-Type		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 38	\$ 42	\$ 688	\$ 665	\$ 726	\$ 707
Operating grants and contributions	5	6	-	-	5	6
Capital grants and contributions	14	12	4	2	18	14
General revenues:						
Taxes:						
Sales	56	58	-	-	56	58
Ad valorem property	51	46	-	-	51	46
Transient occupancy	20	20	-	-	20	20
Other	6	5	-	-	6	5
Contribution in lieu of taxes	21	19	-	-	21	19
Investment earnings	3	2	13	17	16	19
Net increase (decrease) in fair value of investments	(3)	1	(4)	2	(7)	3
Rents and royalties	12	14	-	-	12	14
Gain on sale of assets	-	-	-	30	-	30
Other	40	9	-	-	40	9
Total revenues	<u>263</u>	<u>234</u>	<u>701</u>	<u>716</u>	<u>964</u>	<u>950</u>
Expenses:						
General Administration	21	23	-	-	21	23
City Clerk	1	-	-	-	1	-
Human Resources	2	1	-	-	2	1
Finance	5	2	-	-	5	2
Public Works	34	30	-	-	34	30
Parks and Recreation	19	17	-	-	19	17
Public Safety:						
Police	64	59	-	-	64	59
Fire	43	37	-	-	43	37
Planning and Inspection	9	8	-	-	9	8
Library	10	11	-	-	10	11
Interest on long-term debt	1	1	-	-	1	1
Utilities						
Electric-						
Retail	-	-	368	364	368	364
Wholesale	-	-	35	22	35	22
Water	-	-	36	32	36	32
Sewer	-	-	23	19	23	19
Water Recycling	-	-	5	3	5	3
Solid Waste	-	-	27	20	27	20
Cemetery	-	-	1	1	1	1
Santa Clara Golf and Tennis Club	-	-	3	3	3	3
Santa Clara Convention Center	-	-	8	9	8	9
Santa Clara Stadium Authority	-	-	105	147	105	147
Total expenses	<u>209</u>	<u>189</u>	<u>611</u>	<u>620</u>	<u>820</u>	<u>809</u>
Increase (decrease) in net position before transfers	54	45	90	96	144	141
Transfers in (out)	(4)	31	4	(31)	-	-
Increase (decrease) in net position before special item	50	76	94	65	144	141
Special item	-	(24)	-	-	-	(24)
Net position - July 1	589	537	917	852	1,506	1,389
Net position - June 30	<u>\$ 639</u>	<u>\$ 589</u>	<u>\$ 1,011</u>	<u>\$ 917</u>	<u>\$ 1,650</u>	<u>\$ 1,506</u>

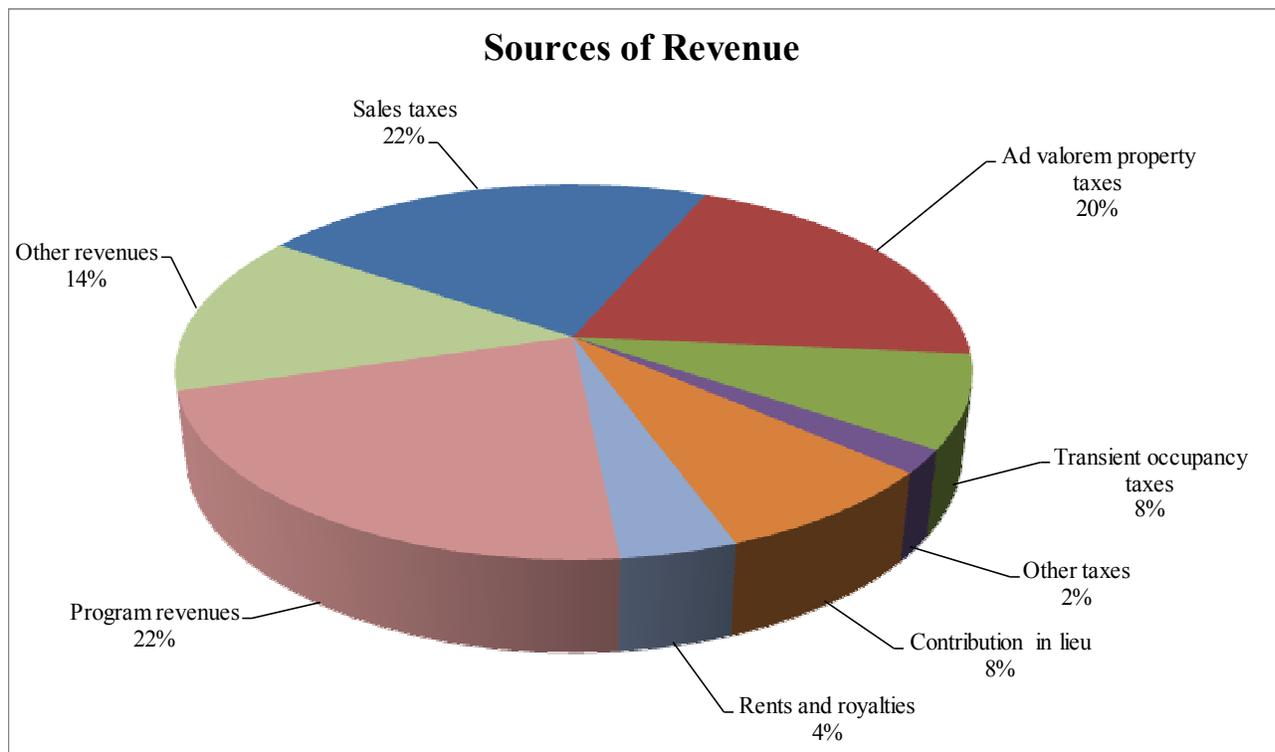
## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

*Governmental Activities* - governmental activities increased the City's net position by \$50 million. This is primarily due to increase in the developer impact fees in the Non-Major Government Funds.

*Business-type Activities* - business-type activities increased the City's net position by \$94 million. This is primarily due to a \$62 million increase in the Electric Fund as a result of increased utility rates and higher wholesale resource sales, a \$19 million increase in the Sewer Fund, also as a result of increased utility rates, and a \$13 million increase from the Stadium Authority operations.

### Governmental Activities

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



## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The following analysis presents a comparison of fiscal year 2016-17 and fiscal year 2015-16 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	
	2017	2016	2017	2016
General Administration	\$ 21	\$ 23	\$ 17	\$ 19
City Clerk	1	-	1	-
Human Resources	2	1	2	1
Finance	5	2	5	1
Public Works	34	30	12	11
Parks and Recreation	19	17	15	14
Public Safety:				
Police	64	59	58	48
Fire	43	37	36	30
Planning and Inspection	9	8	(4)	(7)
Library	10	11	10	10
Interest on long-term debt	1	1	1	1
Totals	<u>\$ 209</u>	<u>\$ 189</u>	<u>\$ 153</u>	<u>\$ 128</u>

In fiscal year 2016-17, total costs of services increased \$20 million and net costs increased \$25 million. The increased cost for Governmental Activities was primarily due to an increase in public safety costs.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Business-type Activities

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

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

	Total Cost Of Services		Net Cost Of Services	
	2017	2016	2017	2016
Utilities:				
Electric -				
Retail	\$ 368	\$ 364	\$ (56)	\$ (30)
Wholesale	35	22	(1)	4
Water	36	32	(4)	-
Sewer	23	19	(20)	(23)
Water Recycling	5	3	-	(1)
Solid Waste	27	20	4	(2)
Cemetery	1	1	-	-
Santa Clara Golf and Tennis Club	3	3	1	1
Santa Clara Convention Center	8	9	(1)	2
Santa Clara Stadium Authority	105	147	(4)	1
Totals	<u>\$ 611</u>	<u>\$ 620</u>	<u>\$ (81)</u>	<u>\$ (48)</u>

The City's business-type total costs of services decreased \$9 million and net costs of services decreased by \$33 million as of June 30, 2017. The net costs of services for the Electric Utility were (\$57) million, a decrease of \$31 million from the prior year. This net cost decrease can be attributed to a decrease in power purchase costs and an increase in utility charges for services. The net cost of services in Water Utility Fund decrease of \$4 million and Sewer Utility Fund decrease of \$3 million are mainly due to the increase in the utility charges for services rates. The net cost of services in Solid Waste Fund increase of \$6 million is mainly due to recognizing increased landfill post-closure costs to meet accounting requirements.

## 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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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, 2017, the City's governmental funds reported a combined fund balance of almost \$326 million, an increase of \$22 million in comparison with the prior fiscal year. This is mainly due to increases in developer impact fees. Approximately 33% or \$107 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, \$109 million, 3) committed for particular purposes, \$91 million, or 4) assigned for particular purposes, \$5 million.

Governmental fund revenues increased \$24 million, or 10%, from prior year to \$266 million. The majority of the increase, \$21 million, is due to an increase in the developer impact fees in the Non-Major Governmental Funds.

Governmental fund expenditures were \$236 million, an increase of \$28 million from the prior year. The increase is primarily attributable to higher salary and benefit costs in the General Fund and higher capital outlay spending in the Non-Major Governmental Funds.

### **General Fund**

#### *Revenues*

The City's General Fund revenues totaled \$230 million in fiscal year 2016-17. This represents an increase of \$6 million, or 2%, compared to the prior year.

Sales tax revenue is the largest revenue source for the City's General Fund and accounts for approximately 24% of direct General Fund revenues. Sales tax revenue decreased by \$2 million compared to the prior year for a total of \$56 million. In fiscal year 2015-16, there was a \$7 million one-time payment for the final adjustment related to the triple flip. Taking that payment into account, Sales tax revenues in fiscal year 2016-17 would have actually increased by \$5 million or 10% over prior year.

Property tax revenues for fiscal year 2016-17 were \$51 million, an increase of \$5 million or 12% from the prior year as a result of growth in the assessed valuation on secured properties.

Transient occupancy taxes were \$20.5 million in fiscal year 2016-17 compared with \$20.6 million in fiscal year 2015-16, a slight decrease from last year.

Licenses, permits, fines and penalties revenue were \$10.5 million in fiscal year 2016-17 compared with \$11.4 million in fiscal year 2015-16.

Intergovernmental revenues were \$9 million in fiscal year 2016-17 compared to \$1 million in the previous year. The \$8 million increase is due to the City's share of proceeds from the Successor Agency's sale of the land.

Charges for services totaled \$41 million in fiscal year 2016-17 compared to \$45 million in the prior fiscal year. This decrease is largely attributed to a reduction in reimbursement for public safety services provided for Levi's Stadium events in fiscal year 2016-17, due to a smaller number of events held than in the previous year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Contributions in-lieu of taxes were approximately \$21 million in fiscal year 2016-17, an increase of more than \$2 million or 11% compared to the previous year.

Interest and rent revenues were \$14 million in fiscal year 2016-17 compared to \$15 million in fiscal year 2015-16. This decrease is due to lower rent revenues.

### *Expenditures*

General Fund expenditures totaled \$192 million for fiscal year 2016-17 compared to \$181 million in the prior year. This amount excludes encumbrances and re-appropriations.

Salary and benefits expenditures were \$150 million in fiscal year 2016-17 compared with \$138 million in fiscal year 2015-16 an increase of \$12 million. This increase is primarily due to increased salary and benefit costs as well as an increase in General Fund positions.

Other operating expenditures, including materials, services, and supplies, internal service fund charges and minor capital outlays, were \$41 million in fiscal year 2016-17, a decrease of \$2 million from the previous fiscal year.

Transfers out for fiscal year 2016-17 were \$46 million compared to \$22 million in the prior year. This increase of \$24 million was primarily due to the purchase of various properties.

### *Fund Balance*

As of June 30, 2017, total fund balance in the General Fund was \$192 million, down \$6 million from fiscal year 2015-16. 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, 2017**  
**(in millions)**

	2017	2016	Net Change
Nonspendable	\$ 14	\$ 14	\$ -
Restricted	19	12	7
Committed	46	64	(18)
Assigned	5	5	-
Unassigned	108	103	5
Total General Fund Balance	\$ 192	\$ 198	\$ (6)

### **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:

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

**Original Budget Compared to Final Budget**

**Table 5B  
General Fund Budget for the Fiscal Year Ended June 30, 2017  
(in millions)**

	Original Budgeted Amount	Final Budgeted Amount	Net Change
Revenues	\$ 221	\$ 221	\$ -
Expenditures	\$ 201	\$ 202	\$ 1
Other financing sources (uses)	\$ (17)	\$ (39)	\$ (22)

Adjustments to the original budget were based on the following:

- The increase in budgeted expenditures is mainly due to a \$1 million increase in the contractual services appropriation in the community development, fire, and human resources departments.
- The decrease in budgeted Other Financing Uses is due to a transfer from the General Fund Land Sale Reserve to purchases of the soccer field, historical building, and properties for housing developments.

**Final Budget Versus Actual**

**Table 5C  
General Fund Final Budget Versus Actual for the Fiscal Year Ended June 30, 2017  
(in millions)**

	Final Budgeted Amount	Actual Amount	Variance
Revenues	\$ 221	\$ 236	\$ 15
Expenditures	\$ 202	\$ 191	\$ (11)
Other financing sources (uses)	\$ (39)	\$ (43)	\$ (4)

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

- The final budgeted revenues resulted in a \$15 million positive variance mainly due to increases in property and transient occupancy taxes, intergovernmental revenues, and development-related other revenues.
- 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### **Santa Clara Housing Successor**

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

The SCHSA's revenues were approximately \$1 million in fiscal year 2016-17, Revenues received were mostly loan repayments on low income loans. The general expenditures were \$147 thousand, an increase of \$97 thousand compared to the prior year.

### **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 \$1.011 billion at the end of fiscal year 2016-17, an increase of \$94 million or 10% over the prior fiscal year. Enterprise operating revenues were \$622 million, up \$2 million from last year's revenues. Fund operating expenses were \$536 million, down \$20 million from the prior year. The decrease can be largely attributed to decreases in materials, supplies and services and depreciation in the Stadium Authority.

Non-operating revenues were \$78 million, down \$14 million from the prior year due primarily to decreases in the interest revenue and net change in the fair value of investments. Non-operating expenses were \$76 million, up \$12 million from the prior year primarily due to increases in wholesale purchase costs in the Electric Utility Fund.

### **Electric Utility**

This fund accounts for the operation of the City's electric utility services. Retail operating revenues were \$390 million in fiscal year 2016-17 compared with \$372 million in fiscal year 2015-16. The main reason for this increase was due to a 3% rate increase effective January 1, 2017, and consumption increases in commercial and industrial sectors.

Retail operating expenses were \$351 million in fiscal year 2016-17 compared with \$348 million in fiscal year 2015-16, an increase of \$3 million or 1%. Operating expenses were higher primarily due to increases in operating costs.

Revenues of wholesale power operations increased to \$36 million in the current fiscal year, up from \$17 million in fiscal year 2015-16. The cost of wholesale power purchases increased from \$22 million in fiscal year 2015-16 to \$35 million in the current fiscal year. The increase of wholesale power purchases and sales in fiscal year 2016-17 was due to excess contracted purchases from specified power purchase agreements sold in the wholesale market.

Interest revenues were \$3 million in fiscal year 2016-17, up from \$2 million in fiscal year 2015-16 due primarily to a higher interest rate environment. Interest expense was \$9 million in current year, which was the same as in fiscal year 2015-16.

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

The Electric Utility Fund had a net position of \$682 million at June 30, 2017, an increase of \$63 million from the prior fiscal year. Of this amount, \$386 million was net investment in capital assets and \$296 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 \$39 million in fiscal year 2016-17, an increase of \$8 million from the prior fiscal year. The increase in revenue is due to an increase in utility rates and increased water usage.

Operating expenses were \$36 million in fiscal year 2016-17, compared to \$32 million in fiscal year 2015-16. The increase is primarily due to an increase in the cost of materials, services and supplies compared to the prior year. A major contributor to the material increase was the increased cost to purchase water. The Water Utility Fund's net position at June 30, 2017 is \$53 million, an increase of \$4 million from the prior fiscal year.

### **Sewer Utility**

This fund accounts for the maintenance of the City's sewer lines and related facilities. Operating revenues of the Sewer Utility increased to \$48 million in fiscal year 2016-17, up from \$39 million in fiscal year 2015-16. The increase was primarily due to an increase in utility rates and an increase in sewer conveyance revenue collected for upsizing existing structures.

Operating expenses were \$23 million in fiscal year 2016-17, compared with \$19 million in fiscal year 2015-16. The majority of this increase is due to higher materials, supplies, and services costs.

The Sewer Utility Fund had a net position of \$213 million at June 30, 2017, an increase of \$20 million from the prior fiscal year. Of this amount, \$21 million was net investment in capital assets, \$111 million was restricted for joint venture capital projects and \$81 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 17.4% of the assets, capital and operating costs. In fiscal year 2015-16, the City of San Jose reported that the gain of the Utility's equity in the Regional Wastewater Facility was \$5 million (fiscal year 2016-17 amounts were not available at the time of this report).

### **Water Recycling**

This fund accounts for the ongoing maintenance and operations of the City's wastewater reclamation system. Operating revenues have increased slightly from the prior year at approximately \$4 million. Operating expenses increased to \$5 million. The increase is mainly due to increased purchase cost of recycled water. The net position as of June 30, 2017 remains at \$5 million.

### **Solid Waste**

This fund accounts for the administration of the City's garbage and rubbish collection service. Operating revenues were \$23 million in fiscal year 2016-17, an increase of \$1 million from fiscal year 2015-16. Operating expenses were \$27 million in fiscal year 2016-17, an increase of \$6 million from fiscal year 2015-16, mainly due to the recognition of an additional \$5 million liability for landfill post-closure obligations and

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

an increase in the garbage collection fees. As a result of this accounting entry, this fund had a deficit net position of \$1 million. This deficit is expected to be funded by charges for services in future years.

### Cemetery

This fund accounts for the Mission City Memorial Park's operations. Operating revenues were up 14% while operating expenses were up 3% due to an increase in materials, services, and supplies expenditures. Net position at June 30, 2017 was \$(2.5) million, a decrease of \$7 thousand from fiscal year 2015-16. This fund has frequently run a deficit in its operation and capital activities, which has been covered by an advance from General Fund reserves.

### Santa Clara Golf and Tennis Club

This fund accounts for the operations of the City's public golf course. Operating revenues were \$2 million in fiscal year 2016-17; unchanged from the prior fiscal year. Operating expenses remained at \$3 million, the same as the previous fiscal year. Net position at June 30, 2017 was \$(2.1) million.

### Santa Clara Convention Center

This fund accounts for the operations of the Santa Clara Convention Center. Operating revenues were \$9 million in fiscal year 2016-17. Operating expenses slightly decreased to \$8 million in fiscal year 2016-17. Net position at June 30, 2017 was \$32 million.

### Sports and Open Space Authority (SOSA)

This fund accounts for the acquisition and preservation of open space within the City and the development of local sports activities. Operating revenues decreased slightly from fiscal year 2015-16 to \$58 thousand in fiscal year 2016-17. Operating expenses were \$11 thousand. Net position at June 30, 2017 was \$2 million.

### Santa Clara Stadium Authority (Stadium Authority)

These funds account for the development and operation of Levi's Stadium. As of March 31, 2017, the Stadium Authority recorded approximately \$107 million in operating revenue and incurred \$83 million in operating expenses. The operating activity in the current fiscal year was lower than the prior fiscal year. This was mainly due to a decrease in non-NFL event revenue and expenses from the prior fiscal year. Net position at March 31, 2017 was \$32 million, an increase of \$13 million from the previous year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### CAPITAL ASSETS

At June 30, 2017, the City's capital assets totaled \$553 million in Governmental Activities, and \$1.470 billion in Business-Type Activities, net of depreciation. They were invested in a broad range of categories, as shown in Table 6.

**Table 6**  
**Capital Assets at June 30, 2017**  
**(in millions)**

	<u>2017</u>	<u>2016</u>	<u>Net Change</u>
<b>Governmental Activities:</b>			
Land	\$ 109	\$ 96 #	\$ 13
Construction in progress	16	10	6
Land improvements	22	22	-
Buildings	212	210	2
Infrastructure	508	488	20
Machinery and equipment	73	71	2
Less accumulated depreciation	<u>(387)</u>	<u>(367)</u>	<u>(20)</u>
Totals	<u>\$ 553</u>	<u>\$ 530</u>	<u>\$ 23</u>
<b>Business-Type Activities:</b>			
Land	\$ 19	\$ 27	\$ (8)
Construction in progress	73	82	(9)
Land improvements	24	24	-
Buildings	917	915	2
Infrastructure	1,015	977	38
Machinery and equipment	23	22	1
Less accumulated depreciation	<u>(601)</u>	<u>(560)</u>	<u>(41)</u>
Totals	<u>\$ 1,470</u>	<u>\$ 1,487</u>	<u>\$ (17)</u>

The increase of \$23 million in the Governmental Funds asset base was due to various factors including land purchases for various governmental purposes. The \$17 million decrease in Enterprise Funds capital assets was due to a combination of factors including the sale of Electric Utility land to the Governmental Funds.

The Capital Improvement Project Budget for fiscal year 2016-17 and Five-Year Financial Plan for fiscal year 2016-17 through fiscal year 2020-21 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 2016-17 capital assets.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### DEBT ADMINISTRATION

Each of the City's debt issues is discussed in detail in Note 10 to the financial statements. At June 30, 2017 the City's debt was comprised of the following:

**Table 7**  
**Outstanding Debt at June 30, 2017**  
**(in millions)**

	Balance	Balance	
	June 30, 2017	June 30, 2016	Net Change
<b>Governmental Activity Debt:</b>			
Refunding Certificates of Participation, Series 2013	\$ 16	\$ 17	\$ (1)
Lease Agreement Between City of Santa Clara and City of Santa Clara Public Facilities Financing Corporation	5	6	(1)
<b>Business-Type Debt:</b>			
Electric Utility Revenue Bonds, net of unamortized discount	180	188	(8)
Electric Bank of America Loan Agreement	30	30	-
Sewer Utility Trimble Road Loan	11	12	(1)
StadCo Subordinated Loan <sup>(1)</sup>	113	146	(33)
StadCo CFD Advance <sup>(1)</sup>	34	36	(2)
Stadium Funding Trust Loan <sup>(1)</sup>	283	283	-
Total Debt	<u>\$ 672</u>	<u>\$ 718</u>	<u>\$ (46)</u>

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

### ECONOMIC OUTLOOK

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

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

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

# *Basic Financial Statements*

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**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, 2017**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments (Note 7):			
Pooled cash and investments	\$ 300,546,756	\$ 417,034,394	\$ 717,581,150
Investments with fiscal agent	80	50,026,163	50,026,243
Receivables (net of allowance for uncollectible):			
Accounts	6,970,905	85,164,904	92,135,809
Interest	920,478	1,063,613	1,984,091
Intergovernmental	10,432,050	-	10,432,050
Materials, supplies and prepaid	2,074,615	10,588,854	12,663,469
Derivative financial instruments (Note 10D)	-	42,356	42,356
Land held for development (Note 2H)	18,761,366	-	18,761,366
<b>Total Current Assets</b>	<b>339,706,250</b>	<b>563,920,284</b>	<b>903,626,534</b>
<b>Noncurrent Assets</b>			
Restricted Cash (Note 7)	7,305,530	4,406,279	11,711,809
Investment with fiscal agent (Note 7)	705,326	25,720,030	26,425,356
Deposits (Note 7)	-	2,745,581	2,745,581
Internal balances (Note 8)	7,801,250	(7,808,097)	(6,847)
Long term loans, net (Note 2BB)	109,980,494	-	109,980,494
Capital assets (Note 9)			
Land and construction in progress	124,988,518	92,048,162	217,036,680
Capital assets being depreciated, net	428,443,534	1,377,893,313	1,806,336,847
Investment in joint ventures (Note 12)	4,843,623	151,021,462	155,865,085
Other	4,027,040	-	4,027,040
<b>Total Noncurrent Assets</b>	<b>688,095,315</b>	<b>1,646,026,730</b>	<b>2,334,122,045</b>
<b>Total Assets</b>	<b>1,027,801,565</b>	<b>2,209,947,014</b>	<b>3,237,748,579</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Derivative instruments (Note 10D)	-	6,763,265	6,763,265
Refunding	-	5,634,190	5,634,190
Pension related items (Note 13)	66,615,591	20,669,844	87,285,435
<b>Total Deferred Outflows of Resources</b>	<b>\$ 66,615,591</b>	<b>\$ 33,067,299</b>	<b>\$ 99,682,890</b>

**CITY OF SANTA CLARA**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accrued liabilities	\$ 14,174,627	\$ 36,312,032	\$ 50,486,659
Interest payable	377,895	10,273,874	10,651,769
Accrued compensated absences (Note 2K)	1,205,584	448,876	1,654,460
Unearned revenue, current portion	-	14,171,855	14,171,855
Landfill closure liability (Note 11)	-	489,152	489,152
Derivative financial instruments (Note 10D)	-	85,758	85,758
Long-term debt-due within one year (Note 10)	1,731,000	15,873,409	17,604,409
Total Current Liabilities	<u>17,489,106</u>	<u>77,654,956</u>	<u>95,144,062</u>
<b>Noncurrent Liabilities</b>			
Long-term portion estimated claims (Note 19)	20,057,897	-	20,057,897
Accrued compensated absences (Note 2K)	12,544,114	4,670,563	17,214,677
Landfill closure liabilities (Note 11)	-	4,690,337	4,690,337
Accrued liabilities	-	3,720,459	3,720,459
Unearned revenue	24,450,302	380,886,790	405,337,092
Long-term derivative financial instruments (Note 10D)	-	6,677,507	6,677,507
Long-term debt-due after one year (Note 10)	19,445,878	634,699,938	654,145,816
Net pension liability-due after one year (Note 13)	348,843,514	115,902,272	464,745,786
Total Noncurrent Liabilities	<u>425,341,705</u>	<u>1,151,247,866</u>	<u>1,576,589,571</u>
Total Liabilities	<u>442,830,811</u>	<u>1,228,902,822</u>	<u>1,671,733,633</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Derivative instruments (Note 10D)	-	42,356	42,356
Refunding	-	444,180	444,180
Pension related items (Note 13)	12,756,682	2,111,329	14,868,011
Total Deferred Inflows of Resources	<u>12,756,682</u>	<u>2,597,865</u>	<u>15,354,547</u>
<b>NET POSITION (Note 18)</b>			
Net investment in capital assets	<u>532,255,174</u>	<u>882,187,468</u>	<u>1,414,442,642</u>
Restricted for:			
Capital projects and other agreements	76,863,951	142,458,564	219,322,515
Debt service	1,101,944	-	1,101,944
Housing activities	124,648,814	-	124,648,814
Special revenue funds and other	39,778,592	-	39,778,592
Total Restricted Net Position	<u>242,393,301</u>	<u>142,458,564</u>	<u>384,851,865</u>
Unrestricted Net Position	<u>(135,818,812)</u>	<u>(13,132,406)</u>	<u>(148,951,218)</u>
Total Net Position	<u>\$ 638,829,663</u>	<u>\$ 1,011,513,626</u>	<u>\$ 1,650,343,289</u>

**CITY OF SANTA CLARA**  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2017

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:					
General Administration	\$ 25,861,973	\$ (5,226,548)	\$ 1,651,125	\$ 1,450,806	\$ 301,598
City Clerk	1,539,163	(519,432)	24,533	-	-
City Attorney	1,602,518	(742,591)	63	-	-
Human Resources	3,019,353	(1,343,999)	-	44,692	-
Finance	9,768,842	(4,446,000)	770,901	-	-
Public Works	36,848,505	(2,534,615)	6,316,035	1,841,360	13,978,336
Parks and Recreation	18,616,361	-	3,168,943	157,607	-
Public Safety:					
Police	63,612,597	(235)	5,486,345	486,050	-
Fire	43,383,570	-	6,824,426	678,151	-
Planning and Inspection	9,166,456	(4,226)	13,658,495	-	-
Library	10,552,823	-	235,044	64,606	-
Interest on long term debt	749,107	-	-	-	-
Total Governmental Activities	<u>224,721,268</u>	<u>(14,817,646)</u>	<u>38,135,910</u>	<u>4,723,272</u>	<u>14,279,934</u>
Business-type Activities:					
Utilities:					
Electric -					
Retail	359,600,102	8,180,051	423,687,019	-	-
Wholesale	35,197,436	-	36,162,418	-	-
Water	33,036,373	2,612,775	39,952,778	-	-
Sewer	21,422,874	1,624,083	43,176,145	-	-
Water Recycling	4,764,083	93,797	4,834,240	-	-
Solid Waste	24,808,020	1,813,164	22,584,523	-	-
Cemetery	745,461	74,988	798,620	-	-
Sports and Open Space Authority	52,921	-	58,306	-	-
Santa Clara Golf and Tennis Club	2,771,624	-	1,779,971	-	-
Santa Clara Convention Center	8,477,616	-	9,196,277	-	384,695
Santa Clara Stadium Authority	105,173,919	418,788	106,586,018	-	3,473,113
Total Business-type Activities	<u>596,050,429</u>	<u>14,817,646</u>	<u>688,816,315</u>	<u>-</u>	<u>3,857,808</u>
Total	<u>\$ 820,771,697</u>	<u>\$ -</u>	<u>\$ 726,952,225</u>	<u>\$ 4,723,272</u>	<u>\$ 18,137,742</u>
General Revenues:					
Taxes:					
Sales					
Ad valorem property					
Transient occupancy					
Other					
Motor vehicle in-lieu					
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					
Gain/(loss) on retirement of capital asset					
Other					
Transfers (Note 8A)					
Total General Revenues and Transfers					
Change in Net Position					
Net Position - beginning					
Net Position - ending					

**CITY OF SANTA CLARA**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2017**

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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (17,231,896)	\$ -	\$ (17,231,896)
(995,198)	-	(995,198)
(859,864)	-	(859,864)
(1,630,662)	-	(1,630,662)
(4,551,941)	-	(4,551,941)
(12,178,159)	-	(12,178,159)
(15,289,811)	-	(15,289,811)
(57,639,967)	-	(57,639,967)
(35,880,993)	-	(35,880,993)
4,496,265	-	4,496,265
(10,253,173)	-	(10,253,173)
(749,107)	-	(749,107)
<u>(152,764,506)</u>	<u>-</u>	<u>(152,764,506)</u>
-	55,906,866	55,906,866
-	964,982	964,982
-	4,303,630	4,303,630
-	20,129,188	20,129,188
-	(23,640)	(23,640)
-	(4,036,661)	(4,036,661)
-	(21,829)	(21,829)
-	5,385	5,385
-	(991,653)	(991,653)
-	1,103,356	1,103,356
-	4,466,424	4,466,424
-	<u>81,806,048</u>	<u>81,806,048</u>
<u>(152,764,506)</u>	<u>81,806,048</u>	<u>(70,958,458)</u>
55,750,082	-	55,750,082
50,942,783	-	50,942,783
20,484,262	-	20,484,262
5,670,491	-	5,670,491
55,438	-	55,438
21,117,421	-	21,117,421
3,465,453	13,030,709	16,496,162
(3,216,838)	(3,671,404)	(6,888,242)
49,229	-	49,229
11,409,702	-	11,409,702
-	(21)	(21)
39,955,593	-	39,955,593
(3,562,476)	3,562,476	-
<u>202,121,140</u>	<u>12,921,760</u>	<u>215,042,900</u>
49,356,634	94,727,808	144,084,442
589,473,029	916,785,818	1,506,258,847
<u>\$ 638,829,663</u>	<u>\$1,011,513,626</u>	<u>\$1,650,343,289</u>

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

The funds described below were determined to be Major Funds by the City in fiscal year 2016-17. 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, 2017**

	<b>General Fund</b>	<b>Santa Clara Housing Successor</b>
<b>ASSETS</b>		
Cash and investments (Note 7):		
Pooled cash and investments	\$ 167,940,529	\$ 9,533,220
Investments with fiscal agent - current	-	-
Restricted cash	5,018,220	-
Receivables (net of allowance for uncollectibles):		
Accounts	6,545,565	-
Interest	920,478	-
Loans	-	74,547,858
Intergovernmental	8,497,880	-
Due from other funds (Note 8B)	20,581	-
Materials, supplies and prepaids	9,986	-
Land held for development (Note 2H)	-	18,761,366
Investments with fiscal agent - noncurrent (Note 7)	-	-
Advances to other funds (Note 8C)	9,447,544	-
Other	22,680	-
<b>Total Assets</b>	<b>\$ 198,423,463</b>	<b>\$ 102,842,444</b>
<b>LIABILITIES</b>		
Accrued liabilities	\$ 6,549,456	\$ 69,585
<b>Total Liabilities</b>	<b>6,549,456</b>	<b>69,585</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - Lease revenues	331,158	-
Unavailable revenue - Loans	-	74,547,858
Unavailable revenue - Grants	-	-
<b>Total Deferred Inflows of Resources</b>	<b>331,158</b>	<b>74,547,858</b>
<b>FUND BALANCES (Note 18)</b>		
Nonspendable	13,836,948	-
Restricted	7,083,123	28,225,001
Committed	58,580,265	-
Assigned	4,638,992	-
Unassigned	107,403,521	-
<b>Total Fund Balances</b>	<b>191,542,849</b>	<b>28,225,001</b>
<b>Total Liabilities, Deferred Inflows of Resources     and Fund Balances</b>	<b>\$ 198,423,463</b>	<b>\$ 102,842,444</b>

**CITY OF SANTA CLARA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2017**

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$
105,124,193	282,597,942
80	80
2,287,310	7,305,530
135,128	6,680,693
-	920,478
42,130,191	116,678,049
1,934,170	10,432,050
22,529	43,110
-	9,986
-	18,761,366
705,326	705,326
-	9,447,544
39,140	61,820
<b>\$ 152,378,067</b>	<b>\$ 453,643,974</b>
\$ 2,410,939	\$ 9,029,980
2,410,939	9,029,980
-	331,158
42,130,191	116,678,049
1,308,049	1,308,049
43,438,240	118,317,256
-	13,836,948
61,593,079	96,901,203
44,935,809	103,516,074
-	4,638,992
-	107,403,521
106,528,888	326,296,738
<b>\$ 152,378,067</b>	<b>\$ 453,643,974</b>

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**CITY OF SANTA CLARA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2017**

<b>TOTAL GOVERNMENTAL FUND BALANCE</b>	<b>\$ 326,296,738</b>
Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:	
<b>CURRENT LIABILITIES</b>	
The assets and liabilities below are due and payable in less than one year and more than 90 days and therefore are not reported in the Funds:	
Current portion of accrued compensated absences excluding Internal Service Funds	(1,187,591)
Interest payable	(377,895)
<b>CAPITAL ASSETS</b>	
Capital assets used in Governmental Activities are not current assets or financial resources and, therefore, are not reported in the Governmental Funds.	
	553,432,052
<b>LONG TERM ASSETS</b>	
Long-term receivable associated with lease agreements are not current assets or financial resources and, therefore, are not reported in the Governmental Funds	
	3,965,220
<b>INVESTMENT IN NON-BUSINESS TYPE JOINT VENTURE</b>	
	4,843,623
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related	65,791,386
<b>ALLOCATION OF INTERNAL SERVICE FUND NET POSITION</b>	
Internal Service Funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance, to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position:	
Cash and investments	17,948,814
Accounts receivable	290,212
Materials, supplies and prepaid	2,064,629
Deferred outflows pension related items	824,205
Accrued liabilities	(5,144,647)
Long-term portion of estimated claims	(20,057,897)
Compensated absences - current	(17,993)
Compensated absences - long-term	(187,221)
Internal balances	(1,689,404)
Net pension liability	(4,621,573)
Deferred inflows pension related items	(84,189)
<b>LONG TERM LIABILITIES</b>	
The assets and liabilities below are not due and payable in the current period and, therefore, are not reported in the Funds:	
Reserve against conditional grant balances	(6,697,555)
Long-term debt	(21,176,878)
Non-current portion of accrued compensated absences excluding Internal Service Funds	(12,356,893)
Net pension liability (excluding Internal Service Funds)	(344,221,941)
<b>DEFERRED INFLOW OF RESOURCES</b>	
Unavailable revenues recorded in governmental funds financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in Government-Wide Financial Statements.	
	93,866,954
Pension related	(12,672,493)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 638,829,663</b>

**CITY OF SANTA CLARA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the year ended June 30, 2017**

	<u>General Fund</u>	<u>Santa Clara Housing Successor</u>
<b>REVENUES</b>		
Taxes:		
Sales	\$ 55,750,082	\$ -
Ad valorem	50,942,783	-
Transient occupancy	20,484,262	-
Other	5,670,491	-
Licenses, permits, fines, and penalties	10,535,881	-
Intergovernmental	8,973,692	-
Charges for services	40,971,679	-
Contributions in-lieu of taxes	21,117,421	-
Interest and rents	14,067,072	98,625
Net increase (decrease) in the fair value of investments	(3,216,838)	-
Other	4,343,584	1,387,776
Total Revenues	<u>229,640,109</u>	<u>1,486,401</u>
<b>EXPENDITURES</b>		
Current:		
General Administration	17,514,591	147,499
City Clerk	1,594,054	-
City Attorney	1,657,620	-
Human Resources	2,993,587	-
Finance	9,724,757	-
Public Works	20,168,494	-
Parks and Recreation	16,341,591	-
Public Safety:		
Police	61,846,349	-
Fire	42,263,416	-
Planning and Inspection	9,156,146	-
Library	9,019,561	-
Capital outlay	132,175	-
Debt service (Note 10):		
Principal payments	-	-
Interest and fiscal fees	-	-
Bond issuance cost	-	-
Total Expenditures	<u>192,412,341</u>	<u>147,499</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>37,227,768</u>	<u>1,338,902</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in (Note 8A)	2,055,166	-
Transfers (out) (Note 8A)	(45,538,085)	-
Total Other Financing Sources (Uses)	<u>(43,482,919)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(6,255,151)	1,338,902
Fund balances - beginning	<u>197,798,000</u>	<u>26,886,099</u>
Fund balances - ending	<u>\$ 191,542,849</u>	<u>\$ 28,225,001</u>

**CITY OF SANTA CLARA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the year ended June 30, 2017**

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 55,750,082
-	50,942,783
-	20,484,262
-	5,670,491
-	10,535,881
6,295,585	15,269,277
1,969,414	42,941,093
-	21,117,421
469,725	14,635,422
-	(3,216,838)
26,477,945	32,209,305
<u>35,212,669</u>	<u>266,339,179</u>
6,603,149	24,265,239
-	1,594,054
-	1,657,620
-	2,993,587
-	9,724,757
3,849,584	24,018,078
1,022,415	17,364,006
443,252	62,289,601
286,355	42,549,771
-	9,156,146
93,872	9,113,433
29,196,940	29,329,115
1,674,000	1,674,000
824,529	824,529
2,207	2,207
<u>43,996,303</u>	<u>236,556,143</u>
<u>(8,783,634)</u>	<u>29,783,036</u>
42,927,600	44,982,766
(7,293,841)	(52,831,926)
<u>35,633,759</u>	<u>(7,849,160)</u>
26,850,125	21,933,876
79,678,763	304,362,862
<u>\$ 106,528,888</u>	<u>\$ 326,296,738</u>

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**CITY OF SANTA CLARA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2017**

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 21,933,876</b>
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
<b>ACCRUAL OF CURRENT ITEMS</b>	
The amounts below included in the Statement of Activities do not provide or (require) the use of financial resources over 90 days and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Current portion of accrued compensated absences	16,720
<b>CAPITAL ASSET TRANSACTIONS</b>	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The capital outlay expenditures are therefore added back to fund balance	29,329,115
Depreciation expense is deducted from the fund balance (Depreciation expense is net of Internal Service Fund depreciation of \$2,191,243 which has already been allocated to serviced funds.)	(19,368,116)
Retirements and transfers of capital assets (net of Internal Service Fund retirement of \$9,680)	-
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.	11,595,816
<b>JOINT VENTURES - PROFIT FROM EQUITY</b>	<b>49,229</b>
<b>LONG TERM DEBT PROCEEDS AND PAYMENTS</b>	
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	1,674,000
<b>ACCRUAL OF NON-CURRENT ITEMS</b>	
The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Provision for reserve of conditional grants	(350,472)
Non-current portion of accrued compensated absences	(906,242)
Interest payable	77,629
Unavailable revenue	(205,890)
Pension related expense	119,232
<b>ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY</b>	
Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds.	
The portion of the net revenue (expense) of these Internal Service Funds, arising out of their transactions with Governmental Funds, is reported with governmental activities, because they service those activities.	
Change in Net Position - All Internal Service Funds, net	5,122,870
Change in Net Position of Internal Service Funds reported with Business-Type Activities	268,867
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 49,356,634</b>

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

The City has identified the funds below as major proprietary funds in fiscal year 2016-17.

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 30<sup>th</sup> to March 31<sup>st</sup> to conform with the fiscal year of Stadium Funding Trust.

**CITY OF SANTA CLARA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>
<b>ASSETS</b>			
Current assets:			
Cash and investments (Note 7):			
Pooled cash and investments	\$ 280,530,936	\$ 15,724,805	\$ 79,733,273
Investments with fiscal agent	9,408,113	-	-
Receivables (net of allowance for uncollectible):			
Accounts	60,171,499	6,059,408	4,906,758
Interest	769,206	47,226	208,682
Due from other funds (Note 8B)	1,405,465	117,025	288,481
Materials, supplies and prepaids	9,793,064	746,085	-
Derivative financial instrument (Note 10D)	42,356	-	-
<b>Total current assets</b>	<b>362,120,639</b>	<b>22,694,549</b>	<b>85,137,194</b>
Noncurrent assets:			
Restricted cash (Note 7)	-	303,090	2,255,480
Investment with fiscal agent (Note 7)	14,183,795	-	-
Deposits (Note 7)	2,745,581	-	-
Capital assets (Note 9):			
Land	14,371,743	661,268	725,328
Buildings, infrastructure and land improvements	890,430,499	87,164,027	48,300,315
Equipment	9,645,711	4,328,173	4,295,255
Construction in progress	72,922,715	40,265	154,122
	987,370,668	92,193,733	53,475,020
Less accumulated depreciation	415,264,045	43,548,793	21,785,294
Net capital assets	572,106,623	48,644,940	31,689,726
Investment in joint ventures (Note 12)	39,663,767	-	111,357,695
<b>Total noncurrent assets</b>	<b>628,699,766</b>	<b>48,948,030</b>	<b>145,302,901</b>
<b>Total assets</b>	<b>990,820,405</b>	<b>71,642,579</b>	<b>230,440,095</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Derivative instruments (Note 10D)	6,763,265	-	-
Refunding	5,634,190	-	-
Pension related items (Note 13)	15,090,279	3,245,036	1,272,986
<b>Total deferred outflows of resources</b>	<b>27,487,734</b>	<b>3,245,036</b>	<b>1,272,986</b>

**CITY OF SANTA CLARA  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
June 30, 2017**

<b>Business-type Activities-Enterprise Funds</b>				
<b>Water Recycling Utility</b>	<b>Santa Clara Stadium Authority (as of March 31, 2017)</b>	<b>Non-Major Enterprise Funds</b>	<b>TOTAL</b>	<b>Internal Service Funds (Note 2B)</b>
\$ 4,500,504	\$ 25,381,136	\$ 12,063,963	\$ 417,934,617	\$ 17,048,591
-	40,618,050	-	50,026,163	-
554,038	10,158,323	3,314,878	85,164,904	290,212
13,443	25,056	-	1,063,613	-
-	-	233,387	2,044,358	403,712
-	-	49,705	10,588,854	2,064,629
-	-	-	42,356	-
<b>5,067,985</b>	<b>76,182,565</b>	<b>15,661,933</b>	<b>566,864,865</b>	<b>19,807,144</b>
-	-	1,847,709	4,406,279	-
-	11,536,235	-	25,720,030	-
-	-	-	2,745,581	-
-	-	3,092,872	18,851,211	-
1,257,070	825,096,651	103,594,105	1,955,842,667	-
-	1,152,353	3,659,709	23,081,201	34,478,052
-	79,849	-	73,196,951	-
<b>1,257,070</b>	<b>826,328,853</b>	<b>110,346,686</b>	<b>2,070,972,030</b>	<b>34,478,052</b>
<b>33,650</b>	<b>44,393,565</b>	<b>76,005,208</b>	<b>601,030,555</b>	<b>23,289,813</b>
<b>1,223,420</b>	<b>781,935,288</b>	<b>34,341,478</b>	<b>1,469,941,475</b>	<b>11,188,239</b>
-	-	-	151,021,462	-
<b>1,223,420</b>	<b>793,471,523</b>	<b>36,189,187</b>	<b>1,653,834,827</b>	<b>11,188,239</b>
<b>6,291,405</b>	<b>869,654,088</b>	<b>51,851,120</b>	<b>2,220,699,692</b>	<b>30,995,383</b>
-	-	-	6,763,265	-
-	-	-	5,634,190	-
159,663	-	901,880	20,669,844	824,205
<b>159,663</b>	<b>-</b>	<b>901,880</b>	<b>33,067,299</b>	<b>824,205</b>

**(continued)**

**CITY OF SANTA CLARA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 June 30, 2017**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accrued liabilities	25,669,718	2,637,820	79,592
Interest payable	3,103,360	-	100,661
Unearned revenue	767,726	-	-
Due to other funds (Note 8B)	-	377,483	-
Accrued compensated absences (Note 2K)	360,042	50,774	19,935
Current portion of landfill closure liability (Note 11)	-	-	-
Current portion of long-term debt (Note 10)	11,416,000	-	699,587
Current portion derivative financial instruments (Note 10D)	85,758	-	-
<b>Total current liabilities</b>	<b>41,402,604</b>	<b>3,066,077</b>	<b>899,775</b>
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)	3,746,235	528,308	207,428
Landfill closure liability (Note 11)	-	-	-
Long-term debt (Note 10)	198,094,995	-	10,589,447
Long-term derivative financial instruments (Note 10D)	6,677,507	-	-
Net pension liability (Note 13)	84,615,916	18,195,932	7,138,032
<b>Total noncurrent liabilities</b>	<b>293,134,653</b>	<b>18,724,240</b>	<b>17,934,907</b>
<b>Total liabilities</b>	<b>334,537,257</b>	<b>21,790,317</b>	<b>18,834,682</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Derivative instruments (Note 10D)	42,356	-	-
Refunding	444,180	-	-
Pension related items (Note 13)	1,541,402	331,465	130,030
<b>Total deferred inflows of resources</b>	<b>2,027,938</b>	<b>331,465</b>	<b>130,030</b>
<b>NET POSITION (Note 18)</b>			
Net investment in capital assets	386,187,536	48,644,940	20,400,692
Restricted for capital projects and other agreements	-	-	111,357,695
Unrestricted	295,555,408	4,120,893	80,989,982
<b>Total net position (deficit)</b>	<b>\$ 681,742,944</b>	<b>\$ 52,765,833</b>	<b>\$ 212,748,369</b>

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, 2017**

<b>Business-type Activities-Enterprise Funds</b>				
<b>Water Recycling Utility</b>	<b>Santa Clara Stadium Authority (as of March 31, 2017)</b>	<b>Non-Major Enterprise Funds</b>	<b>TOTAL</b>	<b>Internal Service Funds (Note 2B)</b>
773,522	4,178,333	2,973,047	36,312,032	5,144,647
-	7,069,853	-	10,273,874	-
-	12,056,112	1,348,017	14,171,855	-
-	27,428	-	404,911	2,093,116
383	-	17,742	448,876	17,993
-	-	489,152	489,152	-
-	3,757,822	-	15,873,409	-
-	-	-	85,758	-
<u>773,905</u>	<u>27,089,548</u>	<u>4,827,958</u>	<u>78,059,867</u>	<u>7,255,756</u>
-	-	9,447,544	9,447,544	-
-	380,886,790	-	380,886,790	-
-	3,720,459	-	3,720,459	-
-	-	-	-	20,057,897
3,982	-	184,610	4,670,563	187,221
-	-	4,690,337	4,690,337	-
-	426,015,496	-	634,699,938	-
-	-	-	6,677,507	-
895,279	-	5,057,113	115,902,272	4,621,573
<u>899,261</u>	<u>810,622,745</u>	<u>19,379,604</u>	<u>1,160,695,410</u>	<u>24,866,691</u>
<u>1,673,166</u>	<u>837,712,293</u>	<u>24,207,562</u>	<u>1,238,755,277</u>	<u>32,122,447</u>
-	-	-	42,356	-
-	-	-	444,180	-
16,309	-	92,123	2,111,329	84,189
<u>16,309</u>	<u>-</u>	<u>92,123</u>	<u>2,597,865</u>	<u>84,189</u>
1,223,420	391,389,402	34,341,478	882,187,468	11,188,239
-	27,217,329	3,883,540	142,458,564	-
<u>3,538,173</u>	<u>(386,664,936)</u>	<u>(9,771,703)</u>	<u>(12,232,183)</u>	<u>(11,575,287)</u>
<u>\$ 4,761,593</u>	<u>\$ 31,941,795</u>	<u>\$ 28,453,315</u>	1,012,413,849	<u>\$ (387,048)</u>
			<u>(900,223)</u>	
			<u>\$ 1,011,513,626</u>	

**CITY OF SANTA CLARA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**For the year ended June 30, 2017**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>
Operating revenues:			
Charges for services	\$ 390,409,536	\$ 38,520,124	\$ 47,909,579
Rents, royalties and licensing	-	-	-
Insurance refunds and other	-	-	-
Other	-	37,146	-
Total operating revenues	<u>390,409,536</u>	<u>38,557,270</u>	<u>47,909,579</u>
Operating expenses:			
Salaries and benefits	32,016,244	5,597,925	3,046,829
Materials, services and supplies	299,530,973	28,538,007	18,786,987
General and administrative	-	-	-
Depreciation	19,820,340	1,474,148	911,565
Total operating expenses	<u>351,367,557</u>	<u>35,610,080</u>	<u>22,745,381</u>
Operating income (loss)	<u>39,041,979</u>	<u>2,947,190</u>	<u>25,164,198</u>
Nonoperating revenues (expenses):			
Interest revenue	3,110,940	178,554	785,215
Net change in the fair value of investments	(2,723,570)	(161,536)	(738,281)
Rents and royalties	3,324,769	50,882	50,882
Other revenue	19,370,282	1,344,626	2,461,520
Interest expense	(8,697,181)	-	(246,938)
Other expense	(6,807,511)	-	(70,234)
Equity in income (losses) of joint ventures	4,345,144	-	(7,245,836)
Gain (loss) on retirement of assets	-	(21)	-
Renewable energy credits	6,237,288	-	-
Wholesale resources sales	36,162,418	-	-
Wholesale resources purchases	(35,197,436)	-	-
Total nonoperating revenues (expenses)	<u>19,125,143</u>	<u>1,412,505</u>	<u>(5,003,672)</u>
Income (loss) before contributions and transfers	58,167,122	4,359,695	20,160,526
Contributions	-	-	-
Transfers in (Note 8A)	5,329,509	-	-
Transfers (out) (Note 8A)	(1,087,632)	(406,271)	(348,054)
Change in net position	<u>62,408,999</u>	<u>3,953,424</u>	<u>19,812,472</u>
Total net position - beginning	619,333,945	48,812,409	192,935,897
Total net position - ending	<u>\$ 681,742,944</u>	<u>\$ 52,765,833</u>	<u>\$ 212,748,369</u>

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

Change in net position of business-type activities

**CITY OF SANTA CLARA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**For the year ended June 30, 2017**

**Business-type Activities-Enterprise Funds**

<b>Water Recycling Utility</b>	<b>Santa Clara Stadium Authority (as of March 31, 2017)</b>	<b>Non-Major Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ 4,768,894	\$ 63,483,257	\$ 33,095,121	\$ 578,186,511	\$ 14,150,910
-	43,102,761	58,306	43,161,067	-
-	-	-	-	215,842
-	-	1,259,378	1,296,524	-
<u>4,768,894</u>	<u>106,586,018</u>	<u>34,412,805</u>	<u>622,644,102</u>	<u>14,366,752</u>
483,502	-	1,525,008	42,669,508	2,070,164
4,355,750	62,630,688	34,537,256	448,379,661	1,686,251
-	4,147,376	-	4,147,376	8,690,879
23,110	16,439,207	2,439,334	41,107,704	2,191,243
<u>4,862,362</u>	<u>83,217,271</u>	<u>38,501,598</u>	<u>536,304,249</u>	<u>14,638,537</u>
(93,468)	23,368,747	(4,088,793)	86,339,853	(271,785)
49,777	8,870,702	35,521	13,030,709	-
(48,017)	-	-	(3,671,404)	-
-	-	4,892	3,431,425	-
65,346	-	-	23,241,774	217,428
-	(22,375,436)	-	(31,319,555)	-
-	-	-	(6,877,745)	-
-	-	-	(2,900,692)	-
-	-	-	(21)	(9,680)
-	-	-	6,237,288	-
-	-	-	36,162,418	-
-	-	-	(35,197,436)	-
<u>67,106</u>	<u>(13,504,734)</u>	<u>40,413</u>	<u>2,136,761</u>	<u>207,748</u>
(26,362)	9,864,013	(4,048,380)	88,476,614	(64,037)
-	3,473,113	384,695	3,857,808	-
-	-	166,072	5,495,581	4,300,000
-	-	(91,148)	(1,933,105)	(13,316)
<u>(26,362)</u>	<u>13,337,126</u>	<u>(3,588,761)</u>	<u>95,896,898</u>	<u>4,222,647</u>
4,787,955	18,604,669	32,042,076		(4,609,695)
<u>\$ 4,761,593</u>	<u>\$ 31,941,795</u>	<u>\$ 28,453,315</u>		<u>\$ (387,048)</u>
			(1,169,090)	
			<u>\$ 94,727,808</u>	

**CITY OF SANTA CLARA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2017**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 383,219,325	\$ 36,583,632	\$ 47,159,763
Payments to suppliers	(295,730,577)	(28,093,186)	(18,793,210)
Payments to employees for salaries and benefits	(32,031,012)	(5,826,527)	(3,030,211)
Internal activity - payments to other funds	-	-	-
Claims paid	-	-	-
Rents, royalties and licenses received	3,657,491	50,882	50,882
Other receipts (payments)	12,492,922	1,344,626	2,461,520
Net cash provided (used) by operating activities	<u>71,608,149</u>	<u>4,059,427</u>	<u>27,848,744</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Renewable energy credits	6,237,288	-	-
Wholesale resources sales	36,162,418	-	-
Wholesale resources purchases	(35,197,436)	-	-
Wholesale trading escrow deposit	(55,505)	-	-
Charges for joint project contributions	-	-	(14,153,869)
(Increase) in due from other funds	-	(12,059)	(171,695)
Decrease in due from other funds	325,394	8,467	-
Increase in due to other funds	-	-	-
(Decrease) in due to other funds	-	-	-
Advances from other funds	-	-	-
Transfers in	5,329,509	-	-
Transfers (out)	(1,087,632)	(406,271)	(348,054)
Cash Flows from Noncapital Financing Activities	<u>11,714,036</u>	<u>(409,863)</u>	<u>(14,673,618)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Contribution from Community Facilities District	-	-	-
Acquisition and construction of capital assets, net	(23,923,704)	(3,609,705)	(5,056,198)
Proceeds from sale of assets	8,500,491	-	-
Landfill closure payments	-	-	-
Cost of issuance	-	-	(70,234)
Principal payments on capital debt	(7,640,000)	-	(710,966)
Interest paid on capital debt	(10,706,650)	-	(226,483)
Cash Flows from Capital and Related Financing Activities	<u>(33,769,863)</u>	<u>(3,609,705)</u>	<u>(6,063,881)</u>

**CITY OF SANTA CLARA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2017**

<b>Business-type Activities-Enterprise Funds</b>				
<b>Water Recycling Utility</b>	<b>Santa Clara Stadium Authority (as of March 31, 2017)</b>	<b>Non-Major Enterprise Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>
\$ 4,299,676	\$ 78,213,241	\$ 32,785,113	\$ 582,260,750	\$ 14,069,502
(3,589,896)	(65,999,953)	(28,649,871)	(440,856,693)	(3,389,506)
(498,726)	-	(1,469,741)	(42,856,217)	(2,078,842)
-	-	-	-	109,551
-	-	-	-	(9,246,055)
-	41,388,618	12,489	45,160,362	-
65,346	-	1,268,998	17,633,412	217,428
<u>276,400</u>	<u>53,601,906</u>	<u>3,946,988</u>	<u>161,341,614</u>	<u>(317,922)</u>
-	-	-	6,237,288	-
-	-	-	36,162,418	-
-	-	-	(35,197,436)	-
-	-	-	(55,505)	-
-	-	-	(14,153,869)	-
-	-	(26,479)	(210,233)	(9,643)
-	-	-	333,861	-
-	-	-	-	38,823
-	(41,013)	-	(41,013)	(150,494)
-	-	327,744	327,744	-
-	-	166,072	5,495,581	4,300,000
-	-	(91,148)	(1,933,105)	(13,316)
<u>-</u>	<u>(41,013)</u>	<u>376,189</u>	<u>(3,034,269)</u>	<u>4,165,370</u>
-	3,573,523	-	3,573,523	-
(196,259)	(81,844)	-	(32,867,710)	(3,781,291)
-	-	-	8,500,491	-
-	-	(399,999)	(399,999)	-
-	-	-	(70,234)	-
-	(36,867,032)	-	(45,217,998)	-
<u>-</u>	<u>(23,524,563)</u>	<u>-</u>	<u>(34,457,696)</u>	<u>-</u>
<u>(196,259)</u>	<u>(56,899,916)</u>	<u>(399,999)</u>	<u>(100,939,623)</u>	<u>(3,781,291)</u>

**(continued)**

**CITY OF SANTA CLARA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2017**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net increase in the fair value of investments	(2,723,570)	(161,536)	(738,281)
Interest and dividends	6,654,536	155,582	696,348
Payments made by fiscal agent	13,505,942	-	-
Deposits made with fiscal agent	(13,732,685)	-	-
Cash Flows from Investing Activities	<u>3,704,223</u>	<u>(5,954)</u>	<u>(41,933)</u>
Net increase (decrease) in cash and cash equivalents	53,256,545	33,905	7,069,312
Cash and cash equivalents at beginning of period	<u>227,274,391</u>	<u>15,993,990</u>	<u>74,919,441</u>
Cash and cash equivalents at end of period	<u>\$ 280,530,936</u>	<u>\$ 16,027,895</u>	<u>\$ 81,988,753</u>
Cash and cash equivalents:			
Pooled cash and investments	\$ 280,530,936	\$ 15,724,805	\$ 79,733,273
Restricted cash	<u>-</u>	<u>303,090</u>	<u>2,255,480</u>
Total cash and cash equivalents	<u>\$ 280,530,936</u>	<u>\$ 16,027,895</u>	<u>\$ 81,988,753</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 39,041,979	\$ 2,947,190	\$ 25,164,198
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
(Decrease) Increase in due to retirement system	(586,572)	(126,138)	(49,482)
Depreciation	19,820,340	1,474,148	911,565
Change in assets and liabilities:			
Receivables, net	(7,473,121)	(1,980,037)	(749,817)
Inventory	(188,921)	(81,435)	-
Accrued liabilities	4,272,080	532,655	(6,222)
Long-term portion estimated claims	-	-	-
Compensated absences	571,804	(102,464)	66,100
Unearned revenue	263,020	-	-
Other receipts	22,695,051	1,395,508	2,512,402
Other expenses	(6,807,511)	-	-
Net cash provided (used) by operating activities	<u>\$ 71,608,149</u>	<u>\$ 4,059,427</u>	<u>\$ 27,848,744</u>
NONCASH TRANSACTIONS:			
Joint Ventures			
Nonoperating income (loss)	<u>\$ 4,345,144</u>	<u>\$ -</u>	<u>\$ (7,245,836)</u>
Capital Contribution	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SANTA CLARA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2017**

<b>Business-type Activities-Enterprise Funds</b>					
<b>Water Recycling Utility</b>	<b>Santa Clara Stadium Authority (as of March 31, 2017)</b>	<b>Non-Major Enterprise Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>	
(48,017)	-	23,689	(3,647,715)	-	
44,288	13,941,495	11,832	21,504,081	-	
-	82,417,141	-	95,923,083	-	
-	(93,149,468)	-	(106,882,153)	-	
<u>(3,729)</u>	<u>3,209,168</u>	<u>35,521</u>	<u>6,897,296</u>	<u>-</u>	
76,412	(129,855)	3,958,699	64,265,018	66,157	
4,424,092	25,510,991	9,952,973	358,075,878	16,982,434	
<u>\$ 4,500,504</u>	<u>\$ 25,381,136</u>	<u>\$ 13,911,672</u>	<u>\$ 422,340,896</u>	<u>\$ 17,048,591</u>	
\$ 4,500,504	\$ 25,381,136	\$ 12,063,963	\$ 417,934,617	\$ 17,048,591	
-	-	1,847,709	4,406,279	-	
<u>\$ 4,500,504</u>	<u>\$ 25,381,136</u>	<u>\$ 13,911,672</u>	<u>\$ 422,340,896</u>	<u>\$ 17,048,591</u>	
\$ (93,468)	\$ 23,368,747	\$ (4,088,793)	\$ 86,339,853	\$ (271,785)	
(6,206)	-	(35,058)	(803,456)	(32,037)	
23,110	16,439,207	2,439,334	41,107,704	2,191,243	
(469,218)	4,442,948	(478,394)	(6,707,639)	(81,408)	
-	-	7,250	(263,106)	(1,276,243)	
765,854	49,067	5,887,386	11,500,820	96,477	
-	-	-	-	(1,184,956)	
(9,018)	-	90,324	616,746	23,359	
-	8,572,893	117,677	8,953,590	-	
65,346	729,044	7,262	27,404,613	217,428	
-	-	-	(6,807,511)	-	
<u>\$ 276,400</u>	<u>\$ 53,601,906</u>	<u>\$ 3,946,988</u>	<u>\$ 161,341,614</u>	<u>\$ (317,922)</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,900,692)</u>	<u>\$ -</u>	
<u>\$ -</u>	<u>\$ 3,473,113</u>	<u>\$ 384,695</u>	<u>\$ 3,857,808</u>	<u>\$ -</u>	

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<p style="text-align: center;"><b>CITY OF SANTA CLARA FIDUCIARY FUNDS</b></p>
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These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

PRIVATE PURPOSE TRUST FUNDS

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

OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN TRUST FUND

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

AGENCY FUNDS

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

**CITY OF SANTA CLARA**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2017**

	<u>Private Purpose Trust Funds</u>	<u>OPEB Plan Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>			
Pooled cash and investments (Note 7)	\$ 704,591	\$ 940,598	\$ 20,834,145
Investments with fiscal agent (Note 7)	-	15,228,055	2
Receivables (net of allowance for uncollectibles):	761	-	-
Interest	17,630	-	-
Restricted cash (Note 7)	12,368	-	-
Investments with fiscal agent - noncurrent (Note 7)	2,789,414	-	-
Land held for resale	21,487,382	-	-
Total Assets	<u>25,012,146</u>	<u>16,168,653</u>	<u>20,834,147</u>
<b>LIABILITIES</b>			
Accrued liabilities	136,067	75,785	7,237,561
Due to bondholders	-	-	2,672,670
Due to City (Note 21C)	4,355,641	-	-
Refundable deposits	-	-	10,923,916
Total Liabilities	<u>4,491,708</u>	<u>75,785</u>	<u>\$ 20,834,147</u>
<b>NET POSITION</b>			
Held in trust for private purpose and OPEB benefits	<u>20,520,438</u>	<u>16,092,868</u>	
Total Net Position	<u>\$ 20,520,438</u>	<u>\$ 16,092,868</u>	

**CITY OF SANTA CLARA**  
**FIDUCIARY TRUST FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Year Ended June 30, 2017**

	<u>Private Purpose Trust Funds</u>	<u>OPEB Plan Trust Fund</u>
<b>Additions</b>		
Employer contributions	\$ -	\$ 2,732,583
Investment income:		
Interest and rent	12,828,483	738,113
Net change in fair value of investments	12,713	-
Less investment expense	-	(72,757)
Gain from sale of property	109,534,202	-
Other	283,880	551,581
Total additions	<u>122,659,278</u>	<u>3,949,520</u>
<b>Deductions</b>		
General and administrative	89,806	-
Benefits paid	-	2,108,966
Interest and Fees	17,498,980	-
Pass through to the County of Santa Clara	81,635,697	-
Total deductions	<u>99,224,483</u>	<u>2,108,966</u>
<b>Change in net position</b>	<u>23,434,795</u>	<u>1,840,554</u>
<b>Net position held in trust for private purpose and OPEB benefits:</b>		
Beginning of year, as restated (Note 18E)	<u>(2,914,357)</u>	<u>14,252,314</u>
End of year	<u>\$ 20,520,438</u>	<u>\$ 16,092,868</u>

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**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**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 123,983 accounts for 6.4% of the total Santa Clara County estimated population of 1.9 million.

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

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

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

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

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

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

**C. Santa Clara Housing Authority**

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**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 30<sup>th</sup> to March 31<sup>st</sup>. As such, the financial activities reported for SCSA are as of fiscal year ended March 31, 2017. In addition, the annual financial report was audited by KPMG, an independent auditing firm, and a copy of the report can be found on the City's website.

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

**A. Basic Financial Statements**

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

The significant accounting policies are described below:

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**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.

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

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

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

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

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

The City also reports the following fund types:

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

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

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

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

**C. Basis of Accounting**

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**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, 2017, the City implemented the following GASB Statements:

The GASB issued Statement No. 73 *"Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68."* The objective of this statement is to address accounting and financial reporting issues related to pensions. This statement becomes effective for periods beginning after June 15, 2016. The adoption of this standard does not have an impact to the City's financial statements.

The GASB issued Statement No. 74 *"Financial Reporting for Postemployments Benefits Plans Other Than Pension Plans."* The objective of this statement is to address the financial reports of defined benefits OPEB plans that are administered through trusts that meet specified criteria. This statement becomes effective for periods beginning after June 15, 2016. This standard was adopted for fiscal year ending June 30, 2017. Please refer to the Fiduciary Fund financial statements and Note 16E for details concerning the disclosure related to this pronouncement.

The GASB issued Statement No. 77 *"Tax Abatement Disclosures."* The objective of this statement is to require governments that enter into tax abatement agreements to disclose specific information concerning the agreements. This statement becomes effective for periods beginning after December 15, 2015. The City does not have any material Tax Abatement agreements therefore the adoption of this standard does not have an impact to the City's financial statements.

The GASB issued Statement No. 78 *"Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans."* The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68 *"Accounting and Financial Reporting for Pensions."* This statement becomes effective for periods beginning after December 15, 2015. The adoption of this standard does not have an impact to the City's financial statements.

The GASB issued Statement No. 80 *"Blending Requirements for Certain Component Units-An Amendment of GASB Statement No. 14."* The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement becomes effective for periods beginning after June 15, 2016. The adoption of this standard does not have an impact to the City's financial statements.

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

The GASB issued Statement No. 75 *"Accounting and Financial Reporting for Postemployments Benefits Plans Other Than Pension Plans."* The objective of this statement is to addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement becomes effective for periods beginning after June 15, 2017. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 81 *"Irrevocable Split-Interest Agreements."* The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

providing recognition and measurement guidance for situations in which government is a beneficiary of the agreement. This statement becomes effective for periods beginning after December 15, 2016. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 83 "*Certain Asset Retirement Obligations.*" The objective of this statement is to address accounting and financial reporting for certain asset retirement obligations. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. This statement becomes effective for periods beginning after June 15, 2018. The City is currently evaluating the impact on the financial statements.

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 reports. This statement becomes effective for periods beginning after December 15, 2018. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 85 "*Omnibus.*" The objective of this statement is to address practice issues regarding the implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending components units, goodwill, fair value measurement and application and postemployment benefits. This statement becomes effective for periods beginning after June 15, 2017. The City is currently evaluating the impact on the financial statements.

The GASB issued Statement No. 86 "*Advance Refunding Resulting in Defeasance of Debt.*" The objective of this statement is to improve consistency in for in-substance defeasance of debt, improve reporting for prepaid insurance on extinguished debt and financial statements notes regarding defeased debt. This statement becomes effective for periods beginning after June 15, 2017. The City is currently evaluating the impact on the financial statements.

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

**D. Cash and Investments**

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

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 develop or redevelop blighted properties within the Redevelopment areas. Such land parcels are accounted for as investments on the balance sheet at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

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

**I. Capital Assets**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated acquisition value on the date contributed.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

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.

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

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, 2017. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$ 12,836,817	\$ 4,502,694	\$ 17,339,511
Additions	2,141,973	917,431	3,059,404
Payments	1,229,092	300,686	1,529,778
Ending Balance	<u>\$ 13,749,698</u>	<u>\$ 5,119,439</u>	<u>\$ 18,869,137</u>
Current Portions	<u>\$ 1,205,584</u>	<u>\$ 448,876</u>	<u>\$ 1,654,460</u>

**L. Risk Management**

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

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

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

**M. Long-Term Obligations**

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

**N. Pensions**

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

**O. Accounting for Encumbrances**

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

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

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

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

**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:

	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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

The City's net assessed valuation for the year ended June 30, 2017, was \$36.5 billion, an increase of 11.31% compared to the previous year. The average tax rate was 1.15% 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.

**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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

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, 2017, conditional grants of \$13,354,427 were offset by reserves of \$6,697,555.

**CC. Use of Estimates**

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

**DD. Vehicle Registration Fee**

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

As of June 30, 2017 the balance of the Vehicle Registration Fees are as follows:

	Vehicle Registration Fee
Beginning Balance July 1, 2016	\$ 1,743,795
Intergovernmental revenue	749,182
Interest	18,460
Expenditures	(270,671)
Ending Balance June 30, 2017	\$ 2,240,766

**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, City Affordable Housing, Santa Clara Housing Authority, 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.

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

Budget information is presented on a non-GAAP budgetary basis. Budgeted revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations and transfers during the year. Budget amounts in the schedules of revenues, expenditures and changes in fund balances-budget and actual, include supplemental appropriations approved by the City Council during the year.

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

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

**NOTE 4 – LEASE AGREEMENTS**

**A. Original City Leases**

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

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

In March 2006, the DDA and the Ground Lease were amended to update the status of conditions precedent; amend the schedule of performance; and clarify terms and conditions relating to Parcel 1 and Parcel 3. In October 2012, the City entered into two ground leases with the Irvine Company for Parcels 1 and 3. The term of both leases is 80 years after the effective date of October 31, 2012, and therefore both leases shall expire on October 31, 2092. The rent commencement date is November 1, 2012. Under the terms of the leases the City will receive specified amounts for minimum rent subject to certain events or time periods and then inflationary adjustments at times specified in the leases. For the fiscal year ended June 30, 2017, Lessee paid rent of \$2.3 million for Parcel 1 and \$1.1 million for Parcel 3.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

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

Fiscal Year	Parcel 1	Parcel 3	Total
2018	2,259,022	1,089,174	3,348,196
2019	2,259,022	1,089,174	3,348,196
2020	2,259,022	1,089,174	3,348,196
2021	2,259,022	1,089,174	3,348,196
2022	2,259,022	1,089,174	3,348,196
Thereafter	158,884,516	76,605,256	235,489,772
Total	<u>\$ 170,179,626</u>	<u>\$ 82,051,126</u>	<u>\$ 252,230,752</u>

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

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

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

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

California’s Great America Theme Park Parking Lot Lease

The City and Cedar Fair entered into various agreements to operate and manage the theme park. As agreed in the Settlement Agreement, the Great America Theme Park Main Parking Lot is and always has been owned by the City and the City is entitled to any lease revenues generated from the Main Parking Lot after June 30, 2015. Pursuant to the Fourth Amendment of the ground lease, the City allows Cedar Fair to use certain City property adjacent to the Theme Park property for parking. Under the terms of the amended Ground Lease, Cedar Fair pays the City annually for use of such property for parking. Lease payments remitted for the year ended June 30, 2017, totaled \$108,094.

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

<u>Fiscal Year</u>	<u>Parking Lot</u>
2018	\$ 108,094
2019	121,606
2020	121,606
2021	121,606
2022	121,606
Thereafter	729,634
Total	<u>\$ 1,324,152</u>

Hyatt Ballroom Lease Agreement

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

The minimum rent of the Ballroom lease is adjusted every three years according to the April 1985 agreement. For fiscal year ended June 30, 2017, Lessee paid \$295 thousand in rents for the Ballroom lease.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**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
2018	\$ 321,432
2019	321,432
2020	321,432
2021	321,432
2022	321,432
Thereafter	4,125,044
Total	\$ 5,732,204

**NOTE 5 - ENTERPRISE FUND MANAGEMENT AGREEMENTS**

**A. Santa Clara Convention and Visitors Bureau and Convention Center**

In March 1984, the City entered into two separate management agreements with the Santa Clara Chamber of Commerce and Convention/Visitors Bureau, Inc. (Chamber). The first agreement with the Chamber is for the management of the operations of the Santa Clara Convention/Visitors Bureau. In fiscal year ended June 30, 2017, the City paid the Chamber \$1.49 million under this contract. The second management agreement between the City and the Chamber is for the management of the operations of the Santa Clara Conference and Convention Center (Convention Center). Under the terms of this agreement, the Chamber will receive for its services an annual management fee identified in the Convention Center budget and approved by the City Council. In fiscal year ended June 30, 2017, the Convention Center paid the Chamber \$137 thousand. Each agreement is extendible for an additional year at the end of each year. Either party may terminate the agreements by providing 180 days written notice.

**B. American Golf Corporation**

In May 1987, SOSA entered into a management agreement with American Golf Corporation (AGC) to manage the operations of the Santa Clara Golf and Tennis Club (SCG&TC). Subsequent five-year extensions of the agreement with minor changes in language were made on June 4, 2002 through June 30, 2007; on March 20, 2007 through June 30, 2012; and on May 8, 2012 effective through June 30, 2017. 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 other City's projects. Under the current agreement, AGC develops an annual business plan reviewed and approved by SOSA, and is entitled to receive an annual management fee equal to a fixed amount (\$170 thousand per year) plus 3% of the gross revenues derived from the operation of SCG&TC. The fixed portion of the management fee is adjusted annually for changes in the consumer price index. In addition, AGC receives an annual administration fee of an amount not to exceed \$54 thousand. In fiscal year 2016-17, the City paid a total of \$275 thousand under this contract.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**NOTE 6 – SANTA CLARA STADIUM AUTHORITY**

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

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

The Design-Build Agreement (DBA) dated as of February 8, 2012 was entered into by and among SCSA, StadCo as Construction Agent and Turner/Devcon, a Joint Venture as the Design-Builder. The DBA establishes Guaranteed Maximum Price (GMP) for construction of the Stadium (\$877 million as of March 31, 2017) and allows for the design and construction work required to construct the Stadium Project. The Stadium Authority is generally responsible for amounts due to the design-builder, except that StadCo is responsible for the payment of costs of tenant improvements.

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

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

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

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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**NOTE 6 – SANTA CLARA STADIUM AUTHORITY (continued)**

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

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

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

Stadium Lease

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

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

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

Pursuant to the Stadium Lease, the Stadium Authority and StadCo will be entitled to receive and collect separate revenues. Rent payable by StadCo to the SCSA will be \$24.5 million per year. This amount was established pursuant to the Stadium Lease in connection with the take out financing which occurred on June 19, 2013. The Stadium Lease allows for one opportunity to adjust the rent as of April 1, 2015 if operating expenses or debt service are either more or less than projected in determining the initial rent. This rent adjustment will be decided by an arbitrator (see note 20E). The lease also provides for a fair market rent adjustment in year 33. No rent adjustment has been made as of June 30, 2017.

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**NOTE 6 – SANTA CLARA STADIUM AUTHORITY (continued)**

Effective from and after the Tenant Season Expansion Date, and continuing through the remainder of the Stadium Lease term, the Tenant Season will consist of the entire lease year.

**NOTE 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 \$849.0 million as of June 30, 2017. This amount includes the City’s cash and cash equivalents of \$754.5 million, and cash and investments with fiscal agents of \$94.5 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	\$ 717,581,150
Investments with fiscal agent - current	50,026,243
Restricted cash	11,711,809
Deposits	2,745,581
Investments with fiscal agent - noncurrent	26,425,356
Fiduciary Funds	
Pooled cash and investments	22,479,334
Restricted cash	12,368
Investments with fiscal agent - current	2
Investments with fiscal agent - noncurrent	2,789,414
Investments with fiscal agent - OPEB	15,228,055
Total Cash and Investments	\$ 848,999,312

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**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 Agency Funds were as follows:

	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
Pooled cash and investments	\$ 282,597,942	\$ 417,934,617	\$ 17,048,591	\$ 22,479,334	\$ 740,060,484
Investments with fiscal agent - current	80	50,026,163	-	2	50,026,245
Restricted cash	7,305,530	4,406,279	-	12,368	11,724,177
Investments with fiscal agent - noncurrent	705,326	25,720,030	-	2,789,414	29,214,770
Investments with fiscal agent - OPEB	-	-	-	15,228,055	15,228,055
Deposits	-	2,745,581	-	-	2,745,581
Total cash and investments	<u>\$ 290,608,878</u>	<u>\$ 500,832,670</u>	<u>\$ 17,048,591</u>	<u>\$ 40,509,173</u>	<u>\$ 848,999,312</u>

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

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	Top three ratings categories	None	None
U.S. Agency Securities (A)	5 years	Top three ratings categories	None	None
Negotiable Certificates of Deposit	5 years	N/A	30%	None
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A1 / P1	25%	10%
California Local Agency Investment Fund	N/A	N/A	None	\$65M Per A/C
Repurchase Agreements	1 year	N/A	None	None
Reverse Repurchase Agreements (requires City Council approval)	92 days	N/A	None	None
Tax Exempt Municipal Bonds (for yield restriction purposes)	5 years	N/A	None	None
Medium Term Corporate Notes	5 years	Top three ratings categories	15%	None
Mutual Funds	N/A	Top rating category	20%	10%
Investment Pools	N/A	Top rating category	20%	10%

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

**C. Investments with Fiscal Agents**

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

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

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

**D. 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 2015-16, the City Council approved the designation and deposit of \$5 million towards pre-funding the City's pension 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, 2017 was approximately 2.17 years and the City has the ability to and generally intends to hold all investments to maturity. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided in the investment table that shows the distribution of the City's investments by maturity.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented on the next page is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of June 30, 2017 for each investment type:

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

Type of Investment	Credit Rating	Maturity					Fair Value
		Under 180 Days	181 - 365 Days	1 - 3 Years	3 - 5 Years	Over 5 Years	
<b>Cash and Investments - City Treasury:</b>							
Cash	N/A	\$ 89,233,636	\$ -	\$ -	\$ -	\$ -	\$ 89,233,636
U.S. Treasury notes and bonds	AAA	-	5,052,345	5,022,265	14,895,705	-	24,970,315
Federal Farm Credit Bank	Aaa	9,988,360	9,965,790	55,980,856	62,375,570	-	138,310,576
Federal Home Loan Bank	Aaa	-	3,718,716	42,420,886	44,923,555	-	91,063,157
Federal National Mortgage Association	Aaa	9,992,940	19,945,770	108,431,526	78,342,743	-	216,712,979
Federal Home Loan Mortgage Corporation	Aaa	7,498,238	14,940,095	69,953,591	9,879,510	-	102,271,434
Mutual Fund - Fidelity	Aaam	40,469,262	-	-	-	-	40,469,262
State Investment Pool (LAIF)	Not Rated	50,002,170	-	-	-	-	50,002,170
<b>Total Cash and Investments - City Treasury</b>		<b>207,184,606</b>	<b>53,622,716</b>	<b>281,809,124</b>	<b>210,417,083</b>	<b>-</b>	<b>753,033,529</b>
<b>Cash and Investments - Other:</b>							
Federal Farm Credit Bank (Bentzien Trust)	Aaa	-	126,351	-	-	-	126,351
Federal Home Loan Bank (Bentzien Trust)	Aaa	-	-	250,940	143,268	83,607	477,815
Municipal Notes (Bentzien Trust)	Aaa	-	-	-	98,136	54,906	153,042
Municipal Notes (Bentzien Trust)	Aa	-	-	-	-	134,342	134,342
Municipal Notes (Bentzien Trust)	A	-	-	66,257	123,772	158,281	348,310
Corporate Notes (Bentzien Trust)	A	-	-	35,449	-	-	35,449
Corporate Notes (Bentzien Trust)	Baa	-	-	53,506	102,803	-	156,309
Corporate Notes (Bentzien Trust)	B	-	-	34,324	-	-	34,324
Corporate Stock (Bentzien Trust)	A & B	870,165	-	-	-	-	870,165
Corporate Stock (Bentzien Trust)	Not Rated	37,513	-	-	-	-	37,513
Mutual Fund - Dreyfus Money Market (Bond Proceeds)	Aaam	3,678,386	-	-	-	-	3,678,386
Mutual Fund - Fidelity Money Market (Bond Proceeds)	Aaam	747,927	-	-	-	-	747,927
Mutual Fund - Blackrock Money Market (Debt Fund)	Aaam	705,406	-	-	-	-	705,406
Mutual Fund - Money Market Funds (Debt Fund)	Aaam	23,607,184	-	-	-	-	23,607,184
Mutual Fund - Federated Prime (Bentzien Trust)	Aaam	315,735	-	-	-	-	315,735
Mutual Fund - Federated Intercontinental (Bentzien Trust)	Not Rated	78,037	-	-	-	-	78,037
Mutual Fund - Federated Total Return Bond (Bentzien Trust)	Not Rated	102,441	-	-	-	-	102,441
Mutual Fund - Vanguard GNMA Fund (Bentzien Trust)	Not Rated	96,959	-	-	-	-	96,959
OPEB Plan Trust Fund	Not Rated	15,228,055	-	-	-	-	15,228,055
Pension Rate Stabilization Investment	Not Rated	5,018,220	-	-	-	-	5,018,220
US Treasury Notes (Bentzien Trust)	Aaa	-	-	-	-	202,460	202,460
US Treasury Notes (Debt Fund) Collateral Obligations (JP Morgan & Others)	Aaa	-	2,051,043	3,625,408	35,389,321	-	41,065,772
<b>Total Cash and Investments - Other</b>		<b>2,745,581</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,745,581</b>
<b>Total Cash and Investments</b>		<b>\$ 260,416,215</b>	<b>\$ 55,800,110</b>	<b>\$ 285,875,008</b>	<b>\$ 246,274,383</b>	<b>\$ 633,596</b>	<b>\$ 848,999,312</b>

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

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.

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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

	<u>Fair Value Measurements Using</u>						
	Investments and Derivative Instruments Measured at Fair Value 6/30/2017	Prices in Active Markets for Identical Assets Level 1		Significant Other Observable Inputs Level 2		Significant Unobservable Inputs Level 3	Exempt <sup>(1)</sup>
<b>Investments by Fair Value Level</b>							
<b>Short Term Investments</b>							
Federal Farm Credit Banks	\$ 138,310,576	\$ -	\$ 138,310,576	\$ -	\$ -		
Federal Home Loan Banks	91,063,157	-	91,063,157	-	-		
Federal National Mortgage Association	216,712,979	-	216,712,979	-	-		
Federal Home Loan Mortgage Corp	102,271,434	-	102,271,434	-	-		
Mutual Fund - Fidelity Money Market	40,469,262	-	-	-	-	40,469,262	
<b>Total Short Term Investments</b>	<b>588,827,408</b>	<b>-</b>	<b>548,358,146</b>	<b>-</b>	<b>-</b>	<b>40,469,262</b>	
<b>Debt Securities and Other</b>							
Federal Farm Credit Bank (Bentzien Trust)	126,351	-	126,351	-	-		
Federal Home Loan Banks (Bentzien Trust)	477,815	-	477,815	-	-		
Municipal Notes (Bentzien Trust)	153,042	-	153,042	-	-		
Municipal Notes (Bentzien Trust)	134,342	-	134,342	-	-		
Municipal Notes (Bentzien Trust)	348,310	-	348,310	-	-		
Corporate Notes (Bentzien Trust)	35,449	-	35,449	-	-		
Corporate Notes (Bentzien Trust)	156,309	-	156,309	-	-		
Corporate Notes (Bentzien Trust)	34,324	-	34,324	-	-		
Mutual Fund - Dreyfus Money Market (Bond Proceeds)	3,678,386	-	-	-	-	3,678,386	
Mutual Fund - Fidelity Money Market (Bond Proceeds)	747,927	-	-	-	-	747,927	
Mutual Fund - Blackrock Money Market (Debt Fund)	705,406	-	-	-	-	705,406	
Mutual Fund - Money Market Funds (Debt Fund)	23,607,184	-	-	-	-	23,607,184	
Mutual Fund - Federated Prime (Bentzien Trust)	315,735	-	-	-	-	315,735	
Mutual Fund - Federated Intercontinental (Bentzien Trust)	78,037	-	78,037	-	-		
Mutual Fund - Federated Total Return Bond (Bentzien Trust)	102,441	-	102,441	-	-		
Mutual Fund - Vanguard GNMA Fund (Bentzien Trust)	96,959	-	96,959	-	-		
OP&E Plan Trust Fund	15,228,055	13,134,620	1,999,556	-	-	93,879	
Pension Rate Stabilization Investment	5,018,220	2,885,862	2,130,193	-	-	2,165	
Collateral Obligations (JP Morgan & Other)	2,745,581	-	-	-	-	2,745,581	
US Treasury Notes (Bentzien Trust)	202,460	202,460	-	-	-		
US Treasury Notes	24,970,315	24,970,315	-	-	-		
US Treasury Notes (Debt Fund)	41,065,772	41,065,772	-	-	-		
<b>Total Debt Securities and Other</b>	<b>120,028,420</b>	<b>82,259,029</b>	<b>5,873,128</b>	<b>-</b>	<b>-</b>	<b>31,896,263</b>	
<b>Equity Securities</b>							
Corporate Stock (Bentzien Trust)	870,165	870,165	-	-	-		
Corporate Stock (Bentzien Trust)	37,513	37,513	-	-	-		
<b>Total Equity Securities</b>	<b>907,678</b>	<b>907,678</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Total Investment by Fair Value Level</b>	<b>709,763,506</b>	<b>83,166,707</b>	<b>554,231,274</b>	<b>-</b>	<b>-</b>	<b>72,365,525</b>	
<b>Investments Measured at the Amortized Cost</b>							
State Investment Pool (LAIF)	50,002,170	-	-	-	-	50,002,170	
<b>Total Investments Measured at Amortized Cost</b>	<b>50,002,170</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,002,170</b>	
<b>Total Investments</b>	<b>759,765,676</b>	<b>\$ 83,166,707</b>	<b>\$ 554,231,274</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 122,367,695</b>	
<b>Cash in Banks</b>	<b>89,233,636</b>						
<b>Total Cash and Investments</b>	<b>\$ 848,999,312</b>						
<b>Investments Derivative Instruments</b>							
Open contract power trading - Asset	\$ 42,356		42,356				
Open contract power trading - Liability	(85,758)		(85,758)				
Interest rate swap	(6,677,507)		(6,677,507)				
<b>Total Investment Derivative Instruments</b>	<b>\$ (6,720,909)</b>		<b>\$ (6,720,909)</b>				

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

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

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

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

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

**F. Concentration of Credit Risk**

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

<u>Issuer</u>	<u>Bond-rating</u>	<u>Fair Value</u>	<u>Expiration</u>	<u>% of Holding</u>
Federal Farm Credit Banks	Aaa	\$ 138,436,927	N/A	16.3%
Federal Home Loan Banks	Aaa	\$ 91,540,972	N/A	10.8%
Federal Home Loan Mortgage Corporation	Aaa	\$ 102,271,434	N/A	12.0%
Federal National Mortgage Association	Aaa	\$ 216,712,979	N/A	25.5%

**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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

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. The carrying value of LAIF approximates fair value.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**NOTE 8 – INTERFUND TRANSACTIONS AND BALANCES**

**A. Interfund Transfers**

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

Transfers between funds during the fiscal year ended June 30, 2017 were as follows:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount</u>	
<b>General Fund</b>	Non-Major Governmental	\$ 2,055,166	A
<b>Non-Major Governmental</b>	General Fund	41,072,013	B
	Cemetery	5,090	C
	Sewer Utility	98,054	C
	Solid Waste	86,058	C
	Water Utility	156,271	C
	Automotive Services	13,316	C
	Electric Utility	1,087,632	D
	Non-Major Governmental	409,166	E
<b>Special Liability Insurance Claims</b>	General Fund	3,500,000	F
<b>Automotive Services</b>	General Fund	800,000	G
<b>Electric Utility</b>	Non-Major Governmental	4,829,509	H
	Sewer Utility	250,000	I
	Water Utility	250,000	I
<b>Santa Clara Golf and Tennis Club</b>	General Fund	166,072	J
<b>Total Interfund Transfers</b>		<u>\$ 54,778,347</u>	

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

The reasons for material transfers are set forth below:

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

- (A) Transfer to general fund from capital project funds to return unspent project funds and to fund the street maintenance activities.
- (B) Transfer to fund various capital projects and to pay debt service.
- (C) Transfer to fund their respective share of financial, human resources software, utility billing and other projects.
- (D) Transfer to fund their respective share of financial, human resources software, utility billing, street tree planting and other projects.
- (E) Transfer to City Match Fund to fund various projects in the Street and Highway projects.
- (F) Transfer to replenish the required reserved balances.
- (G) Transfer to fund the fire truck purchase from the developer contribution.
- (H) Transfer to the Electric fund for the excess of the purchase price of land over the historical cost.
- (I) Transfer to fund Silicon Valley Utility Center from Water and Sewer Utility.
- (J) Transfer to American Golf to fund the operations.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

**B. Current Interfund Balances**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of interfund balances as of June 30, 2017.

Receivable Fund	Payable Fund	Amount
<b>General Fund</b>	Santa Clara Stadium Authority	\$ 20,581
<b>Non-Major Governmental</b>	Internal Service Funds	<u>22,529</u>
	Receivable by Governmental Funds	<u>43,110</u>
<b>Electric Utility</b>	Internal Service Funds	1,405,465
<b>Water Utility</b>	Internal Service Funds	117,025
<b>Cemetery</b>	Internal Service Funds	233,387
<b>Sewer</b>	Internal Service Funds	<u>288,481</u>
	Receivable by Enterprise Funds	<u>2,044,358</u>
<b>Internal Service Funds</b>	Internal Service Funds	26,229
	Water Utility	<u>377,483</u>
	Receivable by Internal Service Funds	<u>403,712</u>
	<b>Total</b>	<u><u>\$ 2,491,180</u></u>

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

**C. Long-Term Interfund Advances**

At June 30, 2017, the funds below had made advances which were not expected to be repaid within the next year.

Fund Receiving Advance/Commitment	Fund Making Advance/Commitment	Amount of Advance/Commitment
Cemetery	General Fund	\$ 5,223,411
Santa Clara Golf & Tennis Club	General Fund	4,224,133
Total		\$ 9,447,544

**Cemetery Fund** has a \$5,223,411 advance that bears no interest and will be repaid when funds become available. The advance is a long term subsidy of operations pending mausoleum project funding in future years, which is expected to generate additional revenues.

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

**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 \$6,847 net internal balance in the Statement of Net Position is due to the different fiscal year end dates between the City and the SCSA (refer to Note 1D for more information).

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**NOTE 9 - CAPITAL ASSETS**

**A. Capital Assets Summary**

Capital Assets at June 30, 2017 are comprised of:

	Balance June 30, 2016	Additions	Retirements/ Adjustments	Transfers	Balance June 30, 2017
<b><i>Governmental Activities</i></b>					
Non Depreciable Assets:					
Land	\$ 96,051,363	\$ 4,059,566	\$ -	\$ 8,500,491	\$ 108,611,420
Construction in progress	9,844,254	16,607,688	-	(10,074,844)	16,377,098
<b>Total Non Depreciable Assets</b>	<b>105,895,617</b>	<b>20,667,254</b>	<b>-</b>	<b>(1,574,353)</b>	<b>124,988,518</b>
Capital assets being depreciated:					
Land improvements	22,397,113	-	-	171,901	22,569,014
Buildings	210,344,010	-	-	1,292,296	211,636,306
Infrastructure	487,559,073	11,595,816	-	8,505,077	507,659,966
Machinery & equipment	70,622,109	3,942,661	(1,338,687)	105,570	73,331,653
<b>Total Capital assets being depreciated</b>	<b>790,922,305</b>	<b>15,538,477</b>	<b>(1,338,687)</b>	<b>10,074,844</b>	<b>815,196,939</b>
Less accumulated depreciation for:					
Land improvements	(12,281,295)	(1,020,181)	-	-	(13,301,476)
Buildings	(52,769,577)	(4,300,440)	-	-	(57,070,017)
Infrastructure	(247,242,081)	(12,595,645)	-	-	(259,837,726)
Machinery & equipment	(54,230,100)	(3,643,093)	1,329,007	-	(56,544,186)
<b>Total accumulated depreciation</b>	<b>(366,523,053)</b>	<b>(21,559,359)</b>	<b>1,329,007</b>	<b>-</b>	<b>(386,753,405)</b>
<b>Net Depreciable Assets</b>	<b>424,399,252</b>	<b>(6,020,882)</b>	<b>(9,680)</b>	<b>10,074,844</b>	<b>428,443,534</b>
<b>Governmental Activity Net Capital Assets</b>	<b>\$ 530,294,869</b>	<b>\$ 14,646,372</b>	<b>\$ (9,680)</b>	<b>\$ 8,500,491</b>	<b>\$ 553,432,052</b>

The transfer of land is the result of intra-entity land transfer.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

	Balance June 30, 2016	Additions	Retirements/ Adjustments	Transfers	Balance June 30, 2017
<b><i>Business-Type Activities</i></b>					
Non Depreciable Assets:					
Land	\$ 27,351,702	\$ -	\$ -	\$ (8,500,491)	\$ 18,851,211
Construction in progress	82,440,278	29,461,315	-	(38,704,642)	73,196,951
Total Non Depreciable Assets	<u>109,791,980</u>	<u>29,461,315</u>	<u>-</u>	<u>(47,205,133)</u>	<u>92,048,162</u>
Capital Assets being depreciated:					
Land Improvements	23,935,017	-	-	-	23,935,017
Buildings	914,679,338	3,726,957	(1,033,950)	-	917,372,345
Infrastructure	976,626,065	-	-	37,909,240	1,014,535,305
Machinery & equipment	21,907,742	856,126	(478,069)	795,402	23,081,201
Total Capital Assets being depreciated	<u>1,937,148,162</u>	<u>4,583,083</u>	<u>(1,512,019)</u>	<u>38,704,642</u>	<u>1,978,923,868</u>
Less accumulated depreciation for:					
Land Improvements	(20,831,207)	(796,991)	-	-	(21,628,198)
Buildings & improvements	(84,799,202)	(18,119,351)	-	-	(102,918,553)
Infrastructure	(439,710,166)	(21,130,125)	-	-	(460,840,291)
Machinery & equipment	(15,060,324)	(1,061,237)	478,048	-	(15,643,513)
Total accumulated depreciation	<u>(560,400,899)</u>	<u>(41,107,704)</u>	<u>478,048</u>	<u>-</u>	<u>(601,030,555)</u>
Net Depreciable Assets	<u>1,376,747,263</u>	<u>(36,524,621)</u>	<u>(1,033,971)</u>	<u>38,704,642</u>	<u>1,377,893,313</u>
Enterprise Activity Net Capital Assets	<u>\$ 1,486,539,243</u>	<u>\$ (7,063,306)</u>	<u>\$ (1,033,971)</u>	<u>\$ (8,500,491)</u>	<u>\$ 1,469,941,475</u>

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

**B. Construction in Progress Summary**

Construction in Progress for governmental activities as of June 30, 2017 consisted of the following projects:

<u>Governmental Projects</u>	<u>Authorized</u>	<u>Expended</u>	<u>Future Commitments</u>
Transportation Improvements	\$ 18,421,651	\$ 5,765,254	\$ 12,656,397
Parks and Recreation Improvements	22,793,139	4,963,082	17,830,057
City Building Improvements	10,284,745	5,648,762	4,635,983
Total	<u>\$ 51,499,535</u>	<u>\$ 16,377,098</u>	<u>\$ 35,122,437</u>

Construction in Progress for business-type activities as of June 30, 2017 consisted of the following:

<u>Enterprise Fund Projects</u>	<u>Authorized</u>	<u>Expended</u>	<u>Future Commitments</u>
Electric Projects	\$ 129,321,627	\$ 72,922,715	\$ 56,398,912
Water and Sewer Projects	637,928	194,387	443,541
Stadium Authority Projects	2,994,367	79,849	2,914,518
Total	<u>\$ 132,953,922</u>	<u>\$ 73,196,951</u>	<u>\$ 59,756,971</u>

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**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	\$ 1,503,004
City Clerk	1,690
City Attorney	113
Human Resources	1,146
Finance	75,417
Public Works	13,147,048
Parks and Recreation	1,558,035
Public Safety	
Police	1,041,167
Fire	586,121
Planning and Inspection	22,914
Library	1,431,461
	<u>19,368,116</u>

Capital assets held by the City's Internal Service

Funds are charged to the various functions based on their usage of the assets

	<u>2,191,243</u>
Total Governmental Activities	<u>\$ 21,559,359</u>

Business-Type Activities:

Utility Funds:

Electric Utility	\$ 19,820,340
Water Utility	1,474,148
Sewer Utility	911,565
Water Recycling Utility	23,110
Solid Waste	6,450
Cemetery	17,726
Santa Clara Golf and Tennis Club	798,348
Santa Clara Convention Center	1,616,810
Santa Clara Stadium Authority	16,439,207
	<u>16,439,207</u>
Total Business-Type Activities	<u>\$ 41,107,704</u>

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

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

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

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

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the year ended June 30, 2017

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

<u>Authorized and Issued</u>	<u>Outstanding as of June 30, 2016</u>	<u>Additions, Transfers, and Amort.of Discounts</u>	<u>Debt Retired/ Defeased</u>	<u>Outstanding as of June 30, 2017</u>	<u>Current Portion</u>
\$ 10,207,000	\$ 5,855,000	\$ -	\$ 889,000	4,966,000	\$ 921,000
18,540,000	16,195,000	-	785,000	15,410,000	810,000
	855,175	-	54,297	800,878	-
<u>28,747,000</u>	<u>22,905,175</u>	<u>-</u>	<u>1,728,297</u>	<u>21,176,878</u>	<u>1,731,000</u>
86,600,000	67,905,000	-	4,200,000	63,705,000	4,440,000
54,830,000	54,830,000	-	-	54,830,000	-
64,380,000	58,350,000	-	3,440,000	54,910,000	3,575,000
31,569,031	29,891,000	-	-	29,891,000	3,401,000
	6,742,572	567,577	-	6,174,995	-
12,000,000	12,000,000	-	710,966	11,289,034	699,587
282,794,108	282,794,108	-	-	282,794,108	-
38,000,000	35,986,692	273,347	1,845,139	34,414,900	-
233,138,533	145,939,046	3,726,957	37,101,693	112,564,310	3,757,822
<u>803,311,672</u>	<u>694,438,418</u>	<u>4,567,881</u>	<u>47,297,798</u>	<u>650,573,347</u>	<u>15,873,409</u>
<u>\$ 832,058,672</u>	<u>\$ 717,343,593</u>	<u>\$ 4,567,881</u>	<u>\$ 49,026,095</u>	<u>\$ 671,750,225</u>	<u>\$ 17,604,409</u>

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

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

2010 City of Santa Clara Lease Agreement

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

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

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

Compliance

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

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.

**C. Enterprise Funds**

**Electric Utility**

Electric Revenue Refunding Bonds, Series 2008 B

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

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

Ltd. The Electric 2008B Bonds are in a weekly mode and debt service is secured by a pledge of net revenues of the Electric Utility Enterprise Fund.

Electric Revenue Refunding Bonds, Series 2011A

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

Electric Revenue Refunding Bonds, Series 2013A

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

Bank of America Loan Agreement, Series 2014

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

Pledges of Future Electric Revenues

The pledge of future Electric Fund revenues ends upon repayment of the \$266.5 million in remaining debt service on the bonds which is scheduled to occur in fiscal year 2032-33. For fiscal year 2016-17, Electric Fund revenues, including operating revenues and non-operating interest earnings, amounted to \$352.8 million and operating costs, including operating expenses, but not interest, depreciation or amortizations, amounted to \$317.2 million. Net revenues available for debt service amounted to \$35.6 million which represents a coverage ratio of 2.17 times debt service of \$16.4 million.

**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

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

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 revenues available for debt service in fiscal year 2017 amounted to \$1.5 million which represents a coverage ratio of 1.44 times debt service of \$1.0 million.

**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.

**Term A Loan**

The Term A Loan was made in the amount of \$282.8 million. This loan bears interest at a fixed rate of 5.00%, payable semi-annually, with annual principal payments due beginning in April 2018. The Term A Loan has a maturity date of April 1, 2039 and is subject to certain prepayment premiums. The loan was fully drawn at closing. As of March 31, 2017, \$282.8 million was outstanding.

**Term B Loan**

The Term B Loan is for a maximum amount of \$167.2 million and could be prepaid without penalty. This loan bore a variable interest rate of LIBOR plus 2% and had a maturity in 2018. The applicable interest rates on the Term B Loan varied between 2.18% and 2.44% during the fiscal year ended March 31, 2016.

On March 31, 2016 the Stadium Authority paid the remaining amount due in advance of the maturity date, eliminating future interest rate risk. As of March 31, 2017, the loan was fully satisfied.

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%.

**CITY OF SANTA CLARA**  
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**NOTE 10 - LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)**

During the year ended March 31, 2017, as the special CFD tax was submitted to the Stadium Authority, a number of payments were made on the CFD Advance. These payments totaled \$3.6 million, which included \$1.7 million in interest and \$1.9 million in principal. As of March 31, 2017, \$34.4 million was outstanding which includes \$0.3 million of interest added to principal.

StadCo Subordinated Loan

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

A Restated StadCo Obligations Agreement dated as of June 19, 2013 was entered into by and among StadCo and the Stadium Authority to refinance the original StadCo Obligations Agreement. Under the Restated StadCo Obligations Agreement, StadCo will loan the Stadium Authority an amount not to exceed \$500 million 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 \$42.7 million were made on the loan. This included the required principal payment of \$3.6 million, a \$31.7 million principal prepayment, and \$7.4 million in interest. The loan principal was also reduced by \$1.8 million due to the recalculation of interest after the cost allocation was completed. Additionally, an adjustment was made to increase the loan by \$3.7 million due to the cost allocation to transfer construction related costs from StadCo to the Stadium Authority. As of March 31, 2017 \$112.6 million was outstanding.

**D. Derivative Instruments**

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

Interest Rate Swap Agreements – Electric 2008 Series B Bonds

Pursuant to the Interest Rate Hedging Policy adopted by the City Council in 2006, as a means to lower borrowing costs, the City has a variable-to-fixed interest rate Swap Agreement with JPMorgan Chase related to the Electric 2008 Series B Bonds. Under the Swap Agreement, Santa Clara is obligated to make payments to the Swap Provider calculated on the basis of a fixed rate of 3.47% and receives from the Swap Provider payments equal to 65% of the one month London InterBank Offering Rate (LIBOR). Santa Clara's obligation to make any net regularly scheduled payments due to the Swap Provider under the Swap Agreement is payable from subordinated net revenues of the electric system on a parity with its other outstanding subordinated electric bonds. The effective date of the swap was May 29, 2008 and the scheduled termination date is July 1, 2027.

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

	Notional Amount (000's)	City Pays Fixed Rate to Counterparty	City Receives Floating Rate From Counterparty 06/30/17	City Pays Variable Rate on Bond 06/30/17
			Weekly Mode - 65% of LIBOR=0.79769%	Weekly Mode - SIFMA=0.8987%
2008 Series B	\$ 60,925	3.47%		

The swap is classified as a debt instrument and had a negative fair value of \$6,677,507 (including accrued interest \$133,388) as of June 30, 2017, and a deferred outflow change of \$3,688,608 from June 30, 2016. The swap is classified as a deferred outflow of resources and derivative financial instrument on the statement of net position. The fair values of the derivative were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the derivative, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. The standard applied to the valuation of the derivative is fair value as defined by GAAP. Fair value is the price that would be received to sell the asset (exit price) or transfer a liability in a hypothetical transaction under orderly market conditions between informed market participants on the valuation date. As of June 30, 2017, the fair value of the interest rate SWAP \$6,544,119 along with the accrued interest of \$133,388 are classified in level 2 of the fair value hierarchy.

Rollover Risk

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

Interest Rate Risk/Basis Risk

SVP is exposed to interest rate risk on its swap agreement. SVP's net payment on the SWAP increases as the LIBOR swap index decreases. With respect to basis risk, under the swap, the City receives 65% of the weighted average on weekly mode LIBOR and pays the Securities Industry and Financial Markets Association (SIFMA) rate to bondholders of the City's Electric 2008B bonds. The basis risk is the difference between the two rates. As of June 30, 2017, 65% of the weighted average on weekly mode LIBOR was 0.79769% and the SIFMA rate was 0.8987%.

Using rates as of June 30, 2017, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

Year ending June 30	Variable-Rate Bond		Interest Rate Swaps, Net	Total
	Principal	Interest		
2018	\$ 4,440,000	\$ 572,517	\$ 1,702,393	\$ 6,714,910
2019	4,685,000	532,615	1,583,743	6,801,358
2020	4,945,000	490,510	1,458,545	6,894,055
2021	5,215,000	446,070	1,326,400	6,987,470
2022	5,495,000	399,203	1,187,039	7,081,242
2023-2027	31,775,000	1,201,652	3,573,142	36,549,794
2028	7,150,000	64,257	191,070	7,405,327
	<u>\$ 63,705,000</u>	<u>\$ 3,706,824</u>	<u>\$ 11,022,332</u>	<u>\$ 78,434,156</u>

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, 2017 with Archer Daniels Midland Company to hedge cash flows on sales of excess resources in CAISO market in the future months.

Notional Amount (MWh)					Fair Value		Change in Fair Value	
Long	Short	Effective Date	Maturity Date	Average Price	Classification	Amount	Classification	Amount
					Derivative		Deferred	
-	40,000	Various	Jul-17	\$36.63	Instrument	\$ (68,520)	outflow	\$ (68,520)
					Derivative		Deferred	
-	32,400	Various	Aug-17	37.77	Instrument	(17,238)	outflow	(17,238)
					Derivative		Deferred	
-	30,000	Various	Sep-17	37.77	Instrument	42,356	inflow	42,356
						<u>\$ (43,402)</u>		<u>\$ (43,402)</u>

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 10 - LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)**

Credit risk

Credit risk is the risk of loss due to a counterparty defaulting on its obligations. SVP is exposed to credit risk if hedging instruments are in asset positions. As of June 30, 2017, SVP was exposed to credit risk for the 30,000 MWH derivative open contract. It was the only contract in an asset position, and the fair values of all other open contracts and the swap are negative. The swap and open contract counterparties were rated A- and A-2, respectively, by S&P at June 30, 2017.

SVP's policy for requiring collateral on hedging instruments varies based on individual contracts and counterparty credit ratings. Under the interest rate swap agreement, collateral is required based on the counterparty rating and dollar threshold on the mark-to-market value of the swap. Under the trading agreements with Archer Daniels Midland Company, the trading accounts are prefunded by SVP. If the account value falls below zero, margin calls are invoked. At June 30, 2017, SVP had posted collateral of \$1,873,916 on the interest rate swap and \$871,665 was deposited with CAISO and Archer Daniels Midland Company for wholesale trading.

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

Termination Risk

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

Price Risk

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

**E. Repayment Requirements**

As of June 30, 2017, the debt service requirements to maturity for the City's long-term obligations, with determinable payment dates and the funds from which payment will be made are as follows:

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 10 - LONG TERM DEBT AND DERIVATIVE INSTRUMENTS (continued)**

For the Year Ending June 30	Government Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 1,731,000	\$ 768,221	\$ 12,115,587	\$ 6,900,197
2019	1,786,000	709,994	12,611,638	6,588,722
2020	1,859,000	641,553	13,170,013	6,246,015
2021	1,930,000	570,344	13,756,719	5,888,242
2022	2,005,000	496,438	14,355,763	5,514,865
2023-2027	5,365,000	1,646,663	72,649,815	21,854,889
2028-2032	5,700,000	598,800	62,480,499	11,667,527
2033	-	-	13,485,000	353,981
	<u>\$ 20,376,000</u>	<u>\$ 5,432,013</u>	<u>\$ 214,625,034</u>	<u>\$ 65,014,438</u>

**Reconciliation of Long-term Obligations**

Principal Outstanding as Reported in Government Activities	\$ 20,376,000
Principal Outstanding as Reported in Business Type Activities	214,625,034
Total Principal Outstanding as Reported	<u>235,001,034</u>
Principal Outstanding - Stadium Authority <sup>(1)</sup>	429,773,318
Unamortized Discount/Premium	6,975,873
Total Long-term Obligations	<u>\$ 671,750,225</u>

(1) The principal outstanding for Stadium Authority is as of March 31, 2017. 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, 2017, is \$5.48 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, 2017, the City has ten outstanding bond issues that are subject to the arbitrage rebate regulations. The City monitors the earnings on each of these issues and records any accrued rebate liability at the end of each individual bond year.

**NOTE 11 - SOLID WASTE LANDFILL CLOSURE**

The City of Santa Clara All Purpose Landfill (Landfill) was closed in September 1993. Federal and state laws and regulations require closure activities such as removal of landfill structures, decommissioning of

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 11 – SOLID WASTE LANDFILL CLOSURE (continued)**

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.

The City has pledged \$851,000 for postclosure maintenance expenses and \$722,000 for corrective action in 2017-18. These amounts are subject to annual inflation factors, as stipulated by CalRecycle.

At June 30, 2017, a liability in the amount of \$5,179,489 was reported based on the estimated remaining postclosure care costs to meet the regulatory requirements. During fiscal year 2017, the City incurred post-closure expenses of \$399,999 and increased the liability by \$4,690,337 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, 2017. 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	6/30/2016	651 Commerce Dr. Roseville, CA 95678
TANC	6/30/2016	P.O. Box 15129 Sacramento, CA 95851
SJSC	6/30/2016	200 E. Santa Clara St. San Jose, CA 95113
MSR EA	12/31/2016	P.O. Box 4060 Modesto, CA 95352
MSR PPA	12/31/2016	P.O. Box 4060 Modesto, CA 95352
SVACA	6/30/2016	3370 Thomas Road Santa Clara, CA 95051

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 12 – PARTICIPATION IN JOINT VENTURES (continued)**

The City’s basic financial statements reflect the following investments in joint ventures as of June 30, 2016 (latest information available):

	<u>Participating percentage</u>	<u>Investment</u>	<u>Method of accounting</u>
NCPA			
Geothermal	44.39%		
Hydroelectric	37.02%		
Combustion Turbine	41.67%	\$37,941,103	Equity
Lodi Energy Center	25.75%		
TANC	7.19%	1,722,664	Equity
SJSC <sup>(1)</sup>	17.40%	111,357,695	Equity
MSR EA	33.40%	-	Suspended
MSR PPA	35.00%	-	Suspended
SVACA	56.26%	4,843,623	Equity
Total		<u>\$155,865,085</u>	

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

**B. Contingent Liability**

Under the terms of the various joint venture agreements, the City is contingently liable for a portion of the long-term debt of the entities under take-or-pay agreements, letters of credit, guarantees or other similar agreements. Based on the most recent audited financial statements of the individual joint ventures as of June 30, 2016, the City was contingently liable for long-term debt as follows (in thousands):

	<u>Total Debt</u>	<u>Participating Share</u>	<u>Contingent Liability</u>
NCPA	\$ 814,232	32.39%	\$ 263,765
TANC	216,210	9.71%	20,987
SJSC	37,536	17.40%	6,531
MSR PPA	160,995	35.00%	56,348
Total	<u>\$ 1,228,973</u>		<u>\$ 347,631</u>

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**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, 2016 are as follows:

Project	Debt Expiration	Entitlement Share %	Debt Service Share %
NCPA - Geothermal Project (NGP)	July-2024	44.3905%	44.3905%
NCPA - Hydroelectric Project (NHP)	July-2032	37.0200%	37.0200%
NCPA - Lodi Energy Center (NLEC) <sup>(1)</sup>	June-2040	25.7500%	30.2044%
TANC - CA-OR Transmission Project (COTP)	May-2024	7.1900%	9.7068%
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, 2016 is as follows (latest information available):

Fiscal Year	NGP	NHP	NLEC	COTP	MSR PPA	Total
2017	\$ 2,267,879	\$ 14,600,914	\$ 7,715,876	\$ 776,405	\$ 13,038,900	\$ 38,399,974
2018	2,268,241	14,300,656	7,715,539	805,216	12,902,400	37,992,052
2019	2,270,099	14,302,720	7,714,299	838,994	12,687,500	37,813,612
2020	2,271,098	14,066,048	7,715,751	576,705	47,050,500	71,680,102
2021	2,275,539	14,081,763	7,715,414	603,700	-	24,676,416
2022-2026	7,804,908	66,478,937	38,573,552	3,458,602	-	116,315,999
2027-2031	-	39,516,428	38,615,584	4,375,840	-	82,507,852
2032-2036	-	17,218,946	38,621,715	5,561,969	-	61,402,630
2037-2041	-	-	37,973,143	3,989,311	-	41,962,454
Total	<u>\$ 19,157,764</u>	<u>\$ 194,566,412</u>	<u>\$ 192,360,873</u>	<u>\$ 20,986,742</u>	<u>\$ 85,679,300</u>	<u>\$ 512,751,091</u>

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

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

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

Project Financing and Construction

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

**CITY OF SANTA CLARA**  
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**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. Some of the revenue bonds are additionally supported by municipal bond insurance credit enhancements.

Hydroelectric Project

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

Geothermal Project

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

Based upon current operation protocols and forecasted operations, NCPA expects average annual generation and peak capacity to decrease further, reaching approximately 60 MW by the year 2036.

Combustion Turbine Project No. 1

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

Lodi Energy Center

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

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

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

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

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

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

California-Oregon Transmission Project

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

The Project was declared commercially operable on March 24, 1993, with a rated transfer capability of 1,600 megawatts and provides a third transmission path between the electric systems of the Pacific Northwest and those in California. The Project has successfully met and completed the major environmental requirements. As of June 30, 2016, the most recent data available, TANC's investment in the Project was \$541 million, less accumulated depreciation and amortization of \$266.1 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. The Regional Wastewater Facility provides wastewater treatment services to the City, to the City of San Jose, and to seven other tributary agencies. The City of San Jose is the administering agency for the Regional Wastewater Facility. The San Jose/Santa Clara Clean Water Financing Authority (Authority) was created in 1981 to provide financing for capital improvements to the Regional Wastewater Facility.

In 1959, the City and the City of San Jose entered into an agreement to construct and operate the Plant. Under the terms of the agreement, the cities own an undivided interest in the Plant and share in the capital and operating costs on a pro rata basis, determined by the ratio of each city's assessed valuation to the sum of both cities assessed valuations. Such percentages are determined annually and applied to the capital and

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

operating costs of the Plant, determined on an accrual basis. For the fiscal year ended June 30, 2017, the City's portion of the plant capacity was approximately 17.4%, which is also its interest in the net position of the Plant.

Zero Waste Energy Development Company Ground Lease

On June 21, 2011, the San Jose City Council approved a ground lease with Zero Waste Energy Development Company (ZWED) to lease a portion of the former Nine Par landfill, which is a part of the San Jose/Santa Clara 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 Plant based on the master agreements with each agency.

South Bay Water Recycling Program

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

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

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

Proceeds from the City of San Jose 1995 Series A and B Bonds and other funds were used to pay for the City of San Jose's share of Phase 1. The City contributed existing capital reserves, existing recycled water distribution system, and additional construction of system extensions. Other sources for funding of Phase 1 include U.S. Bureau of Reclamation grants, State of California Revolving Fund loans, \$6.45 million transferred in fiscal year 1995 from the Clean Water Financing Authority to the City of San Jose Wastewater

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

Treatment Plant Capital Fund, and cash contributions from other participating agencies. The 2010 and 2011 extensions of the distribution system were funded in part by a combination of grants from the American Recovery and Reinvestment Act of 2009 (ARRA) and the United State Bureau of Reclamation totaling \$10.4 million.

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

**F. MSR Public Power Agency**

MSR PPA is a joint power agency formed in 1980 by the Modesto Irrigation District, the City and the City of Redding, California, to develop or acquire and manage electric power resources for the benefit of the members. The personnel of its members and contract professional staff perform 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, 2016, the date of the latest available audited financial statements, the City's unrecognized share of member's deficit of MSR PPA was \$16.9 million. Under the joint exercise of power agreement, which formed MSR PPA, the City is responsible for funding up to 35% of MSR PPA's operating cost, to the extent such funding is necessary. During the year ended June 30, 2016, the City made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in the Electric Utility Enterprise Fund expenses.

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

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

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

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

participation in this project is as follows: Modesto Irrigation District – 12.5%; City of Santa Clara – 52.5%; and City of Redding – 35%.

M-S-R PPA San Juan

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

M-S-R PPA Southwest Transmission Project

M-S-R PPA has also developed and issued a Request for Proposals for the Southwest Transmission Project. It received proposals from four qualified entities for purchase of the SWTP and concluded the proposal made by LADWP to acquire M-S-R PPA's interests in the SWTP through SCPPA for a sum of \$60 million offered the greatest potential value to the Agency and its Members. LADWP proposed that the transaction be structured so that SCPPA will purchase the SWTP and LADWP, as the sole SCPPA participant in such project enter into a long-term Transmission Services Agreement to secure SCPPA's financing. LADWP's commitments will provide the security for Revenue Bonds to be sold by SCPPA to finance their purchase of the SWTP. The sale closed May 25, 2016. M-S-R PPA Members currently use more economical alternative delivery means for San Juan Project energy.

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

**G. MSR Energy Authority**

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

The City's equity in MSR EA's net losses exceeds its investment and, therefore, the equity method of accounting for the investment has been suspended. As of December 31, 2016, the date of the latest available audited financial statements, the City's unrecognized share of member's deficit of MSR EA was \$27.2 million. Under the joint exercise of power agreement, which formed MSR EA, the City is responsible for funding up to 33.4% of MSR EA's operating cost, to the extent such funding is necessary. During the year ended June 30, 2016, 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.

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

In 2009, the City of Santa Clara, along with the Cities of Modesto and Redding participated in the M-S-R Energy Authority Gas Prepay Project. The Gas Prepay Project provides the City of Santa Clara, through a Gas Supply Agreement with M-S-R EA dated September 10, 2009, a secure and long-term supply of natural gas of 7,500 MM Btu (Million British thermal unit) daily or 2,730,500 MM Btu annually through December 31, 2012, and 12,500 MM Btu daily, or 4,562,500 MM Btu annually thereafter until September 30, 2039. The agreement provides this supply at a discounted price below the spot market price (the Pacific Gas & Electric City gate index) over the next 30 years. As of December 31, 2015, bonds issued by MSR EA to finance the City's share of the Gas Prepay Project were outstanding in the principal amount of \$500,200,000. These bonds were initially sold on August 27, 2009. Under the Gas Supply Agreement, MSR EA will bill the City for actual quantities of natural gas delivered each month on a "take-and-pay" basis. MSR EA has contracted with Citigroup Energy, Inc. ("CEI") to use the proceeds of the Gas Prepay bond issue to prepay CEI for natural gas. CEI has guaranteed repayment of the bonds, and responsibility for bond repayment is 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, 2017, the City of Santa Clara contributed \$1,038,088 to SVACA. The City's equity interest in SVACA was \$4,843,623 at June 30, 2016 (the most recent audited information available). Audited financial statements are available from SVACA, located at 3370 Thomas Road, Santa Clara, CA 95051.

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

**A. Plan Description**

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

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

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

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 new members under PEPRA, the benefit factor is reduced to 2.0% at 62 for the Miscellaneous Plan and 2.7% at 57 for the Safety Plan.

**Miscellaneous Plan**

Participants in this plan are eligible for service retirement and receive graduated benefits upon attaining the age of 50 and with at least five years of credited service with a CalPERS employer. The service retirement benefit is a monthly allowance equal to the product of the benefit factor (2.7% at 55 for Classic members or 2% at 62 for PEPRA members), years of service, and final compensation (monthly average of member's highest 12 or 36 (for new members) consecutive months' full-time equivalent monthly pay). The service retirement benefit final compensation for this group is not capped for Classic members. PEPRA members have an annual compensation limit on reportable earnings. The compensation limit for calendar year 2017 is \$118,775 for employees covered by Social Security and is adjusted annually with the CPI for all Urban Consumers.

**Safety Plan**

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

The service retirement benefit for the Safety Plan group is capped at 90% of final compensation for the Classic members. PEPRA members have an annual compensation limit on reportable earnings. The compensation limit for calendar year 2017 is \$142,530 for employees not covered by Social Security and is adjusted annually with the CPI for all Urban Consumers.

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

The Plans provisions and benefits in effect at June 30, 2017 are summarized as follows:

	Miscellaneous		Safety	
	Prior to January 1, 2013	On or After January 1, 2013	Prior to January 1, 2013	On or After January 1, 2013
Hire date				
Benefit formula	2.7% @ 55	2.0% @ 62	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67	50	50 - 57
Monthly benefits, as a % of eligible compensation	2.00% - 2.70%	1.00% - 2.50%	3.00%	2.00% - 2.70%
Required employee contribution rates	8.00%	5.75%		
Public Safety - Fire			9.00%	10.50%
Public Safety - Police			11.25%	10.50%
Required employer contribution rates	32.27%	32.27%	44.43%	44.43%

Beginning in fiscal year 2016-17, 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 \$19,627,183 in fiscal year 2016-17. The City's required contribution for the safety plan's unfunded liability was \$18,384,548 in fiscal year 2016-17.

**Employees Covered**

At the valuation date, June 30, 2015, the following employees were covered by the benefits terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	872	442
Inactive employees entitled to but not yet receiving benefits	400	52
Active employees	622	280
Total	1,894	774

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**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.

**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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry-Age and Service
Investment Rate of Return <sup>(1)</sup>	7.50%
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power applies, 2.75% thereafter
Mortality <sup>(2)</sup>	Derived using CalPERS' membership data for all funds

(1) Net of pension plan investment including inflation

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvement using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS' 2014 experience study report available on CalPERS' website

The underlying mortality assumptions and all other actual assumption used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the prior 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website under Actual Assumptions.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 13 – RETIREMENT PLAN – DEFINED BENEFIT PENSION PLAN (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees’ Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS website under the GASB 68 section.

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 (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds’ assets classes (which includes the agent plan and two cost-sharing plans, or PERF A, B and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted the CalPERS Board effective on July 1, 2015.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1 - 10 <sup>(1)</sup></u>	<u>Real Return Years 11+ <sup>(2)</sup></u>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidly	1.00%	-0.55%	-1.05%
	<u>100.00%</u>		

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

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

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

In December 2016, CalPERS’ Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers’ normal cost and unfunded actuarial liabilities.

**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, 2015	\$ 618,820,988	\$ 405,734,377	\$ 213,086,611
Changes in the year:			
Service cost	10,415,730	-	10,415,730
Interest on the total pension liability	46,283,869	-	46,283,869
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	(2,265,081)	-	(2,265,081)
Plan to plan resource movement	-	(788)	788
Contributions - employer	-	18,464,042	(18,464,042)
Contributions - employees	-	5,151,548	(5,151,548)
Net investment income	-	2,186,435	(2,186,435)
Benefit payments, including refunds of employee contributions	(33,491,738)	(33,491,738)	-
Administrative expense	-	(247,274)	247,274
Net changes	<u>20,942,780</u>	<u>(7,937,775)</u>	<u>28,880,555</u>
Balance at June 30, 2016	<u>\$ 639,763,768</u>	<u>\$ 397,796,602</u>	<u>\$ 241,967,166</u>

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**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, 2015	\$ 648,754,570	\$ 458,741,902	\$ 190,012,668
Changes in the year:			
Service cost	10,985,005	-	10,985,005
Interest on the total pension liability	48,410,844	-	48,410,844
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	(3,491,487)	-	(3,491,487)
Plan to plan resource movement	-	788	(788)
Contributions - employer	-	16,679,012	(16,679,012)
Contributions - employees	-	4,376,079	(4,376,079)
Net investment income	-	2,362,110	(2,362,110)
Benefit payments, including refunds of employee contributions	(35,868,203)	(35,868,203)	-
Administrative expense	-	(279,579)	279,579
Net changes	20,036,159	(12,729,793)	32,765,952
Balance at June 30, 2016	\$ 668,790,729	\$ 446,012,109	\$ 222,778,620
Combined Total	\$ 1,308,554,497	\$ 843,808,711	\$ 464,745,786

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

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

	Miscellaneous	Safety
1% Decrease	6.65%	6.65%
Net Pension Liability	\$ 320,376,765	\$ 309,418,735
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$ 241,967,166	\$ 222,778,620
1% Increase	8.65%	8.65%
Net Pension Liability	\$ 176,417,609	\$ 151,363,317

**Pension Plan Fiduciary Net Position**

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**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, 2017, the City recognized pension expense of \$19,857,138 for the Miscellaneous Plan and \$19,772,451 for the Safety Plan.

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	\$ 21,613,984	\$ -
Changes of assumptions	-	(2,923,766)
Differences between expected and actual experience	31,131	(1,484,019)
Net differences between projected and actual earnings on pension plan investments	21,506,958	-
Total	<u>\$ 43,152,073</u>	<u>\$ (4,407,785)</u>

Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	\$ 19,735,867	\$ -
Changes of assumptions	-	(5,892,776)
Differences between expected and actual experience	-	(4,567,450)
Net differences between projected and actual earnings on pension plan investments	24,397,495	-
Total	<u>\$ 44,133,362</u>	<u>\$ (10,460,226)</u>
Combined Total	<u>\$ 87,285,435</u>	<u>\$ (14,868,011)</u>

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

The reported \$21,613,984 for the Miscellaneous Plan and \$19,735,867 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, 2018. 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
2017	\$ (735,221)	\$ (1,040,189)
2018	2,235,519	(1,040,189)
2019	9,971,173	9,836,475
2020	5,658,833	6,181,172

**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 single-employer defined benefit Other Post Employment Benefit (OPEB) Plan Trust Fund, which was established by City Council in fiscal year 2007-08 in accordance with GAAP, provides reimbursements to retirees for qualified expenses. Employees who have retired from the City with at least ten years of service and meet certain criterion based upon retirement date, household income in the most recent calendar year and age are entitled to reimbursements for qualified expenses. Annual maximum reimbursement amounts differ depending on when an employee retired from City service. The majority of retirees may be eligible for a maximum of \$4,056 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-

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)**

08, the City established an irrevocable exclusive agent multiple-employer defined benefit trust which is administered by Public Agency Retirement Services (PARS). 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.

**B. Funding Policy**

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

The City's annual OPEB cost (expense) is calculated based upon the ARC, an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over thirty years.

Based upon the valuation dated June 30, 2016, the most recent valuation available, the actuarially required ARC for fiscal year 2016-17 was \$2.98 million.

The City's annual OPEB cost, equal to the ARC, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 2,769,000	100%	\$ -
June 30, 2016	\$ 2,887,000	100%	\$ -
June 30, 2017	\$ 2,981,000	100%	\$ -

**C. Plan Funded Status Information**

As of June 30, 2016, the latest valuation date, the projected June 30, 2016, funded status of the plan, was as follows:

Actuarial accrued liability (AAL)	\$ 59,717,000
Actuarial value of plan assets	<u>\$ 14,564,000</u>
Unfunded actuarial accrued liability(UAAL)	<u>\$ 45,153,000</u>
Funded ratio (actuarial value of plan assets/AAL)	24.4%
Covered payroll (active plan members)	\$ 102,468,000
UAAL as a percentage of covered payroll	44.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)**

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

**D. Actuarial Methods and Assumptions**

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

In the June 30, 2016 actuarial valuation, the entry age normal actuarial cost method was used with a thirty (30) year closed amortization period and level percentage of pay. The actuarial assumptions are as follows:

- A discount rate of 5.25% was used.
- The demographics for terminations, mortality, disability and retirements were based upon the CalPERS 1997-2011 Experience Study Rates and Mortality improvement projection Scale MP-14 with 15 year convergence in 2022.
- Healthcare costs trends utilized actual premiums for 2016 and 2017 for Non-Medicare and Medicare. For 2018 a 6.5% rate was utilized for Non-Medicare HMO & PPO. Future years were reduced by decrements of approximately 0.50% per year to an ultimate rate of 5.0% by year 2021. For 2018 Medicare plans a 6.7% rate was utilized for HMO and PPO plans. Future years were reduced by decrements of approximately .6% per year to an ultimate rate of 5.0% for both HMO and PPO plans by year 2021.
- The changes of assumptions since the prior actuarial valuation were to comply with newly revised Actuarial Standard of Practice No. 6 (ASOP 6), the July 1, 2015 actuarial valuation includes an implicit subsidy liability. This liability was not calculated in prior reports because of the former “community rating” exemption for employers participating in large pooled health plans like PEMHCA. When premiums for retirees are determined using a blend of active employee and retiree experience, it creates an implicit subsidy to the retirees, since retiree healthcare costs are generally higher than active employees. ASOP 6 effectively requires most public agencies to calculate an implicit subsidy liability whenever their retirees participate in the group medical plan, but only pay the same premiums as active employees. The implied subsidy is included in valuation beginning June 30, 2016.
- The increase on caps was linked to healthcare premium trends and 3% for reimbursement plans.
- The inflation rate was assumed to be constant at 3% per year.
- Aggregate benefit increases assumed to be 3.25% per year.
- Spouse age for females assumed to be three years younger than males.
- Safety and Miscellaneous employees were assumed to be 90% and 85% married respectively.
- Participation in the plan was assumed to be 80%.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)**

- Valuation assets projected to June 30, 2016, using assumed 5.25%.
- Asset gains/losses recognized over 5 years. (Shorter period but same method as CalPERS Pension).
- Corridor between 80% to 120% of market value.

These assumptions are reviewed on a biennial basis.

**E. GASB 74 Implementation**

In fiscal year 2016-17 the City implemented GASB 74 which addressed the separate financial reporting and disclosures for the Other Post Employment Benefits (OPEB) Plan. The City is the Plan administrator, and PARS administers the investment trust for the City’s Plan. The following data is the required additional disclosure information.

**Plan Membership**

As of June 30, 2017, membership in the plan consisted of the following:

	Number of Covered Employees
Inactive employees currently receiving benefits	709
Inactive employees entitled to but not yet receiving benefit payments	140
Active employees	988
Total	1,837

**Investments**

PARS offers different investment portfolios as part of the investment vehicle. The City has elected to invest pre-funded contributions using a Moderately Conservative portfolio. The major portions of the assets are invested in Mutual Funds Fixed Income category. The portfolio is consistent with the City’s investment policy as noted in Note 7B.

The following is the City’s adopted asset allocation as of June 30, 2017.

Asset Class	Target Allocation
Mutual Funds - Equity	30%
Mutual Funds - Fixed Income	65%
Cash and equivalent	5%
Total	100%

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)**

**Net OPEB Liability**

The components of the net OPEB Liability of the City as at June 30, 2017 were as follows (in thousands):

	2017
Total OPEB liability	\$ 63,011
Fiduciary net position	(15,228)
Net OPEB liability	\$ 47,783
Plan fiduciary net position as a percentage of the total OPEB liability	24.2%

**Investments Rate of Return**

For the year ended June 30, 2017, the annual money-weighted rate of return on investment was 5.10%, net of investment expense. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

The discount rates used to measure the total OPEB liability were 5.25% as of June 30, 2017. 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. Therefor 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	Long-Term Expected Real Rate of Return
Mutual Funds - Equity	4.80%
Mutual Funds - Fixed Income	1.50%
Cash and equivalent	0.10%
Expected Inflation	3.00%
Discount Rate	5.25%

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)**

**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, 2017, calculated using the discount rate of 5.25%, as well as what the plan’s net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate.

	Sensitivity of Net OPEB Liability to Changes in Discount Rate		
	(In Thousands)		
	1% Decrease (4.25%)	Current Rate (5.25%)	1% Increase (6.25%)
Net OPEB liability	\$ 56,217	\$ 47,783	\$ 40,898

**Sensitivity of the Net OPEB Liability to Healthcare Cost Trend Rates**

The following table presents the net OPEB liability of the City, 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 (5.5% decreasing to 4.0%)	Current Rate (6.5% decreasing to 5.0%)	1% Increase (7.5% decreasing to 6.0%)
Net OPEB liability	\$ 39,636	\$ 47,783	\$ 57,951

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (continued)**

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017 using standard update procedures, using the following actuarial assumptions:

Significant Actuarial Assumptions Used in Total OPEB Liability	
Actuarial Assumption	June 30, 2017 Measurement Date
Actuarial valuation date	June 30, 2016
Discount rate	5.25% at June 30, 2017
	Crossover analysis showed benefit payments always fully funded by plan assets
Expected long-term	5.25% at June 30, 2017
Inflation	3.00%
Funding policy	Full pre-funding to PARS trust PARS portfolio: Moderately Conservative
Mortality, Disability, Termination, Retirement	CalPERS 1997-2011 Experience Study Mortality projected fully generational with Scale MP-14 with 15 year convergence in 2022
Mortality Improvement	
	Pre-Medicare - 6.5% for 2018, decreasing to 5.0% for year 2021 and later
Healthcare cost trend rates	Medicare - 6.7% for 2018, decreasing to 5.0% for year 2021 and later
Healthcare participation for future retirees - Cash subsidy	Currently covered: 80% Waived: 60%
Healthcare participation for future retirees - PEMHCA implied subsidy	Currently covered: 80% Waived: 48%

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

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

**A. Long-term Power Purchase Contracts**

The City purchases wholesale electric power from various participants of the Western Systems Power Pool (WSPP), NCPA, MSR Public Power Agency (Note 12), Western Area Power Administration, and other sources to supply the power requirements of the City's electric utility customers. The City actively manages the financial risks inherent in these long-term contracts, including the risks arising from the changing spot

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 17 – ELECTRIC UTILITY – SILICON VALLEY POWER (SVP) (continued)**

market prices that move above and below the contract prices and from contract disputes that may arise from time to time. The cost of power is included in enterprise fund materials, services and supplies expense.

**B. Restructuring of the California Electric Industry**

Deregulation Legislation and Direct Access

The passage of AB1890 in 1998 triggered fundamental changes in the structure of the electric industry in California. The essential feature of AB1890 was to allow individual consumers the opportunity to buy energy directly from power producers and marketers, rather than from their local investor owned utility. This was called direct access. Generally, AB1890 provided for creation of the California Power Exchange (Cal PX), which was to be a clearinghouse for energy transactions among investor owned utilities, independent generators and power marketers, who in turn would serve direct access customers. AB1890 also created the California Independent System Operator (CAISO), which was to manage the state's bulk transmission grid. In addition, investor owned utilities were encouraged to sell a substantial portion of their generating facilities to third parties, which they did. AB1890 further provided for a four-year freeze of investor-owned utility rates and recovery by investor and publicly owned utilities during this four-year period of so-called "stranded costs" arising from what were thought at the time to be uncompetitive generation investments. AB1890 also encouraged, but did not require, municipal utilities to establish direct access programs.

In 1999, the City Council adopted a direct access program that provided for a stranded cost charge, or Competition Transition Charge, subject to legal validation of the City's right to collect such a charge. That validation was secured in 2000, and the City's direct access program was to commence in April 2001.

However, in 2000 and 2001, the price of electricity at the Cal PX became extremely high, and investor-owned utilities were unable to pay for the energy that they needed from the Cal PX. These conditions caused the passage of AB1X by the California legislature, pursuant to which investor owned utilities' energy procurement function was assigned to the California Department of Water Resources. AB1X also suspended direct access for investor-owned utilities, essentially until 2013. In 2009, SB695 added Section 365.1 to the Public Utilities Code, which allowed limited reinstatement of direct access for certain customers of investor-owned utilities. Except for this change, Section 365.1 continues the suspension of direct access until the Legislature, by statute, repeals the suspension or otherwise authorizes direct transactions. No such statute has occurred. Based on this development, the City has deferred implementation of its direct access program.

Other Effects of Restructuring

The restructuring of the electric industry has created a substantially changed market for electricity. Compared to the prior market structure, this market has exhibited increased uncertainty and volatility. In anticipation of this restructured market, the City developed a strategic plan to guide its electric utility's transition efforts into the new environment. As part of the Strategic Plan, the Rate Stabilization Fund (previously called Cost Reduction Fund) was established to protect ratepayers from rate volatility in future years due to revenue shortfalls or unexpected costs.

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 17 – ELECTRIC UTILITY – SILICON VALLEY POWER (SVP) (continued)**

Energy Wholesale Trading and Risk Management

SVP participates in the wholesale gas and power market and the California Independent System Operator's centralized market. By so doing, SVP engages in the trading of commodity forward contracts (gas and electric energy contracts). Activities during the fiscal year were substantially considered hedging transactions and, as such, have been accounted for using the settlement method of accounting.

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:

*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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

**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 Working Capital (Emergency) and Capital Projects Reserves, and other undesignated fund balances. The balances in these accounts are \$57 million, \$40 million, and \$10 million, respectively. Additional information is described in the Stabilization Arrangement section of this note.

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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

**Fund Balance Classification**

	Major Funds			Fund Balance June 30, 2017
	General Fund	Santa Clara Housing Successor	Non-Major Governmental Funds	
<b>Nonspendable:</b>				
Receivables, inventory & prepaid	\$ 33,763	\$ -	\$ -	\$ 33,763
Advances to other Funds	9,447,544	-	-	9,447,544
Loans to Successor Agency	4,355,641	-	-	4,355,641
<b>Total Nonspendable</b>	<b>13,836,948</b>	<b>-</b>	<b>-</b>	<b>13,836,948</b>
<b>Restricted For:</b>				
Gas tax programs	-	-	15,178,679	15,178,679
Housing & Community	317	28,225,001	9,091,542	37,316,860
Maintenance districts	-	-	603,171	603,171
Operating grants	-	-	754,847	754,847
Debt service	-	-	1,479,839	1,479,839
Environmental enforcements	204,538	-	-	204,538
Parks & recreation	-	-	14,535,058	14,535,058
Streets and highway	-	-	15,987,473	15,987,473
Public safety	1,118,059	-	29,666	1,147,725
Library	188,190	-	-	188,190
Public facilities	-	-	2,189,678	2,189,678
Special assessments	-	-	1,062,557	1,062,557
Donations	553,799	-	-	553,799
Pension rate stabilization program	5,018,220	-	-	5,018,220
Storm drain	-	-	680,569	680,569
<b>Total Restricted</b>	<b>7,083,123</b>	<b>28,225,001</b>	<b>61,593,079</b>	<b>96,901,203</b>
<b>Committed to:</b>				
Housing programs	-	-	2,556,859	2,556,859
Parks & recreation	-	-	13,427,085	13,427,085
Streets and highway	-	-	5,182,929	5,182,929
Storm drain	-	-	2,580,387	2,580,387
Public safety	-	-	1,295,329	1,295,329
Library	-	-	2,800,849	2,800,849
Public facilities	-	-	16,797,248	16,797,248
Streets beautification	-	-	295,123	295,123
Pension rate stabilization program	7,000,000	-	-	7,000,000
Building inspection	12,198,146	-	-	12,198,146
Land investment	39,296,008	-	-	39,296,008
Historical preservation	86,111	-	-	86,111
<b>Total Committed</b>	<b>58,580,265</b>	<b>-</b>	<b>44,935,809</b>	<b>103,516,074</b>
<b>Assigned to:</b>				
General Government	3,133,800	-	-	3,133,800
Community activities	1,480,528	-	-	1,480,528
Other purposes	24,664	-	-	24,664
<b>Total Assigned</b>	<b>4,638,992</b>	<b>-</b>	<b>-</b>	<b>4,638,992</b>
<b>Unassigned:</b>	<b>107,403,521</b>	<b>-</b>	<b>-</b>	<b>107,403,521</b>
<b>Total Unassigned</b>	<b>107,403,521</b>	<b>-</b>	<b>-</b>	<b>107,403,521</b>
<b>Total Fund Balances</b>	<b>\$ 191,542,849</b>	<b>\$ 28,225,001</b>	<b>\$ 106,528,888</b>	<b>\$ 326,296,738</b>

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

**C. Fund Balance Policy**

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

Stabilization Arrangement

Maintaining financial stabilization is a necessity for sound financial management and fiscal accountability. Its purpose is to ensure funds are available to cover occasional budgetary shortfalls (i.e., when general unrestricted revenues decline) or other unexpected urgent events. The City's Working Capital (Emergency) and Capital Projects Reserves are maintained for these purposes. As of June 30, 2017, the Working Capital and Capital Projects Reserves were \$56 million and \$40 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 Working Capital Reserve is set aside primarily for weathering economic downturns, emergency financial crisis, or disaster situations. The reserve target is equal to the cost of the City's General Fund operations for three months (90-days or 25% 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, 2017, the balance in the pension rate stabilization program trust was \$5 million. As part of the year-end process for fiscal year 2016-17, the City Council approved the transfer of \$7 million to the trust fund.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

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

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

The funds listed below had an accumulated deficit as of June 30, 2017:

Fund Name	Accumulated Deficit
Enterprise Funds:	
Cemetery	\$ 2,509,727
Solid Waste	\$ 1,281,989
Santa Clara Golf and Tennis Club	\$ 2,052,182
Internal Service Funds:	
Workers' Compensation Insurance Claims	\$ 16,805,773

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

**E. Restatement of Assets and Net position**

During fiscal year 2017, the City determined that the OPEB Trust established in 2008 should be reported as an OPEB Plan Trust Fund. As a result, beginning net position of the Trust Fund has been restated in the amount of \$14,252,314. Related to that restatement, cash held in the Employee Benefit and Liability Clearing Agency Fund as of July 1, 2016 in the amount of \$389,017 belonged in the OPEB Trust Fund, so the Agency Fund's cash balance at that date was reduced and restated and it is included in the Trust Fund restatement above.

**NOTE 19 – RISK MANAGEMENT**

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

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

Changes in the reported liability since June 30, 2015 resulted from the following:

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

	<u>Special Liability</u>	<u>Workers' Compensation</u>	<u>Total</u>
Liability as of June 30, 2015	\$ 1,726,583	\$ 23,200,851	\$ 24,927,434
Claims and changes in estimates during fiscal 2016	3,028,339	3,496,592	6,524,931
Claim payments	<u>(2,637,228)</u>	<u>(3,055,298)</u>	<u>(5,692,526)</u>
Liability as of June 30, 2016	\$ 2,117,694	\$ 23,642,145	\$ 25,759,839
Claims and changes in estimates during fiscal 2017	6,433,608	1,922,425	8,356,033
Claim payments	<u>(5,595,423)</u>	<u>(3,650,632)</u>	<u>(9,246,055)</u>
Liability as of June 30, 2017	<u>\$ 2,955,879</u>	<u>\$ 21,913,938</u>	<u>\$ 24,869,817</u>
Current Claims Payable	\$ 1,743,969	\$ 3,067,951	\$ 4,811,920
Long Term Claims Payable	<u>1,211,910</u>	<u>18,845,987</u>	<u>20,057,897</u>
Liability as of June 30, 2017	<u>\$ 2,955,879</u>	<u>\$ 21,913,938</u>	<u>\$ 24,869,817</u>

With respect to the Special Liability accrual of \$2.9 million, the City has numerous unsettled lawsuits filed or claims asserted against it as of June 30, 2017. 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, 2017, are approximately \$2.9 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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**NOTE 20 – COMMITMENTS AND CONTINGENCIES (continued)**

**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, 2017, total governmental fund encumbrance balances for the City are as follows:

General Fund	\$ 3,133,800
Nonmajor Governmental Funds	<u>16,483,829</u>
Total Governmental Funds	<u><u>\$ 19,617,629</u></u>

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

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

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

During the transition from the old to the new contracts, one of the issues addressed was how to deal with the \$370 million in assets that were still being paid for by the wholesale customers under the old agreement. The assets were transferred to the new agreement, assigned a life with an agreed upon rate of return of 5.13%. Also negotiated was a provision to allow the wholesale customers to prepay any remaining existing assets' 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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**NOTE 20 – COMMITMENTS AND CONTINGENCIES (continued)**

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

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

The City paid its surcharge of \$320,384 during fiscal year 2016-17, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2017-18 is estimated to be \$696,768.

**E. Santa Clara Stadium Authority – Stadium Facility Rent Arbitration**

The final development costs for Levi's Stadium attributed to the Stadium Authority were determined in November 2015. The total costs came in under budget. In addition, more SBL proceeds were available to fund construction and pay down debt. Therefore, the total outstanding debt for the development of the Stadium and carried by the Stadium Authority was \$137 million lower than what was projected in June 2013, when the initial facility rent was set at \$24.5 million. On the other hand, actual operating expenses for the first two years of operations were greater than what was originally projected.

Based on the changes to the projected operating and debt service expenses, the provisions for a one-time rent adjustment as described in note 6(b) were triggered. At the Stadium Authority Board (Board) meeting held on March 22, 2016, StadCo presented a financial model showing that a rent of \$20.25 million per year is sufficient, when combined with other Authority revenues, to cover debt service and operating expenses in each of the 40 years of the Stadium Lease. The Board decided not to adjust the rent, and instead passed a motion to pursue the informal dispute resolution procedures and to proceed to the mediation process if necessary. Thereafter, on May 3, 2016 StadCo filed for arbitration with the Stadium Authority.

The one-time rent adjustment will be decided by the arbitrator. Depending on their analysis, the Levi's Stadium facility rent will be adjusted. It is anticipated that the results of this adjustment will not have a negative impact to the on-going operations of Levi's Stadium. In fact, the purpose and method of calculating the facility rent is to ensure that along with other operating revenues, the Stadium Authority is able to pay its debt service and operating expenses.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**NOTE 21 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**

**A. Long-Term Debt**

Effective January 31, 2012, all Redevelopment Agencies were dissolved and certain assets and liabilities were distributed to a Successor Agency Trust Fund per ABx1 26, which was adopted by the State of California on June 28, 2011. As of June 30, 2017, the Successor Agency has paid off \$36 million of the 2003 Tax Allocation Bonds and defeased \$28 million of the 2011 Tax Allocation Bonds.

The debt service transactions from July 1, 2016 through June 30, 2017 for the Successor Agency are shown in the table below:

Type of Indebtedness	Authorized and Issued	Outstanding as of June 30,2016	Debt Retired	Outstanding as of June 30,2017	Current Portion
<b>2003 Tax Allocation Bonds</b>					
Bayshore North Project 5.0%, maturing through 2023	\$ 43,960,000	\$ 36,040,000	\$36,040,000	\$ -	\$ -
<b>2011 Tax Allocation Bonds</b>					
Bayshore North Project 2%-7.86%, maturing through 2026	31,411,295	27,954,617	27,954,617	-	-
Less Unamortized Discount	-	(110,873)	(110,873)	-	-
<b>Total Debt:</b>	<b>\$ 75,371,295</b>	<b>\$ 63,883,744</b>	<b>\$63,883,744</b>	<b>\$ -</b>	<b>\$ -</b>

Bayshore North Project 2003 Tax Allocation Bonds

On May 14, 2003, the former RDA issued \$43.96 million of Bayshore North Project 2003 Tax Allocation Bonds (RDA 2003 Bonds) to fund various former RDA projects. The RDA 2003 Bonds mature serially in years 2015 through 2023, and bear interest at 5.0%. The Bonds are insured by the MBIA Insurance Corporation and were fully paid off on June 1, 2017.

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.

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 21 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)**

The following schedule summarizes the defeased 2011 Tax Allocation Bonds:

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

**B. Enforceable Obligations**

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

Franklin Mall Cooperation and Reimbursement Reentry Agreement

The City has made long-term advances to the former RDA. On May 18, 2012, the Oversight Board authorized the Successor Agency to reenter into the Loan Agreement with the City. On May 22, 2012, the agreement to reenter into a Loan Agreement was approved by the City and the Successor Agency. The outstanding commitment from the Successor Agency totaled \$2.40 million on June 30, 2017.

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

The City has made long-term advances to the former RDA for implementation of the former RDA’s affordable housing program. On May 18, 2012, the Oversight Board authorized the Successor Agency to reenter into the Loan Agreement with the City. On May 22, 2012, the agreement reentering into a Loan Agreement was approved by the City and the Successor Agency. The outstanding commitment from the Successor Agency totaled \$1.96 million as of June 30, 2017.

**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

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2017**

**NOTE 22 – SUCCESSOR AGENCY LEASE AGREEMENTS (continued)**

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

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

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

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

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

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

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

The base rent under the Ground Lease is \$5.3 million annually, payable in quarterly installments of \$1.325 million, plus additional rent equal to the sum of 5% of the annual gross revenues of the Theme Park in excess of \$56 million up to \$100 million plus 7.5% of the annual gross revenues in excess of \$100 million. If Cedar Fair exercises the first option to renew pursuant to the Fourth Amendment, annual base rent will increase to \$5,697,500. If Cedar Fair exercises the second option to renew pursuant to the Fourth Amendment in 2054 for an additional term of 10 years, annual base rent will increase to \$5,982,375. If Cedar Fair exercises the third option to renew pursuant to the Fourth Amendment in 2064 for an additional ten years, basic rent will increase to \$6,281,494. Lease revenues collected from July 1, 2012 to June 30, 2016 in the amount of \$22,892,413 have been passed on to the Successor Agency.

North South Parking Lot Revenue

Pursuant to the Fourth Amendment, Cedar Fair is allowed to use certain North South parcels adjacent to the Theme Park property for parking. Under the terms of the Ground Lease as amended by the Fourth Amendment, Cedar Fair pays annually for use of such property for parking. The lease payments for parking

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 22 – SUCCESSOR AGENCY LEASE AGREEMENTS (continued)**

lots terms are from February 1 to January 31. Lease revenues collected from July 1, 2012 to June 30, 2016 in the amount of \$106,400 have been passed on to the Successor Agency.

For the fiscal year ended June 30, 2017, Cedar Fair paid base rent of \$5.3 million, additional rent of \$955,199, and parking lot revenue of \$26,600.

The following schedule summarizes the approximate future minimum lease revenues to be received from the Theme Park ground lease prior to December 31, 2019, when the current option expires:

<u>Fiscal Year</u>	<u>Ground Lease Amount</u>	<u>Parking Lot Amount</u>	<u>Total</u>
2018	\$ 5,300,000	\$ 26,600	\$ 5,326,600
2019	5,300,000	29,925	5,329,925
2020	<u>2,650,000</u>	<u>29,925</u>	<u>2,679,925</u>
Total	<u>\$ 13,250,000</u>	<u>\$ 86,450</u>	<u>\$ 13,336,450</u>

**B. Techmart Office Building Ground Lease**

In May 1998, the former RDA entered into a long-term ground lease of the Techmart parcel with CarrAmerica. The lease has a 55 year term with options for two additional ten-year terms. The former RDA received \$1 million annual rent for each of the first ten years of the lease, which lease revenues were paid by 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, 2016 in the amount of \$4,739,167 have been passed on to the Successor Agency. For the fiscal year ended June 30, 2017, Lessee paid rent of \$1,210,000.

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

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 1,220,083
2019	1,331,000
2020	1,331,000
2021	1,331,000
2022	1,331,000
Thereafter	<u>57,702,204</u>
Total	<u>\$ 64,246,287</u>

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 22 – SUCCESSOR AGENCY LEASE AGREEMENTS (continued)**

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

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

The Settlement Agreement states that a portion of the ground lease payments from the Hyatt Hotel are derived from the Convention Center Ballroom space rental and are not related to the Hyatt Hotel ground lease. The Settlement Agreement states the City shall retain all revenues generated from the Ballroom Agreement starting July 1, 2015. Lease revenues collected from July 1, 2012 to June 30, 2015 in the amount of \$921,270 have been passed on to the Successor Agency. Additional information concerning the Ballroom Lease can be found in Note 4B.

Lease revenues collected from Hyatt from July 1, 2012 to June 30, 2016 in the amount of \$6,705,803 have been passed on to the Successor Agency. For the fiscal year ended June 30, 2017, Lessee paid minimum rent of \$400,000 and \$1,548,770 in the additional rent.

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

Fiscal Year	Ground Lease Amount
2018	\$ 400,000
2019	400,000
2020	400,000
2021	400,000
2022	400,000
Thereafter	5,133,333
Total	<u>\$ 7,133,333</u>

**D. Hilton Hotel Ground Lease**

In July 1999, the former RDA entered into a long-term ground lease with Santa Clara Hotel, LLC (Lessee) for the development of a certain portion of that piece of land – the North Parcel, and eventual operation of a high quality hotel and related facilities, amenities and improvements (Hilton Hotel). The lease is for an initial term of 55 years. The Lessee has options to renew the lease for three additional periods of ten years. Under the terms of the lease, the former RDA is entitled to receive a specified amount of minimum rent subject to adjustment at times specified in the lease. Beginning with the third lease year, the former RDA is

**CITY OF SANTA CLARA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 22 – SUCCESSOR AGENCY LEASE AGREEMENTS (continued)**

also entitled to receive additional rent at an amount equal to a specified percentage of the gross revenues if the hotel exceeds the total amount of minimum rent for the applicable lease year.

Lease revenues collected from July 1, 2012 to June 30, 2016 in the amount of \$3,678,396 have been passed on to the Successor Agency. For the fiscal year ended June 30, 2017, Lessee paid minimum rent of \$400,000 and \$674,750 in the additional rent.

On June 13, 2017, the Successor Agency adopted a Resolution authorizing the City Manager/Executive Officer to execute a Purchase and Sale Agreement with Ontario Airport hotel Corporation for the sale of Santa Clara Hilton Parcel located at 4949 Great America Parkway (Property) and all documents necessary to accomplish the transfer of the property. The transaction was authorized by the Oversight Board on June 30, 2017. The transfer of the property was settled on July 18, 2017. As a result, the remaining rent revenues as of June 30, 2017 was as follows:

Fiscal Year	Amount
2018	\$ 19,355
Total	\$ 19,355

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

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

On November 15, 2016, the Successor Agency adopted a Resolution authorizing the City Manager/Executive Officer to execute a Purchase and Sale Agreement with DivcoWest Acquisitions LLC for the sale of Gateway Parcel 2 located at 5451-5455 Great America Parkway (Property) and all documents necessary to accomplish the transfer of the property. The transaction was authorized by the Oversight Board on November 18, 2016.

The transfer of the property was settled on December 21, 2016. With the sale of Gateway Parcel 2, the Successor Agency is able to retire all remaining debt of the former Redevelopment Agency. Any excess sales proceeds not needed to pay the Successor Agency debt have been distributed to the taxing entities including the City. The sale of the property moves the Successor Agency one step closer to completing the dissolution of the former Redevelopment Agency.

For the fiscal year ended June 30, 2017, Lessee paid rent of \$1,785,738. Lease revenues collected from July 1, 2012 to June 30, 2017 in the amount of \$18,586,929 have been passed on to the Successor Agency.

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***Required Supplementary Information***

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<p style="text-align: center;"><b>CITY OF SANTA CLARA</b> <b>REQUIRED SUPPLEMENTARY INFORMATION</b></p>
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This part of the City of Santa Clara's Comprehensive Annual Report provides detailed information to better understand the data presented within the financial statements and note disclosures.

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

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

**SCHEDULE OF PLAN CONTRIBUTIONS - PENSION PLAN**

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

**SCHEDULE OF FUNDING PROGRESS - OTHER POST RETIREMENT BENEFIT PLAN**

Contains information reporting the actuarial value of assets, the actuarial accrued liability and the relationship between the two over time.

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**

Discloses the changes and components of the net pension 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 TRUST FUND**

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

**SCHEDULE OF INVESTMENT RETURNS - OPEB PLAN TRUST FUND**

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

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

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

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**CITY OF SANTA CLARA**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**MISCELLANEOUS PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN**  
**Last Ten Fiscal Years for the Measurement Periods Ended June 30 <sup>(1)</sup>**

Miscellaneous Plan	2016	2015	2014
<b>Total Pension Liability</b>			
Service cost	\$ 10,415,730	\$ 9,909,421	\$ 10,345,749
Interest	46,283,869	44,755,550	42,969,016
Changes of assumptions	-	(10,233,178)	-
Differences between expected and actual experience	(2,265,081)	108,957	-
Benefit payments, including refunds of employee contributions	(33,491,738)	(31,858,297)	(29,847,146)
Net change in total pension liability	20,942,780	12,682,453	23,467,619
Total pension liability - beginning	618,820,988	606,138,535	582,670,916
<b>Total pension liability - ending</b>	<b>\$ 639,763,768</b>	<b>\$ 618,820,988</b>	<b>\$ 606,138,535</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 18,464,042	\$ 15,625,285	\$ 14,887,751
Contributions - employee	5,151,548	4,755,791	5,439,513
Net investment income	2,186,435	9,037,882	61,358,126
Benefit payments, including refunds of employee contributions	(33,491,738)	(31,858,297)	(29,847,146)
Plan to plan resource movement	(788)	(368)	-
Administrative expense	(247,274)	(457,051)	-
Net change in plan fiduciary net position	(7,937,775)	(2,896,758)	51,838,244
Plan fiduciary net position - beginning	405,734,377	408,631,135	356,792,891
<b>Plan fiduciary net position - ending</b>	<b>\$ 397,796,602</b>	<b>\$ 405,734,377</b>	<b>\$ 408,631,135</b>
<b>Net Pension Liability - ending</b>	<b>\$ 241,967,166</b>	<b>\$ 213,086,611</b>	<b>\$ 197,507,400</b>
Plan fiduciary net position as a percentage of the total pension liability	62.18%	65.57%	67.42%
Covered payroll	61,287,024	57,336,229	57,193,591
Net pension liability as percentage of covered payroll	394.81%	371.64%	345.33%

Notes to schedule:

(1) Fiscal year 2014-15 was the first year of implementation, therefore only three years are shown.

**Benefit changes:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015.

**Changes in assumptions:** There were no changes in 2016. In 2015, amounts reported reflect a discount rate adjustment from 7.5% (net of administrative expenses) to 7.65% (without a reduction for pension plan administrative expenses). 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 for the Measurement Periods Ended June 30<sup>(1)</sup>**

Miscellaneous Plan			
	2017	2016	2015
Actuarially determined contribution	\$ 21,613,984	\$ 18,543,534	\$ 15,257,771
Contributions in relation to the actuarially determined contributions	(21,613,984)	(18,543,534)	(15,257,771)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	71,285,526	61,942,363	58,051,406
Contributions as a percentage of covered payroll	30.32%	29.94%	26.28%
Notes to schedule			
Valuation date	6/30/2014	6/30/2013	6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years as of valuation date
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.3% to 14.2% depending on age, service, and type of employment
Investment rate of return	7.5%, net of pension plan investment and administrative expenses; includes inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality <sup>(2)</sup>	Derived using CalPERS' Membership Data for all Funds

(1) Fiscal year 2014-15 was the first year of implementation, therefore only three years are shown.

(2) The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**CITY OF SANTA CLARA**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**SAFETY PLAN, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN**  
**Last Ten Fiscal Years for the Measurement Periods Ended June 30 <sup>(1)</sup>**

Safety Plan

	2016	2015	2014
<b>Total Pension Liability</b>			
Service cost	\$ 10,985,005	\$ 10,678,931	\$ 10,748,085
Interest	48,410,844	46,944,730	45,454,864
Changes of benefit terms	-	-	-
Changes of assumptions	-	(11,249,844)	-
Differences between expected and actual experience	(3,491,487)	(3,604,245)	-
Benefit payments, including refunds of employee contributions	(35,868,203)	(34,372,454)	(33,072,631)
Net change in total pension liability	20,036,159	8,397,118	23,130,318
Total pension liability - beginning	648,754,570	640,357,452	617,227,134
<b>Total pension liability - ending</b>	<b>\$ 668,790,729</b>	<b>\$ 648,754,570</b>	<b>\$ 640,357,452</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 16,679,012	\$ 14,692,277	\$ 12,839,821
Contributions - employee	4,376,079	4,079,023	4,866,079
Net investment income	2,362,110	10,236,992	70,347,760
Benefit payments, including refunds of employee contributions	(35,868,203)	(34,372,454)	(33,072,631)
Plan to plan resource movement	788	-	-
Administrative expense	(279,579)	(516,273)	-
Net change in plan fiduciary net position	(12,729,793)	(5,880,435)	54,981,029
Plan fiduciary net position - beginning	458,741,902	464,622,337	409,641,308
<b>Plan fiduciary net position - ending</b>	<b>\$ 446,012,109</b>	<b>\$ 458,741,902</b>	<b>\$ 464,622,337</b>
<b>Net Pension Liability - ending</b>	<b>\$ 222,778,620</b>	<b>\$ 190,012,668</b>	<b>\$ 175,735,115</b>
Plan fiduciary net position as a percentage of the total pension liability	66.69%	70.71%	72.56%
Covered payroll	40,211,601	39,002,668	37,666,322
Net pension liability as percentage of covered payroll	554.02%	487.18%	466.56%

Notes to schedule:

(1) Fiscal year 2014-15 was the first year of implementation, therefore only three years are shown.

**Benefit changes:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015.

**Changes in assumptions:** There were no changes in 2016. In 2015, amounts reported reflect a discount rate adjustment from 7.5% (net of administrative expenses) to 7.65% (without a reduction for pension plan administrative expenses). 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 for the Measurement Periods Ended June 30 <sup>(1)</sup>**

Safety Plan	Fiscal Year Ending		
	2017	2016	2015
Actuarially determined contribution	\$ 19,735,867	\$ 17,365,058	\$ 14,776,850
Contributions in relation to the actuarially determined contributions	(19,735,867)	(17,365,058)	(14,776,850)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	47,064,869	41,116,053	38,909,866
Contributions as a percentage of covered payroll	41.93%	42.23%	37.98%
Notes to schedule			
Valuation date	6/30/2014	6/30/2013	6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years as of valuation date
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.3% to 10.9% depending on age, service, and type of employment
Investment rate of return	7.5%, net of pension plan investment and administrative expenses; includes inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality <sup>(2)</sup>	Derived using CalPERS' Membership Data for all Funds

(1) Fiscal year 2014-15 was the first year of implementation, therefore only three years are shown.

(2) The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**CITY OF SANTA CLARA  
SCHEDULE OF FUNDING PROGRESS  
OTHER POST RETIREMENT BENEFIT PLAN  
June 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b - a)	(a/b)	(c)	([b - a] /c)
06/30/2012	\$ 9,129,000	\$ 36,473,000	\$ 27,344,000	25.0%	\$ 95,244,000	28.7%
06/30/2014	11,539,000	40,099,000	28,560,000	28.8%	92,907,000	30.7%
06/30/2016	14,564,000	59,717,000	45,153,000	24.4%	102,468,000	44.1%

**CITY OF SANTA CLARA**  
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**  
**OPEB PLAN TRUST FUND, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN**  
**Last Ten Fiscal Years for the Measurement Periods Ended June 30 <sup>(1)</sup>**  
**(In Thousands)**

	2017
<b>Total OPEB Liability</b>	
Service cost	\$ 2,134
Interest	3,194
Differences between expected and actual experience	-
Changes of assumptions	-
Changes of benefit terms	-
Benefit payments including refunds	(2,034)
Net change in total pension liability	3,294
Total pension liability - beginning	59,717
<b>Total pension liability - ending</b>	<b>\$ 63,011</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$ 2,733
Net investment income	738
Benefit payments including refunds	(2,034)
Administrative expense	(73)
Net change in plan fiduciary net position	1,364
Plan fiduciary net position - beginning	13,864
<b>Plan fiduciary net position - ending</b>	<b>\$ 15,228</b>
<b>Net OPEB Liability - ending</b>	<b>\$ 47,783</b>
Plan fiduciary net position as a percentage of the total OPEB liability	24.2%

Notes to schedule:

(1) Fiscal year 2016-17 was the first year of implementation, therefore only one year is shown.

**CITY OF SANTA CLARA  
SCHEDULE OF PLAN CONTRIBUTIONS**

**OPEB PLAN TRUST FUND, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN  
Last Ten Fiscal Years for the Measurement Periods Ended June 30<sup>(1)</sup>  
(In Thousands)**

		2017	
Actuarially determined contribution	\$	2,981	
Contributions in relation to the actuarially determined contributions		2,981	
Contribution deficiency (excess)	\$	-	

Notes to schedule:

(1) Fiscal year 2016-17 was the first year of implementation, therefore only one year is shown.

**CITY OF SANTA CLARA  
SCHEDULE OF INVESTMENT RETURNS**

**OPEB PLAN TRUST FUND, AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN  
Last Ten Fiscal Years for the Measurement Periods Ended June 30<sup>(1)</sup>**

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	5.10%

Notes to schedule:

(1) Fiscal year 2016-17 was the first year of implementation, therefore only one year is shown.

**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, 2017**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Sales	\$ 64,267,475	\$ 64,267,475	\$ 62,528,632	\$ (1,738,843)
Ad valorem	46,690,000	46,690,000	50,920,368	4,230,368
Transient occupancy	20,000,000	20,000,000	20,069,227	69,227
Other	5,353,800	5,353,800	5,731,824	378,024
Licenses, permits, fines and penalties	11,464,300	11,464,300	10,598,711	(865,589)
Intergovernmental	370,000	370,000	8,534,059	8,164,059
Charges for services	39,415,904	39,415,904	40,525,139	1,109,235
Contributions in-lieu of taxes	19,652,620	19,652,620	21,117,421	1,464,801
Interest and rents	13,578,349	13,578,349	13,464,445	(113,904)
Other	460,006	460,006	2,357,869	1,897,863
Total Revenues	221,252,454	221,252,454	235,847,695	14,595,241
<b>EXPENDITURES</b>				
Current:				
General Government:				
General Administration:				
Salary & benefits	5,196,790	5,196,790	4,548,490	648,300
Material, service & supplies	13,035,873	12,801,538	11,436,671	1,364,867
Internal service fund charges	174,152	174,152	174,152	-
Capital outlay	126,552	143,461	58,285	85,176
Total General Administration	18,533,367	18,315,941	16,217,598	2,098,343
City Clerk:				
Salary & benefits	1,148,783	1,148,783	984,721	164,062
Material, service & supplies	761,632	834,132	613,197	220,935
Internal service fund charges	36,959	36,959	36,959	-
Total City Clerk	1,947,374	2,019,874	1,634,877	384,997
City Attorney:				
Salary & benefits	1,543,725	1,543,725	1,456,330	87,395
Material, service & supplies	76,560	201,560	183,468	18,092
Internal service fund charges	34,251	34,251	34,251	-
Total City Attorney	1,654,536	1,779,536	1,674,049	105,487
Human Resources:				
Salary & benefits	2,686,282	2,686,282	2,308,443	377,839
Material, service & supplies	635,792	735,717	621,571	114,146
Internal service fund charges	46,310	46,310	46,310	-
Total Human Resources	3,368,384	3,468,309	2,976,324	491,985

**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, 2017  
(continued)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Salary & benefits	9,428,270	9,428,270	8,323,637	1,104,633
Material, service & supplies	1,277,775	1,277,775	1,077,121	200,654
Internal service fund charges	374,089	374,089	374,089	-
<b>Total Finance</b>	<b>11,080,134</b>	<b>11,080,134</b>	<b>9,774,847</b>	<b>1,305,287</b>
Total General Government	36,583,795	36,663,794	32,277,695	4,386,099
Public Works:				
Salary & benefits	16,994,190	16,844,190	14,975,011	1,869,179
Material, service & supplies	3,368,809	3,518,809	3,477,333	41,476
Internal service fund charges	1,620,061	1,620,061	1,620,061	-
Capital outlay	162,000	162,000	95,575	66,425
<b>Total Public Works</b>	<b>22,145,060</b>	<b>22,145,060</b>	<b>20,167,980</b>	<b>1,977,080</b>
Parks and Recreation:				
Salary & benefits	12,123,462	12,123,462	10,973,979	1,149,483
Material, service & supplies	3,690,429	3,693,429	4,056,633	(363,204)
Internal service fund charges	812,594	812,594	812,594	-
Capital outlay	-	5,200	5,200	-
<b>Total Parks and Recreation</b>	<b>16,626,485</b>	<b>16,634,685</b>	<b>15,848,406</b>	<b>786,279</b>
Public Safety:				
Police:				
Salary & benefits	55,478,479	55,483,479	54,141,772	1,341,707
Material, service & supplies	4,880,139	4,880,139	4,492,202	387,937
Internal service fund charges	3,899,958	3,899,958	3,899,958	-
<b>Total Police</b>	<b>64,258,576</b>	<b>64,263,576</b>	<b>62,533,932</b>	<b>1,729,644</b>
Fire:				
Salary & benefits	38,927,853	38,927,853	38,712,574	215,279
Material, service & supplies	1,245,424	1,380,424	1,276,980	103,444
Internal service fund charges	2,282,535	2,282,535	2,282,535	-
Capital outlay	99,000	99,000	89,154	9,846
<b>Total Fire</b>	<b>42,554,812</b>	<b>42,689,812</b>	<b>42,361,243</b>	<b>328,569</b>
<b>Total Public Safety</b>	<b>106,813,388</b>	<b>106,953,388</b>	<b>104,895,175</b>	<b>2,058,213</b>

**CITY OF SANTA CLARA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)  
For the year ended June 30, 2017  
(continued)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Planning and Inspection:				
Salary & benefits	8,732,419	8,732,419	7,455,791	1,276,628
Material, service & supplies	375,806	795,806	704,024	91,782
Internal service fund charges	220,958	220,958	220,958	-
Capital outlay	15,000	15,000	13,112	1,888
Total Planning and Inspection	<u>9,344,183</u>	<u>9,764,183</u>	<u>8,393,885</u>	<u>1,370,298</u>
Library:				
Salary & benefits	7,600,802	7,600,802	6,757,180	843,622
Material, service & supplies	2,166,691	2,166,813	2,167,289	(476)
Internal service fund charges	127,680	127,680	127,680	-
Total Library	<u>9,895,173</u>	<u>9,895,295</u>	<u>9,052,149</u>	<u>843,146</u>
Total Expenditures	<u>201,408,084</u>	<u>202,056,405</u>	<u>190,635,290</u>	<u>11,421,115</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>19,844,370</u>	<u>19,196,049</u>	<u>45,212,405</u>	<u>26,016,356</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,975,813	2,277,823	2,055,166	(222,657)
Transfers (out)	(18,935,956)	(41,550,511)	(44,659,774)	(3,109,263)
Total Other Financing Sources (Uses)	<u>(16,960,143)</u>	<u>(39,272,688)</u>	<u>(42,604,608)</u>	<u>(3,331,920)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS	<u>\$ 2,884,227</u>	<u>\$ (20,076,639)</u>	<u>\$ 2,607,797</u>	<u>\$ 22,684,436</u>
ADJUSTMENTS TO BUDGETARY BASIS:				
Prior year encumbrances recognized on the GAAP basis			(3,475,773)	
Current year encumbrances recognized on the budgetary basis			3,133,800	
Net change in receivables recognized on the GAAP basis			(9,261,914)	
Net change in accrued liabilities recognized on the GAAP basis			386,197	
Net change in funds for GAAP Basis not included in annual budget			354,742	
Beginning Fund balance			<u>197,798,000</u>	
Ending Fund balance			<u>\$ 191,542,849</u>	

**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, 2017**

	<b>Santa Clara Housing Successor</b>		
	<b>Original and Final Budget</b>	<b>Actual Amount Budgetary Basis</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Charges for services	\$ -	\$ -	\$ -
Interest and rents	72,000	101,125	29,125
Other	124,000	1,387,776	1,263,776
Total Revenues	<u>196,000</u>	<u>1,488,901</u>	<u>1,292,901</u>
<b>EXPENDITURES</b>			
Current:			
General Administration			
Salary & benefits	50,000	61,192	(11,192)
Material, service & supplies	240,550	87,658	152,892
Internal service fund charges	163,148	-	163,148
Capital outlay	600,000	-	600,000
Total General Administration	<u>1,053,698</u>	<u>148,850</u>	<u>904,848</u>
Public Works			
Salary & benefits	-	-	-
Material, service & supplies	-	-	-
Internal service fund charges	-	-	-
Total Public Works	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,053,698</u>	<u>148,850</u>	<u>904,848</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(857,698)</u>	<u>1,340,051</u>	<u>2,197,749</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$ (857,698)</u>	<u>1,340,051</u>	<u>\$ 2,197,749</u>
<b>ADJUSTMENTS TO BUDGETARY BASIS:</b>			
Expenditures of prior year encumbrances recognized on the GAAP basis		-	
Current year encumbrances recognized on the budgetary basis		28,156	
Net change in receivables recognized on the GAAP basis		(2,500)	
Net change in accrued liabilities recognized on the GAAP basis		(26,805)	
Beginning Fund balance		<u>26,886,099</u>	
Ending Fund balance		<u>\$ 28,225,001</u>	

**CITY OF SANTA CLARA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2017**

**NOTE 1 – REQUIRED SUPPLEMENTARY INFORMATION**

**A. BUDGETS AND BUDGETARY ACCOUNTING**

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

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

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

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## *Supplementary Information*

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

SPECIAL REVENUE FUNDS

GAS TAX

The fund accounts for revenues and expenditures received from the State under Street and Highways Codes Sections 2105 (Gas Tax 2105), 2106 (Collier-Unruh) and 2107 (Special Gas Tax). The allocations must be spent for street maintenance or construction and a limited amount for engineering.

HUD PROGRAMS

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

CITY AFFORDABLE HOUSING

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

SANTA CLARA HOUSING AUTHORITY FUND

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

MAINTENANCE

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

OPERATING GRANTS FUND

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

DEBT SERVICE FUNDS

PUBLIC FACILITIES FINANCING CORPORATION (PFFC)

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

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<b>CITY OF SANTA CLARA NON-MAJOR GOVERNMENTAL FUNDS (continued)</b>
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CAPITAL PROJECTS FUNDS

PARKS AND RECREATION FACILITIES

This fund was established to account for revenues, contributions and reimbursements received and costs incurred in connection with the acquisition and construction of the City parks.

STREETS AND HIGHWAYS IMPROVEMENT

This fund is used to account for revenues and expenditures related to road construction and traffic improvements.

STORM DRAIN IMPROVEMENT

This fund is used to account for revenues and expenditures related to the construction or modification of the City's storm drainage system.

FIRE DEPARTMENT IMPROVEMENT

This fund is used to account for revenues and expenditures related to the construction or modification of City fire stations.

LIBRARY DEPARTMENT IMPROVEMENT

This fund is used to account for revenues and expenditures related to the construction or modification of the City's library facilities.

PUBLIC FACILITIES

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

STREET BEAUTIFICATION

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

SPECIAL ASSESSMENTS

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

**CITY OF SANTA CLARA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2017**

**SPECIAL REVENUE FUNDS**

	<b>Gas Tax</b>	<b>HUD Programs</b>	<b>City Affordable Housing</b>	<b>Santa Clara Housing Authority</b>
<b>ASSETS</b>				
Cash and investments:				
Pooled cash and investments	\$ 15,667,395	\$ 1,329,561	\$ 7,669,548	\$ 2,606,859
Investments with fiscal agent - current	-	-	-	-
Restricted cash	-	-	-	-
Receivables (net of allowance for uncollectibles):				
Accounts	-	-	-	-
Loans	-	12,258,055	22,811,096	7,061,040
Intergovernmental	215,359	1,539,124	-	-
Due from other funds	-	-	-	-
Investments with fiscal agent - noncurrent	-	-	-	-
Other	-	-	-	-
<b>Total Assets</b>	<b>\$ 15,882,754</b>	<b>\$15,126,740</b>	<b>\$ 30,480,644</b>	<b>\$ 9,667,899</b>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 704,075	\$ 96,461	\$ 42,181	\$ 50,000
<b>Total Liabilities</b>	<b>704,075</b>	<b>96,461</b>	<b>42,181</b>	<b>50,000</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - Loans	-	12,258,055	22,811,096	7,061,040
Unavailable revenue - Grants	-	1,308,049	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>13,566,104</b>	<b>22,811,096</b>	<b>7,061,040</b>
<b>FUND BALANCES</b>				
Restricted	15,178,679	1,464,175	7,627,367	-
Committed	-	-	-	2,556,859
<b>Total Fund Balances</b>	<b>15,178,679</b>	<b>1,464,175</b>	<b>7,627,367</b>	<b>2,556,859</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 15,882,754</b>	<b>\$15,126,740</b>	<b>\$ 30,480,644</b>	<b>\$ 9,667,899</b>

**CITY OF SANTA CLARA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2017**

<b>DEBT SERVICE FUND</b>		
<b>Maintenance</b>	<b>Operating Grants Fund</b>	<b>Public Facilities Financing Corp.</b>
\$ 359,602	\$ 732,887	\$ 775,475
-	-	80
236,841	-	-
-	-	-
-	-	-
-	42,358	-
22,529	-	-
-	-	705,326
39,140	-	-
\$ 658,112	\$ 775,245	\$ 1,480,881
\$ 54,941	\$ 20,398	\$ 1,042
54,941	20,398	1,042
-	-	-
-	-	-
-	-	-
603,171	754,847	1,479,839
-	-	-
603,171	754,847	1,479,839
\$ 658,112	\$ 775,245	\$ 1,480,881

**CITY OF SANTA CLARA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2017 (continued)**

	<b>CAPITAL PROJECTS FUNDS</b>			
	<b>Parks and Recreation Facilities</b>	<b>Streets and Highways Improvement</b>	<b>Storm Drain Improvement</b>	<b>Fire Department Improvement</b>
<b>ASSETS</b>				
Cash and investments:				
Pooled cash and investments	\$ 28,582,020	\$ 19,222,630	\$ 3,377,326	\$ 1,360,033
Investments with fiscal agent - current	-	-	-	-
Restricted cash	-	2,050,469	-	-
Receivables (net of allowance for uncollectibles):				
Accounts	-	-	59,728	-
Loans	-	-	-	-
Intergovernmental	19,513	117,816	-	-
Due from other funds	-	-	-	-
Investments with fiscal agent - noncurrent	-	-	-	-
Other	-	-	-	-
Total Assets	<u>\$ 28,601,533</u>	<u>\$ 21,390,915</u>	<u>\$ 3,437,054</u>	<u>\$ 1,360,033</u>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 639,390	\$ 220,513	\$ 176,098	\$ 35,038
Total Liabilities	<u>639,390</u>	<u>220,513</u>	<u>176,098</u>	<u>35,038</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - Loans	-	-	-	-
Unavailable revenue - Grants	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted	14,535,058	15,987,473	680,569	29,666
Committed	13,427,085	5,182,929	2,580,387	1,295,329
Total Fund Balances	<u>27,962,143</u>	<u>21,170,402</u>	<u>3,260,956</u>	<u>1,324,995</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 28,601,533</u>	<u>\$ 21,390,915</u>	<u>\$ 3,437,054</u>	<u>\$ 1,360,033</u>

**CITY OF SANTA CLARA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2017 (continued)**

<b>Library Department Improvement</b>	<b>Public Facilities</b>	<b>Street Beautification</b>	<b>Special Assessments</b>	<b>Total Non-Major Governmental Funds</b>
\$ 2,833,489	\$ 19,244,988	\$ 299,823	\$ 1,062,557	\$ 105,124,193
-	-	-	-	80
-	-	-	-	2,287,310
-	75,400	-	-	135,128
-	-	-	-	42,130,191
-	-	-	-	1,934,170
-	-	-	-	22,529
-	-	-	-	705,326
-	-	-	-	39,140
<u>\$ 2,833,489</u>	<u>\$ 19,320,388</u>	<u>\$ 299,823</u>	<u>\$ 1,062,557</u>	<u>\$ 152,378,067</u>
<u>\$ 32,640</u>	<u>\$ 333,462</u>	<u>\$ 4,700</u>	<u>\$ -</u>	<u>\$ 2,410,939</u>
32,640	333,462	4,700	-	2,410,939
-	-	-	-	42,130,191
-	-	-	-	1,308,049
-	-	-	-	43,438,240
-	2,189,678	-	1,062,557	61,593,079
2,800,849	16,797,248	295,123	-	44,935,809
<u>2,800,849</u>	<u>18,986,926</u>	<u>295,123</u>	<u>1,062,557</u>	<u>106,528,888</u>
<u>\$ 2,833,489</u>	<u>\$ 19,320,388</u>	<u>\$ 299,823</u>	<u>\$ 1,062,557</u>	<u>\$ 152,378,067</u>

**CITY OF SANTA CLARA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the year ended June 30, 2017**

	<b>SPECIAL REVENUE FUNDS</b>			
	<b>Gas Tax</b>	<b>HUD Programs</b>	<b>City Affordable Housing</b>	<b>Santa Clara Housing Authority</b>
<b>REVENUES</b>				
Intergovernmental	\$ 2,382,519	\$ 1,450,806	\$ -	\$ -
Charges for services	-	-	-	-
Interest and rents	155,977	(842)	68,399	22,637
Other	-	613,996	3,313,080	542,746
<b>Total Revenues</b>	<b>2,538,496</b>	<b>2,063,960</b>	<b>3,381,479</b>	<b>565,383</b>
<b>EXPENDITURES</b>				
Current:				
General Administration	-	1,920,086	280,807	176,192
Public Works	1,548,113	-	-	-
Parks and Recreation	-	-	-	-
Public Safety:				
Police	-	-	-	-
Fire	-	-	-	-
Library	-	-	-	-
Capital outlay	2,257,066	372,070	-	-
Debt service:				
Principal payments	-	-	-	-
Interest and fiscal fees	-	-	-	-
Bond issuance cost	-	-	-	-
<b>Total Expenditures</b>	<b>3,805,179</b>	<b>2,292,156</b>	<b>280,807</b>	<b>176,192</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,266,683)</b>	<b>(228,196)</b>	<b>3,100,672</b>	<b>389,191</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	38,166	-	-	-
Transfers (out)	(1,099,900)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,061,734)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,328,417)</b>	<b>(228,196)</b>	<b>3,100,672</b>	<b>389,191</b>
Fund balances - beginning	17,507,096	1,692,371	4,526,695	2,167,668
<b>Fund balances - ending</b>	<b>\$ 15,178,679</b>	<b>\$ 1,464,175</b>	<b>\$ 7,627,367</b>	<b>\$ 2,556,859</b>

**CITY OF SANTA CLARA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the year ended June 30, 2017**

<b>DEBT SERVICE FUND</b>		
<b>Maintenance</b>	<b>Operating Grants Fund</b>	<b>Public Facilities Financing Corp.</b>
\$ -	\$ 638,173	\$ -
711,294	93,901	-
5,148	-	2,559
1,990	1,722	-
<u>718,432</u>	<u>733,796</u>	<u>2,559</u>
-	-	-
1,452,873	336	-
-	135,594	-
-	443,252	-
-	24,499	-
-	64,934	-
-	-	-
-	-	1,674,000
-	-	824,529
-	-	2,207
<u>1,452,873</u>	<u>668,615</u>	<u>2,500,736</u>
<u>(734,441)</u>	<u>65,181</u>	<u>(2,498,177)</u>
774,076	78,311	2,504,030
-	-	-
<u>774,076</u>	<u>78,311</u>	<u>2,504,030</u>
39,635	143,492	5,853
563,536	611,355	1,473,986
<u>\$ 603,171</u>	<u>\$ 754,847</u>	<u>\$ 1,479,839</u>

**CITY OF SANTA CLARA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the year ended June 30, 2017 (continued)**

	<b>CAPITAL PROJECTS FUNDS</b>			
	<b>Parks and Recreation Facilities</b>	<b>Streets and Highways Improvement</b>	<b>Storm Drain Improvement</b>	<b>Fire Department Improvement</b>
<b>REVENUES</b>				
Intergovernmental	\$ 19,513	\$ 1,767,808	\$ -	\$ 36,766
Charges for services	-	98,101	1,066,118	-
Interest and rents	96,581	109,313	5,213	-
Other	18,170,103	3,503,536	-	-
Total Revenues	<u>18,286,197</u>	<u>5,478,758</u>	<u>1,071,331</u>	<u>36,766</u>
<b>EXPENDITURES</b>				
Current:				
General Administration	-	-	-	-
Public Works	-	270,928	461,953	-
Parks and Recreation	886,821	-	-	-
Public Safety:				
Police	-	-	-	-
Fire	-	-	-	261,856
Library	-	-	-	-
Capital outlay	11,793,194	4,833,550	436,269	175,592
Debt service:				
Principal payments	-	-	-	-
Interest and fiscal fees	-	-	-	-
Bond issuance cost	-	-	-	-
Total Expenditures	<u>12,680,015</u>	<u>5,104,478</u>	<u>898,222</u>	<u>437,448</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>5,606,182</u>	<u>374,280</u>	<u>173,109</u>	<u>(400,682)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	16,310,000	371,000	1,844,887	1,205,400
Transfers (out)	(4,829,509)	(38,166)	(1,100,000)	(21,145)
Total Other Financing Sources (Uses)	<u>11,480,491</u>	<u>332,834</u>	<u>744,887</u>	<u>1,184,255</u>
<b>NET CHANGE IN FUND BALANCE</b>	17,086,673	707,114	917,996	783,573
Fund balances - beginning	10,875,470	20,463,288	2,342,960	541,422
Fund balances - ending	<u>\$ 27,962,143</u>	<u>\$ 21,170,402</u>	<u>\$ 3,260,956</u>	<u>\$ 1,324,995</u>

**CITY OF SANTA CLARA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the year ended June 30, 2017 (continued)**

<b>Library Department Improvement</b>	<b>Public Facilities</b>	<b>Street Beautification</b>	<b>Special Assessments</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 6,295,585
-	-	-	-	1,969,414
-	-	-	4,740	469,725
-	301,519	29,253	-	26,477,945
-	301,519	29,253	4,740	35,212,669
-	4,226,064	-	-	6,603,149
-	-	115,381	-	3,849,584
-	-	-	-	1,022,415
-	-	-	-	443,252
-	-	-	-	286,355
28,938	-	-	-	93,872
213,945	9,078,083	37,171	-	29,196,940
-	-	-	-	1,674,000
-	-	-	-	824,529
-	-	-	-	2,207
242,883	13,304,147	152,552	-	43,996,303
(242,883)	(13,002,628)	(123,299)	4,740	(8,783,634)
25,000	19,493,730	283,000	-	42,927,600
-	(205,121)	-	-	(7,293,841)
25,000	19,288,609	283,000	-	35,633,759
(217,883)	6,285,981	159,701	4,740	26,850,125
3,018,732	12,700,945	135,422	1,057,817	79,678,763
\$ 2,800,849	\$ 18,986,926	\$ 295,123	\$ 1,062,557	\$ 106,528,888

**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, 2017**

	<b>City Affordable Housing</b>		
	<b>Budget</b>	<b>Actual Amount Budgetary Basis</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Charges for services	\$ -	\$ -	\$ -
Interest and rents	14,500	68,399	53,899
Other	-	3,313,080	3,313,080
Total Revenues	<u>14,500</u>	<u>3,381,479</u>	<u>3,366,979</u>
<b>EXPENDITURES</b>			
Current:			
General Administration			
Salary & benefits	125,000	35,770	89,230
Material, service & supplies	397,000	336,298	60,702
Internal service fund charges	103,165	-	103,165
Capital outlay	550,000	12,998	537,002
Total General Administration	<u>1,175,165</u>	<u>385,066</u>	<u>790,099</u>
Public Works			
Salary & benefits	-	-	-
Material, service & supplies	-	-	-
Internal service fund charges	-	-	-
Total Public Works	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,175,165</u>	<u>385,066</u>	<u>790,099</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,160,665)</u>	<u>2,996,413</u>	<u>4,157,078</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$ (1,160,665)</u>	<u>2,996,413</u>	<u>\$ 4,157,078</u>
<b>ADJUSTMENTS TO BUDGETARY BASIS:</b>			
Expenditures of prior year encumbrances recognized on the GAAP basis		-	
Current year encumbrances recognized on the budgetary basis		146,440	
Net change in receivables recognized on the GAAP basis		-	
Net change in accrued liabilities recognized on the GAAP basis		(42,181)	
Beginning Fund balance		<u>4,526,695</u>	
Ending Fund balance		<u>\$ 7,627,367</u>	

**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, 2017**

Santa Clara Housing Authority			Maintenance		
Budget	Actual Amount Budgetary Basis	Variance Positive (Negative)	Budget	Actual Amount Budgetary Basis	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ 741,207	\$ 711,294	\$ (29,913)
7,000	22,637	15,637	1,197	5,148	3,951
-	542,746	542,746	-	1,990	1,990
<u>7,000</u>	<u>565,383</u>	<u>558,383</u>	<u>742,404</u>	<u>718,432</u>	<u>(23,972)</u>
50,000	21,419	28,581	-	-	-
144,500	208,470	(63,970)	-	-	-
84,552	-	84,552	-	-	-
-	-	-	-	-	-
<u>279,052</u>	<u>229,889</u>	<u>49,163</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	89,358	56,431	32,927
-	-	-	1,463,482	1,374,733	88,749
-	-	-	94,007	94,007	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,646,847</u>	<u>1,525,171</u>	<u>121,676</u>
<u>279,052</u>	<u>229,889</u>	<u>49,163</u>	<u>1,646,847</u>	<u>1,525,171</u>	<u>121,676</u>
<u>(272,052)</u>	<u>335,494</u>	<u>607,546</u>	<u>(904,443)</u>	<u>(806,739)</u>	<u>97,704</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>774,076</u>	<u>774,076</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>774,076</u>	<u>774,076</u>	<u>-</u>
<u>\$ (272,052)</u>	<u>335,494</u>	<u>\$ 607,546</u>	<u>\$ (130,367)</u>	<u>(32,663)</u>	<u>\$ 97,704</u>
	-			(44,639)	
	50,775			72,748	
	-			-	
	2,922			44,189	
	<u>2,167,668</u>			<u>563,536</u>	
	<u>\$ 2,556,859</u>			<u>\$ 603,171</u>	

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

Non-Major Enterprise Funds are used to finance and account for operations and activities performed by designated departments in the City or through third party agreements.

**SOLID WASTE FUND**

This fund accounts for the administration of the City's garbage and rubbish collection service.

**CEMETERY FUND**

This fund accounts for the activities of the Mission City Memorial Park.

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

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

**SANTA CLARA CONVENTION CENTER FUND**

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

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

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

**CITY OF SANTA CLARA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2017**

	<u>Solid Waste</u>	<u>Cemetery</u>	<u>Santa Clara Golf and Tennis Club</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments:			
Pooled cash and investments	\$ 6,053,418	\$ 2,254,727	\$ 160,086
Receivables (net of allowance for uncollectible):			
Accounts	2,641,488	-	-
Due from other funds	-	233,387	-
Materials, supplies and prepaids	-	-	49,705
Total current assets	<u>8,694,906</u>	<u>2,488,114</u>	<u>209,791</u>
Noncurrent assets:			
Restricted cash	721,507	-	-
Capital assets:			
Land	-	1,096,874	-
Buildings, infrastructure and land improvements	127,362	1,280,641	23,832,610
Equipment	139,784	50,821	623,404
	<u>267,146</u>	<u>2,428,336</u>	<u>24,456,014</u>
Less accumulated depreciation	153,115	1,116,151	22,176,105
Net capital assets	<u>114,031</u>	<u>1,312,185</u>	<u>2,279,909</u>
Total noncurrent assets	<u>835,538</u>	<u>1,312,185</u>	<u>2,279,909</u>
Total assets	<u>9,530,444</u>	<u>3,800,299</u>	<u>2,489,700</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	699,065	202,815	-
Total deferred outflows of resources	<u>699,065</u>	<u>202,815</u>	<u>-</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accrued liabilities	2,244,609	25,242	317,749
Unearned revenue	-	-	-
Accrued compensated absences	8,428	9,314	-
Current portion of landfill closure liability	489,152	-	-
Total current liabilities	<u>2,742,189</u>	<u>34,556</u>	<u>317,749</u>
Noncurrent liabilities:			
Advance from other funds	-	5,223,411	4,224,133
Long-term compensated absences	87,698	96,912	-
Landfill closure liability	4,690,337	-	-
Net pension liability	3,919,868	1,137,245	-
Total noncurrent liabilities	<u>8,697,903</u>	<u>6,457,568</u>	<u>4,224,133</u>
Total liabilities	<u>11,440,092</u>	<u>6,492,124</u>	<u>4,541,882</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	71,406	20,717	-
Total deferred inflows of resources	<u>71,406</u>	<u>20,717</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	114,031	1,312,185	2,279,909
Restricted for capital projects and other agreements	1,321,507	1,435,831	-
Unrestricted	<u>(2,717,527)</u>	<u>(5,257,743)</u>	<u>(4,332,091)</u>
Total net position (deficit)	<u>\$ (1,281,989)</u>	<u>\$ (2,509,727)</u>	<u>\$ (2,052,182)</u>

**CITY OF SANTA CLARA  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
June 30, 2017**

<b>Santa Clara Convention Center</b>	<b>Sports and Open Space Authority</b>	<b>TOTAL Non-Major Enterprise Funds</b>
\$ 3,515,101	\$ 80,631	\$ 12,063,963
673,390	-	3,314,878
-	-	233,387
-	-	49,705
<u>4,188,491</u>	<u>80,631</u>	<u>15,661,933</u>
1,126,202	-	1,847,709
-	1,995,998	3,092,872
78,353,492	-	103,594,105
2,845,700	-	3,659,709
<u>81,199,192</u>	<u>1,995,998</u>	<u>110,346,686</u>
<u>52,559,837</u>	<u>-</u>	<u>76,005,208</u>
<u>28,639,355</u>	<u>1,995,998</u>	<u>34,341,478</u>
<u>29,765,557</u>	<u>1,995,998</u>	<u>36,189,187</u>
<u>33,954,048</u>	<u>2,076,629</u>	<u>51,851,120</u>
-	-	901,880
-	-	901,880
352,714	32,733	2,973,047
1,348,017	-	1,348,017
-	-	17,742
-	-	489,152
<u>1,700,731</u>	<u>32,733</u>	<u>4,827,958</u>
-	-	9,447,544
-	-	184,610
-	-	4,690,337
-	-	5,057,113
-	-	19,379,604
<u>1,700,731</u>	<u>32,733</u>	<u>24,207,562</u>
-	-	92,123
-	-	92,123
28,639,355	1,995,998	34,341,478
1,126,202	-	3,883,540
2,487,760	47,898	(9,771,703)
<u>\$ 32,253,317</u>	<u>\$ 2,043,896</u>	<u>\$ 28,453,315</u>

**CITY OF SANTA CLARA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**For the year ended June 30, 2017**

	<u>Solid Waste</u>	<u>Cemetery</u>	<u>Santa Clara Golf and Tennis Club</u>
Operating revenues:			
Charges for services	\$ 22,164,025	\$ 806,217	\$ 2,054,804
Rents and royalties	-	-	-
Other	408,009	-	(274,833)
Total operating revenues	<u>22,572,034</u>	<u>806,217</u>	<u>1,779,971</u>
Operating expenses:			
Salaries and benefits	1,061,289	457,239	-
Materials, services and supplies	25,557,576	338,396	1,973,276
Depreciation	6,450	17,726	798,348
Total operating expenses	<u>26,625,315</u>	<u>813,361</u>	<u>2,771,624</u>
Operating income (loss)	<u>(4,053,281)</u>	<u>(7,144)</u>	<u>(991,653)</u>
Nonoperating revenues (expenses):			
Interest revenue	-	13,155	-
Rents and royalties	12,489	(7,597)	-
Total nonoperating revenues (expenses)	<u>12,489</u>	<u>5,558</u>	<u>-</u>
Income (loss) before contributions and transfers	(4,040,792)	(1,586)	(991,653)
Contributions	-	-	-
Transfers in	-	-	166,072
Transfers (out)	(86,058)	(5,090)	-
Change in net position	<u>(4,126,850)</u>	<u>(6,676)</u>	<u>(825,581)</u>
Total net position - beginning	2,844,861	(2,503,051)	(1,226,601)
Total net position - ending	<u>\$ (1,281,989)</u>	<u>\$ (2,509,727)</u>	<u>\$ (2,052,182)</u>

**CITY OF SANTA CLARA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**For the year ended June 30, 2017**

<b>Santa Clara Convention Center</b>	<b>Sports and Open Space Authority</b>	<b>TOTAL Non-Major Enterprise Funds</b>
\$ 8,070,075	\$ -	\$ 33,095,121
-	58,306	58,306
1,126,202	-	1,259,378
<u>9,196,277</u>	<u>58,306</u>	<u>34,412,805</u>
-	6,480	1,525,008
6,662,439	5,569	34,537,256
1,616,810	-	2,439,334
<u>8,279,249</u>	<u>12,049</u>	<u>38,501,598</u>
<u>917,028</u>	<u>46,257</u>	<u>(4,088,793)</u>
23,689	(1,323)	35,521
-	-	4,892
<u>23,689</u>	<u>(1,323)</u>	<u>40,413</u>
940,717	44,934	(4,048,380)
384,695	-	384,695
-	-	166,072
-	-	(91,148)
<u>1,325,412</u>	<u>44,934</u>	<u>(3,588,761)</u>
30,927,905	1,998,962	32,042,076
<u>\$ 32,253,317</u>	<u>\$ 2,043,896</u>	<u>\$ 28,453,315</u>

**CITY OF SANTA CLARA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2017**

	<u>Solid Waste</u>	<u>Cemetery</u>	<u>Santa Clara Golf and Tennis Club</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 21,799,770	\$ 798,620	\$ 2,054,804
Payments to suppliers	(19,755,813)	(319,099)	(1,904,892)
Payments to employees for salaries and benefits	(1,085,800)	(377,461)	-
Rents and royalties received	12,489	-	-
Other receipts (payments)	408,009	-	(267,583)
Net cash provided (used) by operating activities	<u>1,378,655</u>	<u>102,060</u>	<u>(117,671)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
(Increase) in due from other funds	-	(26,479)	-
Advances from other funds	-	327,744	-
Transfers in	-	-	166,072
Transfers (out)	(86,058)	(5,090)	-
Cash Flows from Noncapital Financing Activities	<u>(86,058)</u>	<u>296,175</u>	<u>166,072</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Landfill closure payments	(399,999)	-	-
Cash Flows from Capital and Related Financing Activities	<u>(399,999)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net increase in the fair value of investments	-	-	-
Interest and dividends	-	13,155	-
Cash Flows from Investing Activities	<u>-</u>	<u>13,155</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	892,598	411,390	48,401
Cash and cash equivalents at beginning of period	<u>5,882,327</u>	<u>1,843,337</u>	<u>111,685</u>
Cash and cash equivalents at end of period	<u>\$ 6,774,925</u>	<u>\$ 2,254,727</u>	<u>\$ 160,086</u>
Cash and cash equivalents:			
Pooled cash and investments	\$ 6,053,418	\$ 2,254,727	\$ 160,086
Restricted cash	721,507	-	-
Total cash and cash equivalents	<u>\$ 6,774,925</u>	<u>\$ 2,254,727</u>	<u>\$ 160,086</u>

**CITY OF SANTA CLARA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2017**

<u>Santa Clara Convention Center</u>	<u>Sports and Open Space Authority</u>	<u>TOTAL Non-Major Enterprise Funds</u>
\$ 8,073,613	\$ 58,306	\$ 32,785,113
(6,665,816)	(4,251)	(28,649,871)
-	(6,480)	(1,469,741)
-	-	12,489
1,126,202	2,370	1,268,998
<u>2,533,999</u>	<u>49,945</u>	<u>3,946,988</u>
-	-	(26,479)
-	-	327,744
-	-	166,072
-	-	(91,148)
<u>-</u>	<u>-</u>	<u>376,189</u>
-	-	(399,999)
<u>-</u>	<u>-</u>	<u>(399,999)</u>
23,689	-	23,689
-	(1,323)	11,832
<u>23,689</u>	<u>(1,323)</u>	<u>35,521</u>
2,557,688	48,622	3,958,699
<u>2,083,615</u>	<u>32,009</u>	<u>9,952,973</u>
<u>\$ 4,641,303</u>	<u>\$ 80,631</u>	<u>\$ 13,911,672</u>
\$ 3,515,101	\$ 80,631	\$ 12,063,963
1,126,202	-	1,847,709
<u>\$ 4,641,303</u>	<u>\$ 80,631</u>	<u>\$ 13,911,672</u>

(continued)

**CITY OF SANTA CLARA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2017**

	<u>Solid Waste</u>	<u>Cemetery</u>	<u>Santa Clara Golf and Tennis Club</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (4,053,281)	\$ (7,144)	\$ (991,653)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
(Decrease) Increase in due to retirement system	(27,174)	(7,884)	-
Depreciation	6,450	17,726	798,348
Change in assets and liabilities:			
Receivables, net	(364,255)	-	-
Inventory	-	-	7,250
Accrued liabilities	5,801,763	19,298	68,384
Compensated absences	2,663	87,661	-
Unearned revenue	-	-	-
Other receipts	12,489	(7,597)	-
Net cash provided (used) by operating activities	<u>\$ 1,378,655</u>	<u>\$ 102,060</u>	<u>\$ (117,671)</u>

**CITY OF SANTA CLARA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2017**

<u>Santa Clara Convention Center</u>	<u>Sports and Open Space Authority</u>	<u>TOTAL Non-Major Enterprise Funds</u>
\$ 917,028	\$ 46,257	\$ (4,088,793)
-	-	(35,058)
1,616,810	-	2,439,334
(114,139)	-	(478,394)
-	-	7,250
(3,377)	1,318	5,887,386
-	-	90,324
117,677	-	117,677
-	2,370	7,262
<u>\$ 2,533,999</u>	<u>\$ 49,945</u>	<u>\$ 3,946,988</u>

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<p style="text-align: center;"><b>CITY OF SANTA CLARA INTERNAL SERVICE FUNDS</b></p>
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Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

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

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

#### AUTOMOTIVE SERVICES

This fund accounts for the maintenance and replacement of vehicles and equipment used by all City departments. The source of revenue for this fund is rental fees charged to the various departments.

#### TECHNICAL EQUIPMENT SERVICES

This fund accounts for the maintenance and replacement of communication and computer equipment used by City departments. The source of revenue for this fund is rental fees charged to the various departments.

#### SPECIAL LIABILITY INSURANCE CLAIMS

This fund was established to account for the cost of claims and administrative costs for the City's self-insured general liability program.

#### WORKERS' COMPENSATION INSURANCE CLAIMS

This fund is used to account for the cost of claims for service connected with injuries and illnesses sustained by members of the City's work force.

**CITY OF SANTA CLARA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2017**

	<u>Automotive Services</u>	<u>Technical Equipment Services</u>	<u>Special Liability Insurance Claims</u>	<u>Workers' Compensation Insurance Claims</u>	<u>TOTAL</u>
<b>ASSETS</b>					
Current assets:					
Cash and investments:					
Pooled cash and investments	\$ 7,012,119	\$ 777,994	\$ 4,357,814	\$ 4,900,664	\$ 17,048,591
Receivables (net of allowance for uncollectible):					
Accounts	9,375	-	-	280,837	290,212
Due from other funds	403,712	-	-	-	403,712
Materials, supplies and prepaids	2,056,339	-	8,290	-	2,064,629
Total current assets	<u>9,481,545</u>	<u>777,994</u>	<u>4,366,104</u>	<u>5,181,501</u>	<u>19,807,144</u>
Noncurrent assets:					
Capital assets:					
Equipment	31,095,715	3,382,337	-	-	34,478,052
Less accumulated depreciation	20,625,331	2,664,482	-	-	23,289,813
Net capital assets	<u>10,470,384</u>	<u>717,855</u>	<u>-</u>	<u>-</u>	<u>11,188,239</u>
Total noncurrent assets	<u>10,470,384</u>	<u>717,855</u>	<u>-</u>	<u>-</u>	<u>11,188,239</u>
Total assets	<u>19,951,929</u>	<u>1,495,849</u>	<u>4,366,104</u>	<u>5,181,501</u>	<u>30,995,383</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related items	824,205	-	-	-	824,205
Total deferred outflows of resources	<u>824,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>824,205</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accrued liabilities	124,530	-	1,878,830	3,141,287	5,144,647
Due to other funds	1,576,650	516,466	-	-	2,093,116
Accrued compensated absences	17,993	-	-	-	17,993
Total current liabilities	<u>1,719,173</u>	<u>516,466</u>	<u>1,878,830</u>	<u>3,141,287</u>	<u>7,255,756</u>
Noncurrent liabilities:					
Long-term portion estimated claims	-	-	1,211,910	18,845,987	20,057,897
Long-term compensated absences	187,221	-	-	-	187,221
Net pension liability	4,621,573	-	-	-	4,621,573
Total noncurrent liabilities	<u>4,808,794</u>	<u>-</u>	<u>1,211,910</u>	<u>18,845,987</u>	<u>24,866,691</u>
Total liabilities	<u>6,527,967</u>	<u>516,466</u>	<u>3,090,740</u>	<u>21,987,274</u>	<u>32,122,447</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related items	84,189	-	-	-	84,189
Total deferred inflows of resources	<u>84,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,189</u>
<b>NET POSITION</b>					
Net investment in capital assets	10,470,384	717,855	-	-	11,188,239
Unrestricted	3,693,594	261,528	1,275,364	(16,805,773)	(11,575,287)
Total net position (deficit)	<u>\$ 14,163,978</u>	<u>\$ 979,383</u>	<u>\$ 1,275,364</u>	<u>\$ (16,805,773)</u>	<u>\$ (387,048)</u>

**CITY OF SANTA CLARA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
For the year ended June 30, 2017**

	<u>Automotive Services</u>	<u>Technical Equipment Services</u>	<u>Special Liability Insurance Claims</u>	<u>Workers' Compensation Insurance Claims</u>	<u>TOTAL</u>
Operating revenues:					
Charges for services	\$ 7,420,149	\$ 150,589	\$ 2,452,109	\$ 4,128,063	\$ 14,150,910
Insurance refunds and other	-	-	-	215,842	215,842
Total operating revenues	<u>7,420,149</u>	<u>150,589</u>	<u>2,452,109</u>	<u>4,343,905</u>	<u>14,366,752</u>
Operating expenses:					
Salaries and benefits	2,070,164	-	-	-	2,070,164
Materials, services and supplies	1,686,251	-	-	-	1,686,251
General and administrative	-	-	6,502,291	2,188,588	8,690,879
Depreciation	2,078,695	112,548	-	-	2,191,243
Total operating expenses	<u>5,835,110</u>	<u>112,548</u>	<u>6,502,291</u>	<u>2,188,588</u>	<u>14,638,537</u>
Operating income (loss)	<u>1,585,039</u>	<u>38,041</u>	<u>(4,050,182)</u>	<u>2,155,317</u>	<u>(271,785)</u>
Nonoperating revenues (expenses):					
Other revenue	216,301	-	1,127	-	217,428
Gain (loss) on retirement of assets	(9,680)	-	-	-	(9,680)
Total nonoperating revenues (expenses)	<u>206,621</u>	<u>-</u>	<u>1,127</u>	<u>-</u>	<u>207,748</u>
Income (loss) before contributions and transfers	1,791,660	38,041	(4,049,055)	2,155,317	(64,037)
Transfers in	800,000	-	3,500,000	-	4,300,000
Transfers (out)	(13,316)	-	-	-	(13,316)
Change in net position	<u>2,578,344</u>	<u>38,041</u>	<u>(549,055)</u>	<u>2,155,317</u>	<u>4,222,647</u>
Total net position - beginning	11,585,634	941,342	1,824,419	(18,961,090)	(4,609,695)
Total net position - ending	<u>\$ 14,163,978</u>	<u>\$ 979,383</u>	<u>\$ 1,275,364</u>	<u>\$ (16,805,773)</u>	<u>\$ (387,048)</u>

**CITY OF SANTA CLARA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2017**

	<b>Automotive Services</b>	<b>Technical Equipment Services</b>	<b>Special Liability Insurance Claims</b>	<b>Workers' Compensation Insurance Claims</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$7,428,283	\$ 150,589	\$ 2,452,109	\$ 4,038,521	\$ 14,069,502
Payments to suppliers	(3,389,506)	-	-	-	(3,389,506)
Payments to employees for salaries and benefits	(2,078,842)	-	-	-	(2,078,842)
Internal activity - payments from (to) other funds	109,551	-	-	-	109,551
Claims paid	-	-	(5,595,423)	(3,650,632)	(9,246,055)
Other receipts (payments)	216,301	-	1,127	-	217,428
Net cash provided (used) by operating activities	<u>2,285,787</u>	<u>150,589</u>	<u>(3,142,187)</u>	<u>387,889</u>	<u>(317,922)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
(Increase) in due from other funds	(9,643)	-	-	-	(9,643)
Increase in due to other funds	-	38,823	-	-	38,823
(Decrease) in due to other funds	(150,494)	-	-	-	(150,494)
Transfers in	800,000	-	3,500,000	-	4,300,000
Transfers (out)	(13,316)	-	-	-	(13,316)
Cash Flows from Noncapital Financing Activities	<u>626,547</u>	<u>38,823</u>	<u>3,500,000</u>	<u>-</u>	<u>4,165,370</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets, net	(3,781,291)	-	-	-	(3,781,291)
Cash Flows from Capital and Related Financing Activities	<u>(3,781,291)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,781,291)</u>
Net increase (decrease) in cash and cash equivalents	(868,957)	189,412	357,813	387,889	66,157
Cash and investments at beginning of period	7,881,076	588,582	4,000,001	4,512,775	16,982,434
Cash and investments at end of period	<u>\$7,012,119</u>	<u>\$ 777,994</u>	<u>\$ 4,357,814</u>	<u>\$ 4,900,664</u>	<u>\$ 17,048,591</u>
Cash and cash equivalents:					
Pooled cash and investments	<u>\$7,012,119</u>	<u>\$ 777,994</u>	<u>\$ 4,357,814</u>	<u>\$ 4,900,664</u>	<u>\$ 17,048,591</u>
Total cash and cash equivalents	<u>\$7,012,119</u>	<u>\$ 777,994</u>	<u>\$ 4,357,814</u>	<u>\$ 4,900,664</u>	<u>\$ 17,048,591</u>

**(continued)**

**CITY OF SANTA CLARA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2017**

	<b>Automotive Services</b>	<b>Technical Equipment Services</b>	<b>Special Liability Insurance Claims</b>	<b>Workers' Compensation Insurance Claims</b>	<b>TOTAL</b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$1,585,039	\$ 38,041	\$(4,050,182)	\$ 2,155,317	\$ (271,785)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
(Decrease) Increase in due to retirement system	(32,037)	-	-	-	(32,037)
Depreciation	2,078,695	112,548	-	-	2,191,243
Change in assets and liabilities:					
Receivables, net	8,134	-	-	(89,542)	(81,408)
Inventory	(1,267,953)	-	(8,290)	-	(1,276,243)
Accrued liabilities	(325,751)	-	613,856	(191,628)	96,477
Long-term portion estimated claims	-	-	301,302	(1,486,258)	(1,184,956)
Compensated absences	23,359	-	-	-	23,359
Other receipts	216,301	-	1,127	-	217,428
Net cash provided (used) by operating activities	<u>\$2,285,787</u>	<u>\$ 150,589</u>	<u>\$(3,142,187)</u>	<u>\$ 387,889</u>	<u>\$ (317,922)</u>

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

Private Purpose Trust Funds are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments. The Private Purpose Trust Funds are described below:

CHARITABLE TRUST

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

SUCCESSOR AGENCY

California State laws ABx1 26 and AB 1484 provided for the dissolution of California Redevelopment Agencies effective January 31, 2012 and the transfer of all non-housing Agency assets to the Successor Agency Redevelopment Obligation Retirement Fund.

AGENCY FUNDS

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

Agency Funds account for assets held by the City as an agent for individuals, governmental entities, and non-public organizations. These funds include the following:

EMPLOYEE BENEFIT AND LIABILITY CLEARING

This fund is used to account for monies collected and disbursed related to employees dental and other fringe benefits.

SPECIAL ASSESSMENTS

This fund accounts for monies collected and disbursed from special assessment districts where the City is not obligated for the outstanding debt payments.

DEPOSITS

This fund accounts for various deposits including leases and subpoenas.

**CITY OF SANTA CLARA  
PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF NET POSITION  
June 30, 2017**

	<u>Charitable Trust</u>	<u>Successor Agency</u>	<u>Total Private Purpose Trust</u>
<b>ASSETS</b>			
Pooled cash and investments	\$ 598,058	\$ 106,533	\$ 704,591
Receivables (net of allowance for uncollectibles):			
Accounts receivable	761	-	761
Interest	17,630	-	17,630
Restricted cash	-	12,368	12,368
Investments with fiscal agent - noncurrent	2,785,853	3,561	2,789,414
Land held for resale	-	21,487,382	21,487,382
Total Assets	<u>3,402,302</u>	<u>21,609,844</u>	<u>25,012,146</u>
<b>LIABILITIES</b>			
Accrued liabilities	-	136,067	136,067
Due to City	-	4,355,641	4,355,641
Total Liabilities	<u>-</u>	<u>4,491,708</u>	<u>4,491,708</u>
<b>NET POSITION</b>			
Held in trust for private purpose	<u>\$ 3,402,302</u>	<u>\$ 17,118,136</u>	<u>\$ 20,520,438</u>

**CITY OF SANTA CLARA  
PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
For the Year Ended June 30, 2017**

	<u>Charitable Trust</u>	<u>Successor Agency</u>	<u>Total Private Purpose Trust</u>
<b>Additions</b>			
Investment income:			
Interest and rent	\$ 79,519	\$ 12,748,964	\$ 12,828,483
Net change in fair value of investments	12,713	-	12,713
Gain from sale of property	-	109,534,202	109,534,202
Other	-	283,880	283,880
Total additions	<u>92,232</u>	<u>122,567,046</u>	<u>122,659,278</u>
<b>Deductions</b>			
General and administrative	89,000	806	89,806
Interest and Fees	-	17,498,980	17,498,980
Pass through to the County of Santa Clara	-	81,635,697	81,635,697
Total deductions	<u>89,000</u>	<u>99,135,483</u>	<u>99,224,483</u>
<b>Change in net position</b>	<u>3,232</u>	<u>23,431,563</u>	<u>23,434,795</u>
<b>Net position held in trust for private purpose:</b>			
Beginning of year	<u>3,399,070</u>	<u>(6,313,427)</u>	<u>(2,914,357)</u>
End of year	<u>\$ 3,402,302</u>	<u>\$ 17,118,136</u>	<u>\$ 20,520,438</u>

**CITY OF SANTA CLARA  
 AGENCY FUNDS  
 COMBINING STATEMENT OF ASSETS AND LIABILITIES  
 June 30, 2017**

	<b>Employee Benefit &amp; Liability Clearing</b>	<b>Special Assessments</b>	<b>Deposits</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>				
Pooled cash and investments	\$ 7,237,561	\$ 2,672,668	\$ 10,923,916	\$ 20,834,145
Cash and investments with fiscal agents	<u>                    -</u>	<u>                    2</u>	<u>                    -</u>	<u>                    2</u>
Total Assets	<u>7,237,561</u>	<u>2,672,670</u>	<u>10,923,916</u>	<u>20,834,147</u>
<b>LIABILITIES</b>				
Due to bondholders	-	2,672,670	-	2,672,670
Accrued liabilities	7,237,561	-	-	7,237,561
Refundable deposits	<u>                    -</u>	<u>                    -</u>	<u>10,923,916</u>	<u>10,923,916</u>
Total Liabilities	<u>\$ 7,237,561</u>	<u>\$ 2,672,670</u>	<u>\$ 10,923,916</u>	<u>\$ 20,834,147</u>

**CITY OF SANTA CLARA**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**For the year ended June 30, 2017**

	<b>Balance July 1, 2016 as Restated</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2017</b>
<u>Employee Benefit and Liability Clearing</u>				
Pooled cash and investments	\$ 6,902,521	\$ 97,404,602	\$ 97,069,562	\$ 7,237,561
Accrued liabilities	\$ 6,902,521	\$ 97,404,602	\$ 97,069,562	\$ 7,237,561
<u>Special Assessments</u>				
Pooled cash and investments	\$ 2,708,835	\$ 3,502,946	\$ 3,539,113	\$ 2,672,668
Cash and investments with fiscal agent	2	-	-	2
Total Assets	\$ 2,708,837	\$ 3,502,946	\$ 3,539,113	\$ 2,672,670
Due to bondholders	\$ 2,708,837	\$ 3,502,946	\$ 3,539,113	\$ 2,672,670
<u>Deposits</u>				
Pooled cash and investments	\$ 6,668,607	\$ 6,424,242	\$ 2,168,933	\$ 10,923,916
Refundable deposits	\$ 6,668,607	\$ 6,424,242	\$ 2,168,933	\$ 10,923,916
<u>Total Agency Funds</u>				
Pooled cash and investments	\$ 16,279,963	\$ 107,331,790	\$ 102,777,608	\$ 20,834,145
Cash and investments with fiscal agent	2	-	-	2
Total Assets	\$ 16,279,965	\$ 107,331,790	\$ 102,777,608	\$ 20,834,147
Due to bondholders	\$ 2,708,837	\$ 3,502,946	\$ 3,539,113	\$ 2,672,670
Accrued liabilities	6,902,521	97,404,602	97,069,562	7,237,561
Refundable deposits	6,668,607	6,424,242	2,168,933	10,923,916
Total Liabilities	\$ 16,279,965	\$ 107,331,790	\$ 102,777,608	\$ 20,834,147

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# **Statistical Section (Unaudited)**

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**CITY OF SANTA CLARA  
STATISTICAL SECTION**

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

	<u>TABLES</u>
<b>FINANCIAL TRENDS</b> Contains trend information to help the reader understand how the City’s financial performance has changed over time.	1 - 4
<b>REVENUE CAPACITY</b> Contains information to help the reader assess the City’s most significant local revenue source, the property tax.	5 - 9
<b>DEBT CAPACITY</b> Presents information to assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	10 - 14
<b>DEMOGRAPHIC AND ECONOMIC INFORMATION</b> Offers information to help the reader understand the environment within which the City’s financial activities take place.	15 - 16
<b>OPERATING INFORMATION</b> Contains service and infrastructure data to help the reader understand how the City’s financial report relates to the services the City provides and the activities it performs.	17 - 20

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

**Table 1**

	2017	2016	2015 <sup>(2)</sup>	2014	2013 <sup>(1)</sup>	2012	2011	2010	2009	2008
<b>Governmental Activities :</b>										
Net Investment in Capital Assets	\$ 532,255	\$ 507,390	\$ 524,645	\$ 528,043	\$ 522,175	\$ 520,899	\$ 351,410	\$ 432,534	\$ 438,198	\$ 457,789
Restricted	242,393	207,996	198,316	189,618	230,545	213,158	330,675	227,557	217,590	17,101
Unrestricted	(135,818)	(125,913)	(186,423)	102,421	127,390	172,350	22,747	45,357	62,748	93,257
<b>Total Governmental Activities Net Assets :</b>	<b>\$ 638,830</b>	<b>\$ 589,473</b>	<b>\$ 536,538</b>	<b>\$ 820,082</b>	<b>\$ 880,110</b>	<b>\$ 906,407</b>	<b>\$ 704,832</b>	<b>\$ 705,448</b>	<b>\$ 718,536</b>	<b>\$ 568,147</b>
<b>Business - Type Activities :</b>										
Net Investment in Capital Assets	\$ 882,187	\$ 844,911	\$ 760,150	\$ 496,107	\$ 406,972	\$ 445,554	\$ 405,806	\$ 388,822	\$ 381,345	\$ 334,006
Restricted	142,459	133,718	93,891	96,318	90,437	8,214	8,214	-	-	-
Unrestricted	(13,132)	(61,843)	(1,573)	325,633	382,992	430,774	420,310	403,931	419,417	497,197
<b>Total Business - Type Activities Net Position</b>	<b>\$ 1,011,514</b>	<b>\$ 916,786</b>	<b>\$ 852,468</b>	<b>\$ 918,058</b>	<b>\$ 880,401</b>	<b>\$ 884,542</b>	<b>\$ 834,330</b>	<b>\$ 792,753</b>	<b>\$ 800,762</b>	<b>\$ 831,203</b>
<b>Primary Government</b>										
Net Investment in Capital Assets	\$ 1,414,442	\$ 1,352,301	\$ 1,284,795	\$ 1,024,150	\$ 929,147	\$ 966,453	\$ 757,216	\$ 821,356	\$ 819,543	\$ 791,795
Restricted	384,852	341,714	292,207	285,936	320,982	221,372	338,889	227,557	217,590	171,101
Unrestricted	(148,950)	(187,756)	(187,996)	428,054	510,382	603,124	443,057	449,288	482,165	593,454
<b>Total Primary Government Net Position</b>	<b>\$ 1,650,344</b>	<b>\$ 1,506,259</b>	<b>\$ 1,389,006</b>	<b>\$ 1,738,140</b>	<b>\$ 1,760,511</b>	<b>\$ 1,790,949</b>	<b>\$ 1,539,162</b>	<b>\$ 1,498,201</b>	<b>\$ 1,519,298</b>	<b>\$ 1,556,350</b>

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 Statement No. 68.

Source: Finance Office, City of Santa Clara.

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

**Table 2**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
General Administration	\$ 20,636	\$ 22,692	\$ 18,310	\$ 15,208	\$ 15,799	\$ 8,703	\$ 9,142	\$ 9,917	\$ 26,373	\$ 15,563
City Clerk	1,020	309	389	263	388	179	790	674	776	698
City Attorney	860	270	194	102	100	303	1,187	1,310	1,142	1,065
Human Resources	1,675	748	654	502	367	486	1,978	1,815	1,962	1,711
Finance	5,323	1,633	1,357	844	1,270	1,680	6,713	7,685	7,565	7,943
Public Works	34,314	30,365	29,713	30,287	29,337	28,802	29,339	29,344	29,991	28,394
Parks and Recreation	18,616	17,106	16,135	15,913	15,858	15,567	15,410	15,572	14,910	14,269
Public Safety:										
Police	63,612	58,599	54,252	47,105	45,120	43,516	44,138	45,143	44,861	42,870
Fire	43,384	37,120	35,341	34,099	33,162	31,702	33,594	34,457	35,344	33,855
Planning and Inspection	9,162	7,855	7,593	6,848	6,383	5,838	5,779	5,918	5,616	5,353
Library	10,553	10,718	8,851	8,161	7,712	7,728	8,090	8,470	8,666	8,416
Interest on long term debt	749	803	853	1,125	2,107	6,991	10,437	9,856	10,287	11,679
Supplemental Educational Revenue Augmentation Fund	-	-	-	-	-	-	2,025	9,834	-	-
Pass Through Payments	-	-	-	-	-	1,085	-	-	-	-
<b>Total Governmental Activities Expenses (Net)</b>	<b>209,904</b>	<b>188,218</b>	<b>173,642</b>	<b>160,457</b>	<b>157,603</b>	<b>152,580</b>	<b>168,622</b>	<b>179,995</b>	<b>187,493</b>	<b>171,816</b>
<b>Business-Type Activities:</b>										
Utilities:										
Electric -										
Retail	367,780	364,557	344,382	333,432	314,069	283,142	281,342	280,512	316,523	293,619
Wholesale	35,197	21,682	32,635	28,871	24,717	32,115	50,754	73,727	110,879	177,973
Water	35,649	32,254	29,482	28,181	26,683	25,076	23,078	23,067	22,927	21,689
Sewer	23,047	19,081	17,981	17,237	16,054	15,348	16,296	14,222	13,469	12,538
Water Recycling	4,858	2,672	2,902	2,030	1,979	3,326	8,304	3,256	1,157	1,169
Solid Waste	26,621	20,142	19,717	18,486	19,222	17,322	16,192	15,842	16,226	15,689
Cemetery	820	781	676	901	991	958	935	960	721	736
Sports and Open Space Authority	53	102	97	95	44	48	48	18	7	39
Santa Clara Golf and Tennis Club	2,772	2,777	2,754	2,827	2,662	2,759	2,706	2,724	2,735	2,603
Santa Clara Convention Center	8,478	9,075	9,006	8,926	8,553	8,073	7,786	7,121	6,360	6,259
Santa Clara Stadium Authority	105,593	147,435	98,363	21,913	27,442	5,393	-	-	-	-
<b>Total Business-Type Activities Expenses</b>	<b>610,868</b>	<b>620,558</b>	<b>557,995</b>	<b>462,899</b>	<b>442,416</b>	<b>393,560</b>	<b>407,441</b>	<b>421,449</b>	<b>491,004</b>	<b>532,314</b>
<b>Total Primary Expenses</b>	<b>\$ 820,772</b>	<b>\$ 808,776</b>	<b>\$ 731,637</b>	<b>\$ 623,356</b>	<b>\$ 600,019</b>	<b>\$ 546,140</b>	<b>\$ 576,063</b>	<b>\$ 601,444</b>	<b>\$ 678,497</b>	<b>\$ 704,130</b>

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Program Revenues:</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
General Administration	\$ 1,651	\$ 1,247	\$ 416	\$ 355	\$ 562	\$ 680	\$ 6,611	\$ 9,596	\$ 9,625	\$ 9,848
Parks and Recreation	3,169	3,114	4,207	3,157	2,825	2,868	2,868	2,940	2,776	2,591
Planning and Inspection	13,658	15,065	13,944	9,299	6,872	12,509	5,307	3,549	3,576	5,340
Other Programs	19,658	23,022	16,281	12,296	9,352	10,397	9,508	6,956	7,792	6,833
Operating Grants and Contributions	4,723	5,809	8,240	6,566	3,922	4,444	4,028	4,105	5,650	6,485
Capital Gains and Contributions	14,280	12,100	5,848	10,347	4,490	4,737	4,467	5,775	5,412	13,285
<b>Total Governmental Activities Program Revenues</b>	<b>57,139</b>	<b>60,357</b>	<b>48,936</b>	<b>42,020</b>	<b>28,023</b>	<b>35,635</b>	<b>32,789</b>	<b>32,921</b>	<b>34,831</b>	<b>44,382</b>
<b>Business-Type Activities:</b>										
Utilities:										
Electric -										
Retail	423,687	395,162	354,557	335,658	322,749	329,518	304,024	270,834	256,872	249,079
Wholesale	36,162	17,279	27,301	28,622	22,296	29,149	50,124	67,840	102,480	172,404
Equity in income (losses) of joint ventures <sup>(1)</sup>	-	-	(4,719)	4,214	6,111	(3,576)	-	-	-	-
Water	39,953	31,955	31,462	30,979	30,177	28,232	25,682	23,744	24,251	23,001
Sewer	43,176	41,659	43,400	34,585	32,090	27,036	22,380	9,443	9,287	8,330
Equity in income (losses) of joint ventures <sup>(1)</sup>	-	-	(10,036)	(3,383)	(3,654)	(2,239)	-	-	-	-
Water Recycling	4,834	3,841	3,381	3,136	2,774	4,319	8,919	4,363	1,911	3,178
Solid Waste	22,585	21,854	20,404	20,154	19,575	18,460	17,142	15,843	15,619	16,185
Cemetery	799	693	649	528	632	519	426	454	356	465
Sports and Open Space Authority	58	72	66	82	420	2,056	1,415	1,506	1,745	1,605
Santa Clara Golf and Tennis Club	1,780	1,666	2,207	2,857	2,929	2,973	2,795	2,917	2,993	3,108
Santa Clara Convention Center	9,581	7,399	7,112	7,240	6,933	6,119	6,086	6,845	21,947	12,059
Santa Clara Stadium Authority	110,059	146,619	102,908	33,193	-	5	-	-	-	-
<b>Total Business-Type Activities Program Revenues</b>	<b>692,674</b>	<b>668,199</b>	<b>578,692</b>	<b>497,865</b>	<b>443,032</b>	<b>442,571</b>	<b>438,993</b>	<b>403,789</b>	<b>437,461</b>	<b>489,414</b>
<b>Total Primary Government Program Revenues</b>	<b>749,813</b>	<b>728,556</b>	<b>627,628</b>	<b>539,885</b>	<b>471,055</b>	<b>478,206</b>	<b>471,782</b>	<b>436,710</b>	<b>472,292</b>	<b>533,796</b>
<b>Net (Expense) Revenue:</b>										
Governmental Activities	(152,765)	(127,861)	(124,706)	(118,437)	(129,580)	(116,945)	(135,833)	(147,074)	(152,662)	(127,434)
Business-Type Activities	81,806	47,641	20,697	34,966	616	49,011	31,552	(17,660)	(53,543)	(42,900)
<b>Total Primary Government Net (Expense) Revenue</b>	<b>\$ (70,959)</b>	<b>\$ (80,220)</b>	<b>\$ (104,009)</b>	<b>\$ (83,471)</b>	<b>\$ (128,964)</b>	<b>\$ (67,934)</b>	<b>\$ (104,281)</b>	<b>\$ (164,734)</b>	<b>\$ (206,205)</b>	<b>\$ (170,334)</b>

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General Revenue and other changes in Net Position</b>										
<b>Governmental Activities:</b>										
Taxes:										
Sales	\$ 55,750	\$ 57,796	\$ 49,649	\$ 46,736	\$ 44,159	\$ 41,280	\$ 35,845	\$ 31,876	\$ 34,894	\$ 40,516
Ad Valorem Property	50,943	45,627	37,574	39,187	31,651	43,880	57,172	61,834	61,695	54,536
Transient occupancy	20,484	20,557	18,186	15,141	13,673	11,755	9,910	8,302	9,138	11,269
Other	5,671	5,510	5,173	5,191	4,333	3,034	3,731	3,049	3,931	4,504
Internal Governmental, unrestricted:										
Motor Vehicle in-lieu	55	49	50	-	51	120	539	345	394	507
Contribution in-lieu of taxes	2,117	19,057	17,493	16,591	15,219	15,343	14,913	13,448	15,150	14,732
Investment earnings	3,466	2,178	1,702	3,380	6,058	7,900	21,770	18,179	20,665	31,462
Net increase (decrease) in the fair value of investments	(3,217)	1,049	496	1,815	(3,567)	(707)	(8,905)	413	16,985	1,415
Equity in income (losses) of joint ventures	49	44	(40)	(106)	(286)	(285)	(225)	(1)	69	1,225
Rents and royalties	11,410	13,642	11,189	3,781	13,658	13,115	2,851	3,274	3,383	2,850
Gain (loss) on retirement of assets	-	-	-	-	-	-	4,651	2	4	4
Other	39,956	8,551	12,154	4,317	4,434	4,104	2,989	2,917	2,845	3,049
Co-op Agreements Activities	-	-	-	-	-	(5)	-	-	-	-
Special item	-	(24,451)	(9,224)	(80,152)	(29,563)	106,602	-	-	-	-
<b>Total Government General Revenue, Transfers, and Special Item</b>	<b>205,684</b>	<b>149,609</b>	<b>144,402</b>	<b>55,881</b>	<b>99,820</b>	<b>246,136</b>	<b>145,241</b>	<b>143,638</b>	<b>169,153</b>	<b>166,069</b>
<b>Business-Type Activities: (2)</b>										
Investment earnings	13,031	16,894	15,602	2,863	3,403	5,922				
Net increase (decrease) in the fair value of investments	(3,672)	1,218	544	2,356	(4,695)	(874)				
Gain (loss) on retirement of assets	-	29,751	64	-	(2)	71,662				
<b>Total Business-Type General Revenue and Transfers</b>	<b>9,359</b>	<b>47,863</b>	<b>16,210</b>	<b>5,219</b>	<b>(1,294)</b>	<b>76,710</b>				
<b>Total Primary Government General Revenue and Transfers</b>	<b>215,043</b>	<b>197,472</b>	<b>160,612</b>	<b>61,100</b>	<b>98,526</b>	<b>322,846</b>				
<b>Change in Net Position - Total Primary Government</b>	<b>144,084</b>	<b>117,252</b>	<b>56,603</b>	<b>(22,371)</b>	<b>(30,438)</b>	<b>254,912</b>	<b>40,960</b>	<b>(21,096)</b>	<b>(37,052)</b>	<b>(4,265)</b>
<b>Net Position - Beginning of Year (2012 &amp; 2015 Adjusted)</b>	<b>1,506,259</b>	<b>1,389,007</b>	<b>1,738,140</b>	<b>1,760,511</b>	<b>1,790,949</b>	<b>1,536,037</b>	<b>1,498,202</b>	<b>1,519,298</b>	<b>1,556,350</b>	<b>1,560,615</b>
<b>GASB 68 Implementation</b>	<b>-</b>	<b>-</b>	<b>(405,736)</b>	<b>-</b>						
<b>Net Position - End of Year - Total Primary Government</b>	<b>\$ 1,650,343</b>	<b>\$ 1,506,259</b>	<b>\$ 1,389,007</b>	<b>\$ 1,738,140</b>	<b>\$ 1,760,511</b>	<b>\$ 1,790,949</b>	<b>\$ 1,539,162</b>	<b>\$ 1,498,202</b>	<b>\$ 1,519,298</b>	<b>\$ 1,556,350</b>

Notes:

(1) Equity in income (losses) of joint ventures was restated in Fiscal Year 2011-12 to be presented in the Program Revenues of the Business-Type Activities.

(2) Amounts shown for fiscal year 2011 were restated to separately present General Revenues of Business-Type Activities.

Source: Finance Office, City of Santa Clara

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

**Table 3**

	2017	2016	2015	2014	2013	2012	2011 <sup>(1)</sup>	2010	2009	2008
<b>General Fund:</b>										
Nonspendable	\$ 13,837	\$ 13,517	\$ 13,247	\$ 12,850	\$ 12,785	\$ 12,466	\$ 46,015	\$ -	\$ -	\$ -
Restricted	7,083	11,865	9,546	9,641	7,191	10,922	3,670	-	-	-
Committed	58,580	64,111	55,121	78,125	86,949	86,942	1,675	-	-	-
Assigned	4,639	4,875	6,761	4,752	4,927	4,033	1,157	-	-	-
Unassigned	107,404	103,430	58,946	23,910	38,522	33,393	21,138	-	-	-
Reserved	-	-	-	-	-	-	-	24,778	22,278	20,858
<b>Unreserved:</b>										
Designated	-	-	-	-	-	-	-	25,938	42,548	53,693
Undesignated	-	-	-	-	-	-	-	-	-	1,462
<b>Total General Fund</b>	<b>191,543</b>	<b>197,798</b>	<b>143,621</b>	<b>129,278</b>	<b>150,374</b>	<b>147,756</b>	<b>73,655</b>	<b>50,716</b>	<b>64,826</b>	<b>76,013</b>
<b>All other Governmental Funds:</b>										
Nonspendable	-	-	-	-	-	-	11,122	-	-	-
Restricted	89,818	67,612	76,848	60,489	105,785	125,100	188,584	-	-	-
Committed	44,936	38,953	20,237	25,697	21,351	32,007	34,794	-	-	-
Assigned	-	-	-	-	-	-	1,418	-	-	-
Unassigned	-	-	-	-	-	-	(22,834)	-	-	-
Reserved	-	-	-	-	-	-	-	93,119	99,361	108,510
<b>Unreserved, reported in:</b>										
Capital projects funds	-	-	-	-	-	-	-	113,632	115,740	115,401
Special revenue funds	-	-	-	-	-	-	-	602	426	409
Other purposes	-	-	-	-	-	-	-	19,305	16,770	13,195
<b>Total All Other Governmental Funds</b>	<b>134,754</b>	<b>106,565</b>	<b>97,085</b>	<b>86,186</b>	<b>127,136</b>	<b>157,107</b>	<b>213,084</b>	<b>226,658</b>	<b>232,297</b>	<b>237,515</b>
<b>Total Governmental Funds</b>	<b>\$ 326,297</b>	<b>\$ 304,363</b>	<b>\$ 240,706</b>	<b>\$ 215,464</b>	<b>\$ 277,510</b>	<b>\$ 304,863</b>	<b>\$ 286,739</b>	<b>\$ 277,374</b>	<b>\$ 297,123</b>	<b>\$ 313,528</b>

Note:

(1) The City implemented GASB Statement No. 54 in fiscal year 2011.

Source: Finance Office, City of Santa Clara.

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

**Table 4**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>REVENUES:</b>										
Taxes:										
Sales	\$ 55,750	\$ 57,796	\$ 49,649	\$ 46,736	\$ 44,160	\$ 41,280	\$ 35,845	\$ 31,876	\$ 34,894	\$ 40,516
Ad valorem property	50,943	45,627	37,574	39,187	31,651	43,880	57,172	61,834	61,695	54,536
Transient occupancy	20,484	20,557	18,186	15,141	13,673	11,755	9,910	8,302	9,138	11,269
Other	5,671	5,510	5,173	5,191	4,333	4,139	3,731	4,099	4,931	5,459
Licenses, permits, fees and penalties	10,536	11,530	9,508	6,860	6,523	9,222	5,690	4,286	5,000	5,232
Intergovernmental	15,269	8,570	13,766	10,611	6,838	8,091	8,017	9,359	8,142	9,760
Charges for services	42,941	46,938	39,012	32,749	26,621	32,767	28,395	24,647	22,396	22,907
Contribution in-lieu of taxes	21,117	19,057	17,493	16,591	15,219	15,343	14,912	13,448	15,150	14,732
Interest and rents	14,636	15,617	10,692	7,672	20,026	21,329	25,220	25,477	25,878	30,547
Net increase (decrease) in the fair value of investments	(3,217)	1,049	496	1,815	(3,567)	(707)	(3,571)	449	6,409	258
Other	32,209	9,578	13,792	6,740	4,627	3,645	2,515	2,829	2,914	3,201
<b>TOTAL REVENUES</b>	<u>\$ 266,339</u>	<u>\$241,829</u>	<u>\$ 215,341</u>	<u>\$ 189,293</u>	<u>\$ 170,104</u>	<u>\$ 190,744</u>	<u>\$ 187,836</u>	<u>\$ 186,606</u>	<u>\$ 196,547</u>	<u>\$198,417</u>

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>EXPENDITURES</b>										
<b>Current:</b>										
General Administration	\$ 24,265	\$ 23,743	\$ 18,684	\$ 17,101	\$ 17,615	\$ 26,430	\$ 31,829	\$ 31,524	\$ 33,033	\$ 27,341
City Clerk	1,594	1,007	1,060	863	970	703	777	662	768	691
City Attorney	1,658	1,500	1,329	1,335	1,226	1,328	1,172	1,314	1,136	1,049
Human Resources	2,993	2,616	2,322	2,279	2,055	1,979	1,947	1,804	1,960	1,682
Finance	9,725	9,319	8,455	8,231	7,876	7,588	7,170	7,535	7,458	7,726
Public Works	24,018	20,088	18,424	17,562	16,765	16,231	17,133	17,178	17,853	16,307
Parks and Recreation	17,364	16,162	14,506	14,428	14,063	14,124	13,844	13,906	13,389	12,732
Public Safety:										
Police	62,290	61,015	54,344	45,584	42,991	41,912	42,520	43,959	43,317	40,089
Fire	42,550	39,129	35,144	33,267	32,370	31,522	32,214	33,768	34,292	31,636
Planning and Inspection	9,156	8,231	7,620	6,938	6,268	5,725	5,680	5,726	5,402	5,112
Library	9,113	9,479	7,611	7,206	6,564	6,594	6,932	7,406	7,460	7,008
Capital Outlay	29,329	13,434	10,730	8,736	15,060	46,490	15,361	13,022	27,169	24,991
Debt Service:										
Principal payments	1,674	1,620	1,576	8,520	24,302	4,294	29,720	10,555	10,000	9,470
Interest and fiscal fees	825	879	925	1,174	2,009	7,038	10,335	10,128	10,720	11,294
Bond issuance cost	2	1	2	5	411	5	490	8	-	-
Supplemental Educational Revenue Augmentation Fund	-	-	-	-	-	-	2,025	9,834	-	-
Pass Through Payments	-	-	-	-	-	1,085	-	-	-	-
<b>TO TAL EXPENDITURES</b>	<b>236,556</b>	<b>208,223</b>	<b>182,732</b>	<b>173,229</b>	<b>190,545</b>	<b>213,048</b>	<b>219,149</b>	<b>208,329</b>	<b>213,957</b>	<b>197,128</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>										
<b>OVER (UNDER) EXPENDITURES</b>	<b>29,783</b>	<b>33,606</b>	<b>32,609</b>	<b>16,064</b>	<b>(20,441)</b>	<b>(22,304)</b>	<b>(31,313)</b>	<b>(21,723)</b>	<b>(17,410)</b>	<b>1,289</b>
<b>OTHER FINANCING SOURCES (USES):</b>										
Sale of Capital Assets	-	-	-	-	-	-	-	2	4	4
Co-op Agreements Activities	-	-	-	-	-	(5)	(8,297)	-	-	-
Proceeds from Bond Issuance	-	-	-	-	19,572	-	41,451	-	-	-
Transfers in	44,983	58,473	14,152	27,961	17,525	96,634	25,705	31,493	31,477	32,196
Transfers out	(52,832)	(27,581)	(12,295)	(25,918)	(14,446)	(20,180)	(23,661)	(29,521)	(30,476)	(29,582)
<b>TO TAL OTHER FINANCING SOURCES (USES)</b>	<b>(7,849)</b>	<b>30,892</b>	<b>1,857</b>	<b>2,043</b>	<b>22,651</b>	<b>76,449</b>	<b>35,198</b>	<b>1,974</b>	<b>1,005</b>	<b>2,618</b>
<b>NET CHANGE IN FUND BALANCES</b>										
<b>BEFORE SPECIAL ITEM</b>	<b>\$ 21,934</b>	<b>\$ 64,498</b>	<b>\$ 34,466</b>	<b>\$ 18,107</b>	<b>\$ 2,210</b>	<b>\$ 54,145</b>	<b>\$ 3,885</b>	<b>\$ (19,749)</b>	<b>\$ (16,405)</b>	<b>\$ 3,907</b>
<b>SPECIAL ITEM-ASSET TRANSFERRED</b>										
<b>TO LIABILITIES ASSUMED BY SUCCESSOR</b>										
<b>AGENCY</b>	-	(842)	(9,224)	(80,152)	(29,563)	(31,847)	-	-	-	-
<b>NET CHANGE IN FUND BALANCES AFTER</b>										
<b>SPECIAL ITEM</b>	<b>\$ 21,934</b>	<b>\$ 63,656</b>	<b>\$ 25,242</b>	<b>\$ (62,045)</b>	<b>\$ (27,353)</b>	<b>\$ 22,298</b>	<b>\$ 3,885</b>	<b>\$ (19,749)</b>	<b>\$ (16,405)</b>	<b>\$ 3,907</b>
<b>DEBT SERVICE AS A PERCENTAGE OF</b>										
<b>NON-CAPITAL EXPENDITURES</b>	1%	1%	6%	15%	7%	21%	15%	10%	12%	12%

Source: Finance Office, City of Santa Clara.

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

**Table 5**

<b>Fiscal Year</b>	<b>Net Local</b>	<b>State</b>	<b>Net</b>	<b>Net</b>	<b>Total</b>	<b>Ratio of Net</b>	<b>% of Growth</b>	<b>Total Direct</b>
<b>Ending</b>	<b>Secured</b>	<b>Assessed</b>	<b>Unsecured</b>	<b>Assessed</b>	<b>Assessed</b>	<b>Assessed Valuation</b>	<b>of Assessed</b>	<b>Tax</b>
<b>June 30</b>	<b>Roll <sup>(1)</sup></b>	<b>Valuation</b>	<b>Roll</b>	<b>Valuation</b>	<b>Valuation</b>	<b>Valuation</b>	<b>Valuation</b>	<b>Rate</b>
2007 / 08	\$ 19,148,464	\$ 909	\$ 2,976,265	\$22,125,638	\$ 22,241,709	99.48%	8.64%	1.08%
2008 / 09	20,545,808	3,689	3,812,579	24,362,076	24,479,723	99.52%	10.11%	1.12%
2009 / 10	20,707,612	3,689	3,844,940	24,556,241	24,674,410	99.52%	0.80%	1.13%
2010 / 11	19,949,252	3,689	3,634,484	23,587,425	23,704,433	99.51%	-3.95%	1.11%
2011 / 12	19,818,648	4,641	3,892,148	23,715,437	23,830,461	99.52%	0.54%	1.14%
2012 / 13	20,475,348	4,641	4,702,675	25,182,664	25,295,792	99.55%	6.19%	1.16%
2013 / 14	22,216,962	4,641	4,680,536	26,902,139	27,012,697	99.59%	6.83%	1.14%
2014 / 15	24,294,056	4,183	4,352,204	28,650,443	28,758,679	99.62%	6.50%	1.13%
2015 / 16	27,659,960	4,183	5,157,346	32,821,489	32,927,777	99.68%	14.56%	1.16%
2016 / 17	30,672,596	4,183	5,856,885	36,533,664	36,638,297	99.71%	11.31%	1.15%

Note:

(1) Net of Home Owner Property Tax Relief.

Source: County of Santa Clara, Department of Finance

**CITY OF SANTA CLARA  
PROPERTY TAX RATES  
(Per \$100 Assessed Valuation)  
Direct and Overlapping Governments  
Last Ten Fiscal Years**

**Table 6**

<b>Fiscal Year Ending June 30</b>	<b>Santa Clara County</b>	<b>School Districts</b>	<b>Special Districts</b>	<b>Total</b>
2007 / 08	1.0388%	0.0389%	0.0071%	1.0848%
2008 / 09	1.0388%	0.0775%	0.0061%	1.1224%
2009 / 10	1.0388%	0.0841%	0.0074%	1.1303%
2010 / 11	1.0388%	0.0658%	0.0072%	1.1118%
2011 / 12	1.0388%	0.0973%	0.0064%	1.1425%
2012 / 13	1.0388%	0.1108%	0.0069%	1.1565%
2013 / 14	1.0388%	0.0962%	0.0070%	1.1420%
2014 / 15	1.0388%	0.0824%	0.0065%	1.1277%
2015 / 16	1.0388%	0.1174%	0.0057%	1.1619%
2016 / 17	1.0388%	0.1014%	0.0086%	1.1488%
<p>Tax rate limit: A state constitutional amendment (Proposition 13) commencing with fiscal 1979 provided that the tax rate was limited to 1% of full cash value, levied only by the County and shared with all other jurisdictions. All jurisdictions may levy a tax rate for voter approved debt.</p> <p>Due date for current taxes: First installment - November 1; second installment - February 1.</p> <p>Penalties for delinquency: 10% and 1.5% of tax per month after date taxes become delinquent.</p> <p>Collected by government unit: County of Santa Clara.</p> <p>Basis upon which collections are distributed: Taxing jurisdictions assessed valuations and tax rates for voter approved debt to taxing jurisdictions, County rate (1% of full cash value) shared by all jurisdictions.</p> <p>Compensation paid to collecting government unit for fiscal year 2016-17 is \$287,145</p>				

Note: Tax rates stated are the rates applicable to the tax rate area 7-000 as typical tax rate area within the City. Rates are based on \$100 assessed valuation.

Source: County of Santa Clara, Department of Finance

**CITY OF SANTA CLARA  
PRINCIPAL PROPERTY TAX PAYERS  
2016-17 AND 2010-11 COMPARISON FOR GENERAL FUND  
(In Thousands)**

**Table 7**

Taxpayers	2016-17		2010-11	
	Assessed Valuation	Percentage of Total Assessed Valuation	Assessed Valuation	Percentage of Total Assessed Valuation
Intel Corporation	\$ 1,603,186	4.38%	\$ 974,576	4.10%
Forty Niners SC Stadium Company LLC	1,404,969	3.83%	-	0.00%
Sobrato Interest (Sobrato Development Company)	828,483	2.26%	308,442	1.30%
3515-3585 Monroe Street LLC	513,726	1.40%	-	0.00%
Microsoft Corporation	498,732	1.36%	-	0.00%
Xeres Ventures LLC	404,946	1.11%	-	0.00%
The Irvine Company	403,932	1.10%	-	0.00%
Apple Inc	366,942	1.00%	-	0.00%
Oracle America Inc (formerly Sun Microsystems)	362,154	0.99%	210,109	0.88%
Nvidia Corporation (formerly Nvidia Land Development LLC)	325,191	0.89%	170,066	0.72%
Agilent Technologies	-	0.00%	306,451	1.29%
Applied Materials, Inc.	-	0.00%	238,795	1.00%
Marvell Technology Inc	-	0.00%	200,350	0.84%
Silicon Vallery California LLC	-	0.00%	194,215	0.82%
Harvest 2400 LLC	-	0.00%	177,420	0.75%
National Semiconductor Corporation	-	0.00%	168,780	0.71%
Top Ten Total	\$ 6,712,261	18.32%	\$ 2,949,204	12.41%
City Total	<u>\$ 36,638,297</u>		<u>\$ 23,764,030</u>	

Sources: Santa Clara County Assessor 2016-17 and 2010-11 Combined TaxRolls through HdL Coren & Cone.  
Principal property taxpayers information for 2007-08 is not available.

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

**Table 8**

<b>Fiscal Year Ending June 30</b>	<b>Gross Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percentage of Current Levy Collected</b>	<b>Delinquent Tax Collected</b>	<b>Total Collections</b>	<b>Percentage of Total Levy Collected</b>
2007 / 08	\$ 19,720	\$ 19,669	99.74%	-	\$ 19,669	99.74%
2008 / 09	21,123	21,061	99.71%	-	21,061	99.71%
2009 / 10	21,674	21,631	99.80%	-	21,631	99.80%
2010 / 11	20,894	20,867	99.87%	-	20,867	99.87%
2011 / 12	21,044	21,044	100.00%	-	21,044	100.00%
2012 / 13	22,313	22,313	100.00%	-	22,313	100.00%
2013 / 14	24,027	24,027	100.00%	-	24,027	100.00%
2014 / 15	25,550	25,550	100.00%	-	25,550	100.00%
2015 / 16	27,603	27,603	100.00%	-	27,603	100.00%
2016 / 17	30,605	30,605	100.00%	-	30,605	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, 2017**

**Table 9**

**This list is in alphabetical order and represents sales from July 2016 to June 2017.  
The Top 25 Sales / Use Tax contributors generate 40% of Santa Clara's total sales and use tax revenue**

Applied Materials Inc.	One WorkPlace
Arista Networks	Pace Supply
Carl Zeiss SBE	Pivot Interiors
Costco Wholesale	Porsche of Stevens Creek
Dell Marketing	Premier Nissan
Financial SVCS Vehicle Trust	Safeway Stores
Fisher Scientific Company	Stevens Creek Acura
Frontier Ford	Stevens Creek Auto Imports
Home Depot	Stevens Creek BMW
Intel Corp.	Target Stores
Lexus of Stevens Creek	World Wide Technology
Macy's Department Store	Z T Systems
Nvidia	

Sources: From Muni Services Sales Tax Digest Summary. Collections through September 2016. Sales through June 2017.

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

**Table 10**

Fiscal Year Ending June 30	Governmental Activities				Former Redevelopment Agency	Business Activities	Santa Clara Stadium Authority	Total Primary Government	Population	Debt per Capita	Total Personal Income (\$000)	Debt/ Income Ratio
	Public Facilities Financing Corporation				Tax Allocation Bonds <sup>(1)</sup>	Revenue Bonds	Revenue Bonds					
	Certificates of Participation	Insurance Funding Bonds	Assessmen t Bonds	Total Governmental Activities								
2007 / 08	\$ 56,240	\$ -	\$ 4,110	\$ 60,350	\$ 130,640	\$ 230,970	\$ -	\$ 421,960	115,503	\$ 3,653	\$ 4,121,147	10.24%
2008 / 09	52,500	-	3,155	55,655	125,335	227,390	-	408,380	117,242	3,483	4,225,531	9.66%
2009 / 10	48,620	-	2,155	50,775	119,660	223,170	-	393,605	118,830	3,312	4,291,695	9.17%
2010 / 11	43,822	-	-	43,822	138,511	223,920	-	406,253	118,169	3,438	4,727,907	8.59%
2011 / 12	39,528	-	-	39,528	-	210,646	132,630	382,804	118,813	3,222	4,399,786	8.70%
2012 / 13	34,784	-	-	34,784	-	199,676	396,140	630,600	120,284	5,243	4,530,093	13.92%
2013 / 14	26,210	-	-	26,210	-	227,163	653,367	906,740	121,229	7,480	4,739,710	19.13%
2014 / 15	24,579	-	-	24,579	-	226,828	561,556	812,963	120,973	6,720	4,952,711	16.41%
2015 / 16	22,905	-	-	22,905	-	229,719	464,720	717,344	123,752	5,797	5,194,006	13.81%
2016 / 17	21,177	-	-	21,177	-	220,800	429,773	671,750	123,983	5,418	5,454,137	12.32%

Notes:

(1) Beginning fiscal year 2011-12, Tax Allocation Bonds Direct Debt amounts for the Former Redevelopment Agency are shown in the Successor Agency of the City of Santa Clara's Statistical Section, Table 4.

Sources: Finance Office, City of Santa Clara and MuniServices LLC.

**CITY OF SANTA CLARA  
POPULATION AND ASSESSED VALUATION  
Last Ten Fiscal Years  
(In Thousands)**

**Table 11**

<b>Fiscal Year Ending June 30</b>	<b>Population</b>	<b>Total Assessed Valuation</b>
2007 / 08	115.5	\$ 22,241,709
2008 / 09	117.2	24,479,723
2009 / 10	116.3 <sup>(1)</sup>	24,674,410
2010 / 11	118.2	23,704,433
2011 / 12	118.8	23,830,461
2012 / 13	120.3	25,295,792
2013 / 14	121.2	27,012,697
2014 / 15	121.0	28,758,679
2015 / 16	123.8	32,927,777
2016 / 17	123.9	36,638,297

Note: (1) Population was revised based on 2010 U.S. Census results.

Sources: State of California, Department of Finance

County of Santa Clara, Department of Finance

**CITY OF SANTA CLARA**  
**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT**  
**June 30, 2017**

**Table 12**

Description	% Applicable	Debt
<b><u>Direct Debt:</u></b>		
2010 Lease Financing	100%	4,966,000
2013 Refunding Certificates of Participation	100%	15,410,000
<b>Total Gross Direct Debt</b>		<b>20,376,000</b>
Unamortized Premium/Discount	100%	800,878
<b>Total Net Direct Debt</b>		<b>21,176,878</b>
<b><u>Overlapping Debt:</u></b>		
Santa Clara County General Fund Obligations	8.747%	55,472,645
Santa Clara County Pension Fund Obligations	8.747%	31,705,335
Santa Clara Valley Water District Benefit Assessment District	8.747%	7,954,959
Santa Clara County Board of Education Certificates of Participation	8.747%	497,704
San Jose-Evergreen Community College District Pension Obligations	0.064%	30,368
West Valley-Mission Community College District General Fund Obligations	28.632%	18,242,879
Foothill-DeAnza Community College District	1.310%	8,502,936
San Jose-Evergreen Community College District	0.064%	282,538
West Valley Community College District	28.632%	116,616,983
Fremont Union High School District	2.920%	10,638,877
Campbell Union High School District General Fund Obligations	1.948%	295,414
Campbell Union School District	4.228%	7,665,325
Campbell Union High School District	1.948%	4,205,635
Campbell Union School District Certificates of Participation	4.228%	130,645
El Camino Hospital District	1.084%	2,461,222
San Jose Unified School District	0.184%	932,437
Cupertino Union School District	4.980%	14,004,442
Santa Clara Unified School District	63.039%	315,875,821
San Jose Unified School District Certificates of Participation	0.184%	24,840
Santa Clara County	8.747%	68,650,392
Foothill-DeAnza Community College District Certificates of Participation	1.310%	403,880
Santa Clara Unified School District Certificates of Participation	63.039%	8,696,230
Santa Clara County Vector Control District Certificates of Participation	8.747%	234,857
<b>Total Overlapping Debt</b>		<b>673,526,364</b>
<b>Total Gross Direct and Overlapping Bonded Debt <sup>(1)</sup></b>		<b>693,902,364</b>
<b>Direct Unamortized Premium/Discount</b>		<b>-</b>
<b>TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT</b>		<b>\$ 693,902,364</b>
2016 / 17 Assessed Value	\$ 36,638,297,227	
<b><u>Ratios to Assessed Valuation:</u></b>		
Direct Debt	\$ (21,176,878)	0.056%
Total Gross Debt		1.894%
Total Net Debt		1.894%

Note: (1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds.

Source: California Municipal Statistics, Inc.

**CITY OF SANTA CLARA  
LEGAL DEBT MARGIN INFORMATION  
Last Ten Fiscal Years  
(In Thousands)**

**Table 13**

<b>Fiscal Year Ending June 30</b>	<b>Net Assessed Valuation</b>	<b>Debt Limit- 15% of Assessed Valuation <sup>(1)</sup></b>	<b>Debt Applicable to Limit</b>	<b>Legal Debt Margin</b>
2007 / 08	\$ 22,125,638	\$ 3,318,846	\$ -	\$ 3,318,846
2008 / 09	24,362,076	3,654,311	-	3,654,311
2009 / 10	24,556,241	3,683,436	-	3,683,436
2010 / 11	23,587,425	3,538,114	-	3,538,114
2011 / 12	23,715,437	3,557,316	-	3,557,316
2012 / 13	25,182,664	3,777,400	-	3,777,400
2013 / 14	26,902,139	4,035,321	-	4,035,321
2014 / 15	28,650,444	4,297,567	-	4,297,567
2015 / 16	32,821,489	4,923,223	-	4,923,223
2016 / 17	36,533,664	5,480,050	-	5,480,050

Note:

(1) Section 1309 of the City Charter of the City states: "Bonded Debt Limit. The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen percent (15%) of the total assessed valuation of property within the City, exclusive of revenue bonds or any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending, or maintaining municipally owned utilities for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to the provisions of the State Constitution and this Charter."

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

**CITY OF SANTA CLARA  
 PLEDGED REVENUE COVERAGE  
 ELECTRIC REVENUE BOND  
 Last Ten Fiscal Years  
 (In Thousands)**

**Table 14**

<b>Fiscal Year Ending June 30</b>	<b>Gross Revenue</b>	<b>Less Operating Expense <sup>(1)</sup></b>	<b>Net Revenue Available For Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Letter Of Credit Fees</b>	<b>Total</b>	<b>Coverage <sup>(2)</sup></b>
2007 / 08	\$ 318,895	\$ 283,206	\$ 35,689	\$ 12,370	\$ 11,295	\$ 2,423	\$ 26,088	1.37
2008 / 09	346,533	323,670	22,863	3,580	8,602	2,460	14,642	1.56
2009 / 10	296,833	276,402	20,431	4,220	7,235	838	12,293	1.66
2010 / 11	269,610	233,939	35,671	4,425	8,022	1,793	14,240	2.50
2011 / 12	300,216	238,074	62,142	6,255	9,616	1,017	16,888	3.68
2012 / 13	298,522	266,246	32,276	6,560	9,899	813	17,272	1.87
2013 / 14	314,847	288,954	25,893	3,550	7,994	637	12,181	2.13
2014 / 15	332,178	297,846	34,332	6,485	7,990	459	14,934	2.30
2015 / 16	359,084	316,578	42,506	8,958	8,348	358	17,664	2.41
2016 / 17	352,828	317,237	35,591	7,640	8,434	335	16,409	2.17

Notes:

(1) In fiscal year 2007-08 Letter of Credit includes \$1.611 million refunding premium for 1998A, \$302 thousand issuance cost for 2008B and \$315 thousand issuance cost for 2008A.

(2) The required coverage is 1.00.

Source: City of Santa Clara

**CITY OF SANTA CLARA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Calendar Years**

**Table 15**

<b>Year</b>	<b>Population</b>	<b>Personal Income (\$000)</b>	<b>Per Capita Buying Income</b>	<b>Median Age</b>	<b>Public School Enrollment</b>	<b>County Unemployment Rate</b>	<b>City Unemployment Rate</b>
2007 / 08	115,503	\$ 4,121,147	\$ 35,680	34.4	13,802	4.7%	4.3%
2008 / 09	117,242	4,225,531	36,738	34.4	14,729	11.8%	10.9%
2009 / 10	116,308	4,291,695	36,607	34.9	14,446	11.3%	10.4%
2010 / 11	118,169	4,727,907	40,010	34.3	14,731	10.3%	9.4%
2011 / 12	118,813	4,399,786	37,031	33.8	14,686	8.7%	8.0%
2012 / 13	120,284	4,530,093	37,662	34.1	14,705	6.8%	6.2%
2013 / 14	121,229	4,739,710	39,097	35.0	15,169	5.4%	4.9%
2014 / 15	120,973	4,952,711	40,941	34.4	15,169	3.9%	3.6%
2015 / 16	123,752	5,194,006	41,971	34.3	15,388	4.2%	3.7%
2016 / 17	123,983	5,454,137	43,991	34.3	15,409	3.8%	3.4%

Sources: MuniServices, LLC

- (1) Population data by the California Department of Finance Projections.
- (2) The California Department of Finance demographics estimates now incorporate 2010 Census counts as a benchmark.
- (3) Unemployment and Total Employment Data are provided by the EDD's Bureau of Labor Statistics Department.
- (4) Student Enrollment reflects the total number of students enrolled in the Santa Clara Unified School District.

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

**Table 16**

Company	2017		2008	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Applied Materials, Inc.	8,500	22.2%	1,150	2.2%
Intel Corporation	7,801	20.3%	5,700	10.7%
California's Great America	2,500	6.5%	-	0.0%
Avaya Inc.	2,000	5.2%	-	0.0%
Santa Clara City Hall	1,878	4.9%	-	0.0%
EMC Corporation	1,338	3.5%	-	0.0%
Macy's	1,200	3.1%	-	0.0%
Santa Clara University	1,200	3.1%	-	0.0%
Catalyst Semiconductor Inc.	1,100	2.9%	-	0.0%
Lsa Global	1,001	3%	-	0.0%
Sun Microsystems, Inc.	-	0%	6,000	11.2%
Advanced Cardiovascular Systems	-	0%	4,200	7.9%
Kaiser Foundation Hospitals	-	0%	2,317	4.3%
Coast Personnel	-	0%	1,895	3.5%
National Semiconductor Inc.	-	0%	1,700	3.2%
Asianinfo Holdings Inc.	-	0%	1,500	2.8%
WebEx Communications Inc.	-	0%	1,108	2.1%
Coherent Inc.	-	0%	1,082	2.0%
<b>Total Top Ten</b>	28,518	74.3%	26,652	49.9%
All Others	9,822	25.7%	26,748	50.1%
<b>Total Employment</b>	38,340	100%	53,400	100%

Sources: Fiscal year 2017: ReferenceUSA database, Infogroup, Inc., Papillion, Nebraska

Sources: Fiscal year 2008: Northern California Business Directory, California Employment Development Department

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

**Table 17**

	<b>Fiscal Year Ending June 30</b>									
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
City Council	10.00	9.00	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
City Clerk	7.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00
City Attorney	6.00	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00
City Manager	13.00	16.00	9.00	9.00	8.00	8.00	8.00	9.00	9.00	9.00
Information Technology	7.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Human Resources	15.00	14.50	14.50	14.50	14.50	14.50	14.50	15.00	15.00	15.00
Finance	61.75	60.25	58.25	58.00	58.00	58.00	58.00	62.00	62.00	63.00
Parks & Recreation	79.00	82.75	82.75	82.00	82.00	82.00	82.00	83.00	83.00	83.00
Library	45.50	47.00	46.50	46.50	42.00	42.00	42.75	42.75	42.75	42.75
Community Development	56.00	42.00	44.00	40.00	40.00	40.00	40.00	40.00	40.00	39.00
Engineering	39.25	38.25	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00
Building Maintenance	12.90	10.90	11.40	11.50	11.50	11.50	12.50	13.50	13.50	13.50
Street	59.60	65.35	63.10	62.00	63.00	63.00	63.00	64.00	64.00	64.00
Automotive Services	15.75	15.00	15.00	15.00	16.00	18.00	18.00	19.00	19.00	19.00
Police	231.00	222.00	219.00	222.00	222.00	222.00	227.00	227.00	227.00	227.00
Fire	166.50	179.50	179.50	179.50	179.50	179.50	179.50	179.50	179.50	179.50
Electric Utility	179.00	166.00	156.00	142.00	135.00	135.00	144.00	144.00	144.00	144.00
Water Utility	52.70	50.10	47.10	45.40	45.80	45.80	46.15	45.45	45.45	45.50
Sewer Utility	21.30	19.90	17.90	15.60	14.20	14.20	13.85	14.55	14.55	14.50
<b>TOTAL</b>	<b>1,078.25</b>	<b>1,054.50</b>	<b>1,026.50</b>	<b>1,004.50</b>	<b>992.00</b>	<b>994.00</b>	<b>1,010.75</b>	<b>1,020.25</b>	<b>1,020.25</b>	<b>1,020.25</b>

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Culture and Recreation:										
Number of library items circulated	2,700,315	2,479,126	2,491,553	2,260,844	2,525,555	2,527,883	2,466,152	2,782,561	2,647,837	2,564,484
Fire Protection:										
Number of calls answered	8,850	8,933	8,403	8,336	8,232	8,135	8,659	8,671	7,488	7,614
Number of inspections conducted	9,696	8,260	8,067	8,784	9,097	9,775	10,234	8,565	9,707	8,436
Police Protection:										
Number of calls for service <sup>(1)</sup>	50,429	51,853	60,208	59,474	59,158	57,018	62,004	64,797	57,245	57,769
Electric System:										
Maximum annual demand (MW)	568.1	526.4	491.1	482.4	471.1	463.01	471.37	459.8	489.9	479.6
Total annual energy (Mwh)	3,628,200	3,488,004	3,238,372	3,145,100	3,102,166	3,052,818	2,950,301	2,909,151	2,971,436	2,984,161
Sewer System:										
Number of service connections	26,162	25,744	25,656	25,660	25,530	25,300	25,420	25,540	26,125	26,084
Peak flow (5-day average, WPCP) (MG)	110	110	121	121	121	121	120	109	109	109
Maximum daily capacity of treatment plant (WPCP) (MGD)	167	167	167	167	167	167	167	167	167	167
Peak flow (5-day average, City) (MGD)	16	16	16	16	16	16	16	16	16	17
Water System:										
Number of service accounts	25,714	25,716	25,656	25,530	25,530	25,300	25,420	25,540	25,482	25,310
Daily Average consumption (MG)	15	15	16.8	18.8	19	19	18.6	18.1	19.4	21
Maximum daily capacity of plant:										
Potable Water (MGD)	80	96	87	87	87	87	87	87	87	87
Recycled Water (MGD)	30	14	15	15	15	15	15	15	15	15

Note: (1) Data Based on Calendar Year  
Source: City of Santa Clara

**CITY OF SANTA CLARA  
CAPITAL ASSETS STATISTICS BY FUNCTION  
Last Ten Fiscal Years**

**Table 19**

	Fiscal Year Ending June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Culture and Recreation:</b>										
Number of community centers	4	4	4	4	4	4	4	4	4	4
Number of parks	35	34	34	32	32	32	32	32	32	32
Park acreage	330	274	273	273	273	273	273	273	282	282
Number of golf courses	1	1	1	1	1	1	1	1	1	1
Number of swimming pools	11	5	5	5	5	5	5	5	5	5
Number of tennis courts	28	28	28	28	28	28	28	28	28	28
Number of lawn bowling greens	1	1	1	1	1	1	1	1	1	1
Number of lighted soccer fields	3	3	3	3	3	3	3	3	3	3
Number of lighted softball fields	7	7	7	7	7	7	7	7	7	7
Number of neighborhood park buildings	8	8	8	8	8	8	8	8	8	8
Number of gymnastic centers	1	1	1	1	1	1	1	1	1	1
Number of skate parks	1	1	1	1	1	1	1	1	1	1
Number of community theaters	1	1	1	1	1	1	1	1	1	1
Number of libraries	3	3	2	2	2	2	2	2	2	2
Cemetery	2	2	2	2	2	2	2	2	2	2
<b>Fire Protection:</b>										
Number of stations	10	10	10	10	10	10	10	10	10	10
<b>Police Protection:</b>										
Number of stations	2	2	2	2	2	2	2	2	2	2
<b>Electric System:</b>										
Number of meters	54,942	53,824	53,360	52,775	52,957	52,867	52,327	52,090	51,832	51,514
Miles of high voltage lines	608	605	591	590	586	582	579	573	573	548
Number of substations	27	27	27	26	26	26	26	24	23	23
<b>Sewerage System:</b>										
Miles of sanitary sewers	288	288	288	288	288	286	285	285	279	279
Miles of storm sewers	195	195	195	-	141	141	140	140	140	140
Number of treatment plants	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary
<b>Water System:</b>										
Miles of water mains	335	310	335	335	335	335	335	335	335	335
Number of fire hydrants	3,501	3,383	3,315	3,315	3,315	3,315	3,315	3,315	3,313	3,285
Miles of recycled water mains	33	33	33	33	33	33	23	21	20	20
<b>Streets:</b>										
Miles of Streets	252	252	252	249	249	249	249	249	249	249
Number of Street Lights	8,112	8,103	8,097	8,054	8,077	8,046	7,993	7,990	7,976	8,481
Number of Traffic Signals	207	206	200	196	191	188	188	188	188	187

Source: City of Santa Clara

**CITY OF SANTA CLARA  
STATEMENT OF INSURANCE COVERAGE  
June 30, 2017**

**Table 20**

TYPE OF POLICY	INSURANCE COMPANY	LIMITS <sup>(1)</sup>	ANNUAL PREMIUM	TERM YEARS	EXPIRATION DATE <sup>(2)</sup>
<b><u>Liability</u></b>					
Comprehensive General	Self-insured (Since 1987)	\$3 million	n/a	-	Ongoing
Excess Liability	Security National Insurance Company and various other carriers	\$60 million	\$423,526	1	7/1/2017
Workers' Compensation	Self-insured (since 1973)	\$500 thousand	n/a	-	Ongoing
Excess Workers' Compensation	CSAC Excess Ins. Authority	\$5 million	\$821,002	1	7/1/2017
<b><u>Property Coverage</u></b>					
All Risks, including flood, excluding earthquake	Alliant Property Insurance Program (APIP)  Lexington Insurance and various excess carriers	\$1 billion	\$409,164	1	7/1/2017
Boiler and Machinery	Lexington Insurance and various excess carriers	\$100 million	\$9,392	1	7/1/2017
<b><u>Financial Loss Bonds</u></b>					
Crime Coverage Bond	CSAC Excess Insurance Authority	\$15 million	\$7,520	1	6/30/2017

Notes:

(1) Limits are per occurrence

(2) All policies have been renewed

Source: City of Santa Clara

**SUCCESSOR AGENCY CITY OF SANTA CLARA  
STATISTICAL SECTION**

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

TABLES

REVENUE CAPACITY

Contains information to help the reader assess the Successor Agency’s most significant local revenue source, the property tax.

1 - 3

DEBT CAPACITY

Presents information to assess the affordability of the Successor Agency’s current levels of outstanding debts.

4

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

**Table 1**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Real Property Value	\$ 5,751,353	\$ 4,474,185	\$ 2,504,578	\$ 2,428,787	\$ 2,443,683	\$ 2,337,717	\$ 2,302,910	\$ 2,627,293	\$ 2,441,511	\$ 2,029,853
Other Property Value	27,877	796,082	551,425	450,943	468,788	492,292	423,299	388,607	377,401	353,950
Total Project Value	<u>5,779,230</u>	<u>5,270,267</u>	<u>3,056,003</u>	<u>2,879,730</u>	<u>2,912,471</u>	<u>2,830,009</u>	<u>2,726,209</u>	<u>3,015,900</u>	<u>2,818,912</u>	<u>2,383,803</u>
Less Base Value	8,838	49,632	49,322	(8,829)	(8,838)	(8,838)	(8,838)	(8,838)	(8,838)	(8,838)
Increment Over Base Value	5,731,416	5,319,899	3,105,325	2,870,901	2,903,633	2,821,171	2,717,371	3,007,062	2,810,074	2,374,965
Redevelopment Property										
Tax Trust Fund (RP TTF) <sup>(1)</sup>	-	5,697	9,365	26,759	13,366	-	-	-	-	-
Tax Increment Revenue	-	-	-	-	-	15,035	28,629	31,656	29,597	25,036
Supplemental Tax Revenue	-	-	-	-	-	-	(37)	94	1,627	1,306
Total Tax Revenue	<u>-</u>	<u>5,697</u>	<u>9,365</u>	<u>26,759</u>	<u>13,366</u>	<u>15,035</u>	<u>28,592</u>	<u>31,750</u>	<u>31,224</u>	<u>26,342</u>
<u>Less:</u>										
AB 1484 True-Up Payment <sup>(2)</sup>	-	-	-	-	(378)	-	-	-	-	-
Pass Through Payments	-	-	-	-	-	(1,085)	-	-	-	-
SERAF Payment	-	-	-	-	-	-	(1,975)	(9,592)	-	-
Housing Set-Aside	-	-	-	-	-	(3,007)	(8,578)	(9,525)	(9,367)	(7,903)
County Administrative Charge	-	-	-	-	-	-	(312)	(321)	(286)	(262)
Net Tax Revenue	<u>\$ -</u>	<u>\$ 5,697</u>	<u>\$ 9,365</u>	<u>\$ 26,759</u>	<u>\$ 12,988</u>	<u>\$ 10,943</u>	<u>\$ 17,727</u>	<u>\$ 12,312</u>	<u>\$ 21,571</u>	<u>\$ 18,177</u>

Notes:

(1) With the State dissolving all RDAs on 02/01/2012, the structure of Tax Increment Revenue has changed. Starting in fiscal year 2012-13, the County's property tax distribution to the Successor Agency was changed to the Redevelopment Property Tax Trust Fund (RP TTF). The RP TTF 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 ABX126. In particular, the new Health and Safety Code Section 34183.5 required the Santa Clara County Auditor-Controller to conduct a "true-up" of the June 1, 2012 distribution from the RP TTF for each former RDA. In accordance with the new law, the Successor Agency was required to make a "true-up" payment of \$378,540.37 by July 12, 2012.

Source: City of Santa Clara / Santa Clara County Auditor

**SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA  
 BAYSHORE NORTH PROJECT AREA  
 TEN LARGEST ASSESSEES - TAXABLE VALUE  
 June 30, 2017**

**Table 2**

<b>ASSESSEE</b>	<b>ASSESSED PROPERTY USE</b>	<b>ASSESSED PROPERTY VALUATION</b>	<b>PERCENT OF TOTAL</b>
<b>1</b> Forty Niners SC Stadium Company LLC	Commercial Office Building	\$ 1,404,969,128	24.48%
<b>2</b> Sobrato Interest Limited Partnership	Commercial Office Building	443,187,662	7.72%
<b>3</b> The Irvine Company	Commercial Office Building	403,931,718	7.04%
<b>4</b> PR 3975 Freedom Circle LLC	Commercial Office Building	153,951,906	2.68%
<b>5</b> RAR2 - Stadium Techcter 123 LLC	Commercial Office Building	149,749,375	2.61%
<b>6</b> Prudential Insurance Co of America	Commercial Office Building	142,994,805	2.49%
<b>7</b> Palo Alto Networks Inc	Commercial Office Building	137,286,988	2.39%
<b>8</b> Freedom Circle LLC	Commercial Office Building	134,313,311	2.34%
<b>9</b> LEECO Real Estate Group LLC	Commercial Office Building	132,815,326	2.31%
<b>10</b> Freedom Freedom Circle LLC	Commercial Office Building	131,079,616	2.28%
	TOTAL	<u>\$ 3,234,279,835</u>	<u>56.34%</u>
	TOTAL AGENCY ASSESSED VALUE	<u>\$ 5,740,253,914</u>	

**SUCCESSOR AGENCY OF THE CITY OF SANTA CLARA  
BAYSHORE NORTH PROJECT AREA  
ASSESSMENT APPEAL ACTIVITY OF TOP 20 ASSESSEES  
2016-17 Impacts**

**Table 3**

TAX ROLL NUMBER	ASSESSEE	ASSESSED		S/U <sup>(1)</sup>	APPEAL NUMBER	HEARING DATE		APPLICANT'S OPINION	
		VALUATION/ORIGINAL				DEADLINE	STATUS	VALUATION	LAND USE
984-92-103	Forty Niners	\$	555,214,000	S	15.0278		Pending	\$ 88,000,000	Commercial
984-92-104	Forty Niners		555,214,000	S	15.0279		Pending	88,000,000	Commercial
984-92-103	Forty Niners		555,214,000	S	15.0280		Pending	88,000,000	Commercial
984-92-104	Forty Niners		555,214,000	S	15.0281		Pending	88,000,000	Commercial
984-92-104	Forty Niners		548,980,708	S	16.0256		Pending	100,000,000	Commercial
984-92-103	Forty Niners		548,980,708	S	16.0257		Pending	100,000,000	Commercial
984-12-008	Irvine Company		208,597,173	S	16.1300		Pending	185,000,000	Commercial
984-12-007	Hudson Techmart		168,533,600	S	16.1694		Pending	128,193,682	Commercial
984-92-086	Irvine Company		143,890,404	S	16.1298		Pending	130,000,000	Commercial
104-40-019	Freedom Circle		138,581,625	S	16.1225		Pending	112,000,000	Commercial
16-081995	Tellabs Inc		96,468,721	U	16.G209		Pending	30,000,001	N/A
16-028136	Arista Network		70,241,480	U	16.0968		Pending	35,600,000	N/A
104-04-077	Digital - PR		61,902,584	S	16.0395		Pending	30,951,292	Commercial
104-04-077	Digital - PR		60,688,809	S	15.2483		Pending	30,344,405	Commercial
104-04-077	Digital - PR		59,778,380	S	15.2459		Pending	29,889,190	Commercial
104-04-077	Digital - PR		59,500,000	S	15.2482		Pending	29,750,000	Commercial
16-020516	Cedar Fair S		52,643,651	U	16.F254		Pending	33,683,641	N/A
984-92-054	Irvine Company		51,444,141	S	16.1299		Pending	46,000,000	Commercial
15-020862	Cedar Fair S		51,022,770	U	15.0817		Pending	31,614,266	N/A
984-12-005	Cedar Fair S		50,130,796	S	16.F253		Pending	33,968,000	Commercial
		\$	4,592,241,550					\$ 1,438,994,477	

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, 2017**

**Table 4**

2016-17 Assessed Valuation:	\$ 5,740,253,914		
Base Year Valuation:	(8,837,956)		
Incremental Valuation:	<u>\$ 5,731,415,958</u>		
		Total Debt	Project Area's Share of
<b><u>DIRECT DEBT:</u></b>		<u>6/30/2017</u>	<u>Debt 6/30/17</u>
2003 Tax Allocation Bonds		31,415,000	31,415,000
2011 Tax Allocation Bonds		26,307,773	26,307,773
TOTAL DIRECT DEBT			<u>\$ 57,722,773</u>
Ratio to Incremental Valuation: 1.84%			
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Santa Clara Unified School District	\$ 501,080,000	10.694%	53,585,495
West Valley-Mission Community College District	407,295,973	4.741%	19,309,902
Santa Clara County	784,845,000	1.370%	10,752,377
Santa Clara Valley Water District Benefit Assessment District	90,945,000	1.370%	1,245,947
El Camino Hospital District	227,050,000	0.011%	24,976
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 84,918,697</u>
<b><u>OVERLAPPING GENERAL FUND DEBT:</u></b>			
Santa Clara County General Fund Obligations	\$ 634,190,521	1.370%	\$ 8,688,410
Santa Clara County Pension Obligations	362,470,957	1.370%	4,965,852
Santa Clara County Board of Education Certificates of Participation	5,690,000	1.370%	77,953
West Valley-Mission Community College District Certificates of Participation	63,715,000	4.741%	3,020,728
Santa Clara Unified School District Certificates of Participation	13,795,000	10.694%	1,475,237
City of Santa Clara General Fund Obligations	20,376,000	15.667%	3,192,308
Santa Clara County Vector Control District Certificates of Participation	2,685,000	1.370%	36,785
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>\$ 21,457,273</u>
COMBINED TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$ 164,098,743</u>
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT			<u>\$ 79,180,046</u>
(1) Percentage of overlapping agency's assessed valuation located within boundaries of the project area			
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations			
<b><u>Ratios to 2016-17 Assessed Valuation:</u></b>			
Combined Total Direct and Overlapping Debt	2.86%		
Net Combined Total Direct and Overlapping Debt	1.38%		

Source: California Municipal Statistics, Inc.