



December 16, 2008

**SUBJECT: FY 2007/2008 Budgetary Year-End Financial Report and
Comprehensive Annual Financial Report**

REPORT IN BRIEF

This report is intended to provide the year-end financial condition of the City of Sunnyvale on a budgetary basis for the fiscal year ended June 30, 2008. In addition, the City's audited Comprehensive Annual Financial Report (CAFR) for FY 2007/2008 is being presented for Council's information.

Annually, the Budgetary Year-End Financial Report presents the final results of the City's various funds for the previous fiscal year. The report provides analysis of the changes between the projected year-end position contained in the City Manager's Recommended Budget, which is developed in March, and the actual year-end status. The results contained in the report are calculated on a budgetary basis, rather than the accounting basis used for the CAFR.

Overall the City's General Fund ended the year in nearly the same financial position as was estimated in the Recommended Budget. Total revenues were approximately \$600,000 lower than estimated; however, this was offset by approximately \$600,000 in expenditure savings. This resulted in meeting the planned \$5.4 million increase to the total General Fund reserves in FY 2007/2008. As noted above, this is primarily the result of expenditure savings in many operational programs, as well as savings resulting from projects that did not require their full appropriation.

The CAFR is the City's external reporting medium. This report is audited by our independent auditors, Maze and Associates, who have issued an unqualified opinion on the report. The auditor's opinion can be found in the Financial Section of the CAFR document.

In conjunction with the opinion rendered on the CAFR, the independent auditors also issue a Memorandum on Internal Control and Required Communications (Attachment B) in which any financial or internal control deficiencies are noted. This document, which in the past has been referred to as the Management Letter, contains no reportable deficiencies for FY 2007/2008.

BACKGROUND

Each year for Council's information, staff presents the City's year-end financial condition and results of operations on a budgetary basis for the preceding fiscal year using audited financial results.

The City's Comprehensive Annual Financial Report (CAFR) for FY 2007/2008, which has been prepared by staff and audited in accordance with Charter Section 1318, is presented to Council at this time for your information.

EXISTING POLICY

Action Statement 7.1G.1.7 of the Fiscal Sub-Element of the General Plan states that staff shall "prepare and provide the City Council with periodic summary financial reports by fund, comparing actual revenues and expenditures to budgeted amounts." This Year-End Financial Report is presented in accordance with this action statement.

Section 1318 of the Sunnyvale City Charter requires that an independent audit be conducted of the City's financial transactions at the end of each fiscal year.

DISCUSSION

Fiscal Year 2007/2008 Year-End Financial Update

Staff has reviewed the City's year-end financial results and hereby provides an analysis of the changes between the projected revenues and expenditures estimated in the City Manager's Recommended Budget prepared in March with the actual year-end results.

General Fund

Revenues

General Fund revenues for FY 2007/2008 are shown in the table on the following page. Total revenues were lower than the estimates for FY 2007/2008 included in the City Manager's Recommended Budget by approximately \$600,000.

FY 2007/2008 General Fund Revenues and Transfers - Estimated vs. Actual

Description	Revised Estimate	Actual Revenues	Variance Favorable (Unfavorable)	Percent Variance
Property Taxes				
FY 2007/2008 Total Property Taxes	\$ 38,742,251	\$ 38,960,465	\$ 218,214	0.56 %
Prior Year Accounting Adjustment	\$ -	\$ (11,715)	\$ (11,715)	0.00%
Sales Taxes:				
Sales and Use Tax - City	31,393,880	29,705,343	(1,688,537)	(5.38)%
Sales and Use Tax - Public Safety	1,207,714	1,209,287	1,573	0.13 %
Total Sales Tax	32,601,594	30,914,630	(1,686,964)	(5.17)%
Other Taxes				
Business License Tax	1,100,000	1,075,004	(24,996)	(2.27)%
Construction Tax	3,099,637	2,942,548	(157,089)	(5.07)%
Real Property Transfer Tax	1,281,000	1,224,717	(56,283)	(4.39)%
Total Other Taxes	5,480,637	5,242,269	(238,368)	(4.35)%
Transient Occupancy Tax	7,381,136	7,350,255	(30,881)	(0.42)%
Utility Users Tax	6,989,035	6,840,343	(148,692)	(2.13)%
Franchises	5,877,729	5,855,124	(22,605)	(0.38)%
Rents & Concessions	2,455,150	2,378,305	(76,845)	(3.13)%
Federal & Intergovernmental Revenues	913,357	844,844	(68,513)	(7.50)%
State Revenues:				
Motor Vehicle License Fees	688,000	601,973	(86,027)	(12.50)%
Other State Revenues	702,996	571,696	(131,300)	(18.68)%
State Library Grant	52,136	52,136	-	0.00%
Total State Revenues	1,443,132	1,225,805	(217,327)	(15.06)%
Permits & Licenses	9,014,078	9,265,468	251,390	2.79 %
Fines & Forfeitures	1,111,456	1,219,050	107,594	9.68 %
Service Fees:				
Abandoned Vehicles (AVASA)	185,000	195,637	10,637	5.75 %
Community Development Fees	3,414,153	3,211,954	(202,199)	(5.92)%
Finance Fees	179,520	184,134	4,614	2.57 %
Library Fees	28,222	27,304	(918)	(3.25)%
Public Safety Fees	753,444	927,836	174,392	23.15 %
Public Works Fees	1,294,794	2,363,243	1,068,449	82.52 %
Parks and Recreation Fees	117,000	119,050	2,050	1.75 %
City-Wide Fees	10,050	10,061	11	0.11 %
Total Service Fees	5,982,183	7,039,219	1,057,036	17.67 %
Interest Income	3,935,579	3,824,016	(111,563)	(2.83)%
Other Revenues:				
Interfund Revenues	5,533,265	9,620,084	4,086,819	73.86 %
Repayment to City - Town Center	375,867	375,867	-	0.00%
Miscellaneous Revenues	688,974	759,731	70,757	10.27 %
Prior Year Accounting Adjustment	-	1,466	1,466	0.00%
Sale of Property	4,700,000	4,708,333	8,333	0.18 %
Total Other Revenues	11,298,106	15,465,481	4,167,375	36.89 %
Transfers In/In Lieu Fees	7,793,885	7,759,046	(34,839)	(0.45)%
Revenue Subtotal	\$ 141,019,308	\$ 144,172,606	\$ 3,153,298	2.24 %
Committed RDA Loan Amount	\$ -	\$ (3,760,453)	\$ (3,760,453)	0.00%
Revenue Total	\$ 141,019,308	\$ 140,412,153	\$ (607,155)	(0.43)%

Budget values are amounts from Recommended Budget

Property Tax growth continued to be strong in FY 2007/2008, with revenues up \$3.1 million over FY 2006/2007. This revenue growth was primarily attributable to the increases in Secured Tax and Property Tax In Lieu of Vehicle License Fee (VLF). Total Property Tax revenue was approximately \$218,000 greater than what was projected for the Recommended Budget. Final Secured Tax remittances, which represent approximately two-thirds of Property Tax revenue, tracked almost exactly to the projections made for the Recommended Budget. This growth has been fueled by continued growth in assessed valuations for residential and industrial properties.

Sales Tax revenues declined significantly in the final quarter of the fiscal year, which reflects sales in the months of April, May, and June, resulting in revenues for FY 2007/2008 that were \$1.1 million lower than FY 2006/2007 revenues. This sharp decline in the fourth quarter is the result of several factors, all of which are related to the current economic environment. One of the major factors is the decline in business-to-business Sales Tax revenue, which accounts for approximately 40% of the City's total Sales Tax revenue. In addition to taxable sales being down in Sunnyvale, another large factor in the year-over-year decline is a reduction of Sunnyvale's share of Sales Tax from the County pool, which reflects an overall reduction in taxable sales.

Transient Occupancy Tax (TOT) revenues were up \$870,000 over FY 2006/2007 revenues, which is an increase of 13%. Overall, it was a strong year for TOT, as average room rates across the City, as self-reported by the hotels, were \$111 per night, and average occupancy was 65%. Increased revenues are the result of higher average nightly room rates in comparison to FY 2006/2007, as well as a full year's impact of the 0.5% increase to the TOT that was implemented on January 1, 2007.

Utility Users Tax (UUT) revenues increased approximately \$360,000 over FY 2006/2007; however, these revenues did fall short of Recommended Budget estimates by nearly \$150,000. Franchise Fees increased approximately \$140,000 over FY 2006/2007, but those revenues also fell short of revised estimates by approximately \$22,000. UUT revenues for PG&E came in \$177,000 lower than projected, accounting for the difference between Recommended Budget estimates and actual revenues received. Telecommunication user taxes remained stable, with actual revenues exceeding projections by over \$24,000.

Real Property Transfer Tax revenues were flat compared with FY 2006/2007 and fell short of Recommended Budget estimates by approximately \$56,000. The Real Property Transfer Tax is a tax on the transfer of interests in real estate and is impacted by the price of real estate and the rate of property turnover. Real Property Transfer Tax revenues has been stable despite the

current economic conditions, but are not expected to be maintained at this level. Projections included in the budget for this year and the next several years reflect estimates based on current market trends and are much lower than the actual revenue received in FY 2007/2008.

Revenues received from the various permits and licenses offered by the City, as well as from Plan Check Fees and the Construction Tax, are a good indicator of the level of construction activity within the City. Activity was extremely strong throughout FY 2007/2008, as several large scale projects, including the downtown redevelopment, drove revenues over \$14.7 million, a \$3.7 million (34%) increase over FY 2006/2007. This level of revenue is not expected to be sustainable, and future projections for development-related revenues have been reduced to reflect this. FY 2008/2009 is still expected to be a strong year in terms of development-related revenues due to the ongoing redevelopment projects, although there will be a decline from the revenues received in FY 2007/2008.

Revenues received for Fines and Forfeitures were higher than the estimates for these sources included in the Recommended Budget by approximately \$100,000. This was predominantly due to higher than expected revenue from Traffic and Criminal fines and Parking fines generated by the Department of Public Safety.

Public Works Service Fees also were about \$1 million higher than budgeted, due to engineering fees associated with the Downtown Town Center project. Approximately \$1.2 million was received in May and June 2008.

Interest earnings were up approximately \$560,000 over FY 2006/2007; however, \$400,000 of this was one-time interest earnings on a receivable related to the Town and Country property sale. Interest earnings were \$128,000 less than projections for the Recommended Budget, which is primarily the result of declining interest rates. These rates have dropped from 5.1% in July 2007 to 3.5% in June 2008. This includes a decline of nearly 1% in the period between March 2008 and June 2008.

Interfund Revenues were above Recommended Budget estimates by approximately \$4.1 million. This is almost entirely attributable to higher loan repayments from the Redevelopment Agency. It is important to note, however, that nearly \$3.8 million of this represents committed funds that will be loaned back to the Redevelopment Agency to cover expenditures for projects that were not completed in FY 2007/2008. Therefore, most of these additional funds will not positively impact the final fund position of the General Fund.

Expenditures

General Fund expenditures for the fiscal year ending June 30, 2008 are shown in the table below:

FY 2007/2008 General Fund Expenditures and Transfers - Estimated vs. Actual

Description	Amended Budget	Actual Expenditures	Variance Favorable (Unfavorable)	Percent Variance
Equipment	\$ 176,300	\$ 9,415	\$ 166,885	94.66 %
Debt Service	408,969	408,969	-	0.00%
Operations	112,392,493	112,048,347	344,146	0.31 %
Projects	8,836,494	6,267,528	2,568,966	29.07 %
Transfers	13,806,422	9,020,200	4,786,222	34.67 %
Accounting Adjustment for Prior Year	0	131,455	(131,455)	0.00%
Total Expenditures Total	135,620,678	127,885,914	7,734,764	5.70 %

Accounting adjustments from the prior year include allowances for uncollectable accounts and accruals related to timing differences in recognizing expenses for services for use of the County of Santa Clara's Crime Laboratory.

The details of FY 2007/2008 expenditures as compared to the budget are contained in Attachment A of this report by Fund. It is important to note that the budget values in Attachment A represent the Council-appropriated budget amounts for each Fund and may not match the amounts for FY 2007/2008 in the Recommended Budget. In order to capture the most accurate financial position of each fund heading into the next fiscal year, updated estimates may be included in the 20-Year Long Range Financial Plans for the current year. However, Council-appropriated budgets are not modified and individual programs are still held to those budgets as they were approved by Council.

Of the approximately \$7.7 million in unexpended funds from FY 2007/2008, over \$7.1 million has been carried forward to FY 2008/2009 to cover expenditures related to capital projects. Due to the long-term nature of capital projects, unspent budget amounts are committed to the next fiscal year for those projects that are still in progress. The remaining approximately \$600,000 is savings to the General Fund and is the result of savings in the operating programs, as well as unexpended capital projects funds that were not carried forward.

Final Fund Results

The final position of the General Fund, as reflected in this Year-End Financial Report, is approximately the same as the results estimated for the City Manager's Recommended Budget.

Impact on General Fund Reserves

The net impact of current year operations on the General Fund reserves was as follows:

	<u>Amended FY 2007/2008 Budget</u>	<u>Actual FY 2007/2008 Results</u>	<u>Variance</u>
Total Revenues	\$ 141,019,308	\$ 140,412,153	\$ (607,155)
Total Expenditures Including Carryovers	135,620,678	135,027,804	592,874
Net Results - Increase in GF Reserves	<u>\$ 5,398,630</u>	<u>\$ 5,384,349</u>	<u>\$ (14,281)</u>

Of this amount, approximately \$1.7 million went into the 20-Year Resource Allocation Plan Reserve, which functions to levelize economic cycles from year to year. By letting this reserve vary each year, the fund can absorb the cyclical effects of the economy. In essence, this reserve grows during periods of economic growth and is drawn down during the low points of economic cycles to maintain stable service levels.

Because the General Fund finished the fiscal year in the same position that was estimated for the FY 2008/2009 Recommended Budget and is currently balanced to the twentieth year, there is no funding available for new services. Any new services or service levels must be accompanied by a corresponding decrease in expenditures or an increase in revenues.

The current economic climate, specifically as it relates to the City's major revenue sources, is discussed later in this report.

Recurring Revenues vs. Recurring Expenditures

One additional test of the General Fund's economic health is the comparison of recurring revenue sources to recurring expenditures. Generally most revenues are recurring. However, there were several revenues in FY 2007/2008, including certain grants and proceeds from land sales, that are non-recurring. These revenues are not included in the table below to ensure the comparison between recurring revenues and recurring expenditures is accurate.

Presented below are results of operations based on recurring and non-recurring revenues and expenditures for the last two years.

	<u>FY 2006/2007</u>	<u>FY 2007/2008</u>
Total Recurring Revenues	127,175,362	134,413,238
Total Recurring Expenditures	(118,737,279)	(124,561,252)
Difference	8,438,083	9,851,986

There were approximately \$10.5 million in non-recurring expenditures in FY 2007/2008. These were predominantly related to one-time capital and infrastructure projects, as the General Fund is a primary source of funding for many of these projects. While individual projects are one-time in nature, the inventory of future capital and infrastructure projects is extensive. Therefore, it is expected that the General Fund will continue to be relied upon as a primary funding source for the City's capital and infrastructure needs.

Other Funds

In addition to the General Fund, the City has a number of other funds that are used to account for specific revenue sources that are legally restricted or earmarked for particular functions or activities. Other funds that warrant further discussion are highlighted below:

Housing Fund

The Housing Fund is comprised of revenues from federal HOME grants, housing mitigation funds, and Below Market Rate receipts. Expenditures are for capital and special projects targeted to achieve the goals of the City's Housing and Community Revitalization Sub-Element of the General Plan. Actual expenditures were significantly lower than budgeted expenditures in FY 2007/2008, which is attributable to unspent project funds. These unspent funds will be either utilized during the current year to complete ongoing projects or returned to the fund's reserve for future appropriation.

Redevelopment Agency Fund

The Redevelopment Agency Fund accounts for activities in the City's Redevelopment Project Area, which is located in the downtown area. This fund accounts for debt service, capital projects, low-and-moderate-income housing, and general activities of the Agency. Capital projects are long-term in nature and the appropriations do not lapse until the project is complete.

Each year, after annual expenditures are all made, the remaining Tax Increment funds are transferred to the General Fund for repayment of the Agency's debt under the terms of certain repayment agreements. The Agency entered into a First Amended Repayment Contract with the General Fund in 1977 to repay debt associated with initial improvements to the Project Area and the Agency's inability to make payments on the Town Center Mall parking structure following the passage of Proposition 13 in 1978. In 1986 State legislation imposed more stringent requirements on funds advanced by the General Fund to the Redevelopment Agency and an additional loan was created to account for the costs subject to these restrictions. Under the terms of these agreements, all Tax Increment resources remaining at the end of the fiscal year are transferred to the General Fund as repayment toward the outstanding loans. Based on these terms, the amount of repayment will fluctuate annually.

The repayment amount for FY 2007/2008 was approximately \$4.1 million higher than budgeted; however, as noted previously, \$3.8 million of this is committed to be loaned back to the Redevelopment Agency to cover expenditures for the downtown environmental remediation project, which was not completed in FY 2007/2008.

Park Dedication, Gas Tax, Capital Projects, and Infrastructure Funds

The Park Dedication, Gas Tax, Capital Projects, and Infrastructure Funds are utilized for funding capital, infrastructure, and special projects throughout the City. These projects are usually long-term in nature and take several years to complete. As a result, every year many of these projects have unspent appropriations that will be used in the following fiscal year. Revenues for this fund are either transfers into the fund from other funds or grants and contributions. Many of the grant revenues budgeted for this year were not received as these funds are on a reimbursement basis and will only be available to the City once the expenditures have been incurred. The projected grant revenues, therefore, will also be received in the following year.

Ongoing projects in the Capital Projects Fund had unspent funds of \$16.5 million, of which \$16.2 million is carrying forward to be spent in FY 2008/2009. A large portion of the unspent FY 2007/2008 funds available in FY 2008/2009 is for three projects: Borregas Avenue Bicycle Corridor (\$3.6 million), Wolfe Road Caltrain Overcrossing (\$2.1 million), and Tasman/Fair Oaks Area Streetscape and Sense of Place (\$2.1 million).

Water Supply and Distribution Fund

The Water Supply and Distribution Fund accounts for the operations and expenses of the City's water system. The Fund receives its revenues from user fees collected from the City's water rate payers. During the review of the fund for the FY 2007/2008 rate setting process, staff revised revenue estimates and adjusted expenses to account for projected sales. Total expenditures, including carryovers, came in approximately \$945,000 lower than estimated, with the bulk of the difference coming from savings in purchased water costs. Revenues and other resources came in approximately \$1.3 million under estimates. The fund sold approximately 5% less water than in the prior year, resulting in a shift in sales towards the bottom tiers of the Water Fund pricing structure and therefore less revenue per unit sold. The resulting reduction in the Fund will be addressed in the rate setting process for next year.

Solid Waste Management Fund

The Solid Waste Management Fund accounts for operation of the City's refuse collection and disposal system. Revenues are received from user fees. The Fund's expenses primarily consist of charges for the Sunnyvale Materials Recovery and Transfer Station (SMaRT) Operations, disposal fees at Kirby

Canyon Landfill, and the contractor payment to Bay Counties Waste Services (Specialty Solid Waste and Recycling). Revenues and expenses in this fund are driven primarily by the total tons of garbage collected and disposed, which were down about 5% from last year.

Expenditures for FY 2007/2008 were slightly more than projected. This is due in large part to the continued work on the new Materials Recovery Equipment Replacement project, which results in higher landfill costs as less material was diverted to recycling during construction. Conversely, revenues from the Materials Recovery operations were higher than planned, as the City receives a bigger share of revenue when the overall rate of recycling is lower. However, total fund revenues were slightly lower than anticipated due to lower than expected solid waste service fees resulting from an overall drop in tonnage. This resulted in a fund balance at the end of FY 2007/2008 that is approximately \$200,000 less than what was estimated for the Recommended Budget.

Of significant note is a recent steep downward trend in the market for recyclables in the current fiscal year. Markets for all commodities are down as a result of the slowing economy, which has impacted the demand for commodities made of recyclables. This issue has been exacerbated by the difficulty recyclables brokers are experiencing obtaining short term credit to purchase recyclables, which are then resold to secondary markets. These factors have contributed for a significant drop in the price for recyclables, which is a key source of revenue for this fund.

Staff anticipates that recycling prices may come back up, but will remain depressed compared to the prior several years. This will negatively impact the Solid Waste fund revenues, which receives approximately 6.5% of its total revenue directly from the sale of recyclable materials. Staff will track the progress in the area and propose adjustments to rates if necessary.

Wastewater Management Fund

The Wastewater Management Fund accounts for operations of the City's wastewater collection and treatment facilities. User fees account for the bulk of the revenues, with the remainder coming from connection fees and fees from the small area outside the City served by the wastewater system. Total fund revenues were slightly less than expected, ending the year \$250,000 lower than revised projections. This was due to worse than expected user fee revenue in all customer groups, as both residential and commercial activity slowed. Fund expenses, including carryover, were also slightly higher than budgeted, which is the result of unit cost increases for natural gas, an abnormally high year for polymer demand, and increased corrective maintenance expenditures due to aging infrastructure.

Community Recreation Fund

The Community Recreation Fund accounts for revenues and expenditures for leisure service activities of the City, including the two City operated golf courses, the tennis center, and recreation classes and services. Year-end results for revenues were approximately \$79,000 higher than what was anticipated in the FY 2008/2009 Recommended Budget, which was predominantly the result of recreation service fees exceeding estimates. Expenditures were also higher than projected in the FY 2007/2008 Recommended Budget by approximately \$90,000, due to expenditures exceeding appropriations in the Golf Course Maintenance Operations and Golf Shop Services Program. Therefore, the ending fund balance is lower than the fund balance reflected in the Recommended Budget by approximately \$11,000.

General Services Fund

The General Services Fund accounts for the expenditures associated with support services such as fleet, building maintenance, and technology services. Funding for these services is recovered through rental rates charged to the operating programs that benefit from these services. Total expenditures for the Fleet Services, Building Services, and Technology and Communication Services Sub-Funds in FY 2007/2008, including carryovers, were \$19.9 million, which was approximately \$360,000 lower than anticipated. This is attributable to less equipment replacement than originally planned, as the useful life for some equipment that had been scheduled for replacement during FY 2007/2008 was extended. Operating expenditures for both Fleet Services and Facilities Services were over budgeted amounts for a variety of reasons, including increased costs for fuel (Fleet Services) and an increased volume of service requests (Facilities Services). These operating budget overages, which were also an issue in FY 2006/2007, were addressed in each program's FY 2008/2009 budget.

Employee Benefits Fund

The Employee Benefits Fund ended the year approximately \$807,000 better than expected. This was due to lower payments for CalPERS retirement contributions and medical and other insurance costs. The largest savings was attributable to the CalPERS contributions, which were less because of continuing vacancies and a reduction in force for the Department of Employment Development. These additional funds will be added to the Employee Benefits Fund reserves and be used to offset future rate increases charged to the operating programs to cover the cost of employee benefits.

CURRENT ECONOMIC ENVIRONMENT

As Council is aware, one of the foundations of Sunnyvale's budgeting process is its long-term financial planning. This long-term planning allows the City to withstand the ups and downs of the inevitable cycles of the economy by setting money aside during good times to draw upon during bad times. This enables

the City to take a reasoned and measured approach to potential changes to service delivery during difficult economic times.

The General Fund 20-Year Long-Term Financial Plan included in the FY 2008/2009 Adopted Budget incorporated a downturn in the economic cycle beginning in calendar year 2008. Staff projected slow growth or contraction for most major revenue sources over the next several years.

Despite the more modest revenue projections incorporated into the FY 2008/2009 20-Year Long-Term Financial Plan, it has become clear in the last several months that the economic situation is worse than anticipated. As the fiscal year has unfolded, it has become evident that the national, state, and local economies are contracting, as demonstrated by rising unemployment, job losses across a number of sectors, declines in housing starts, and weakening taxable sales. On December 2, what had been widely speculated was finally officially confirmed: the economy is in a recession, which started 11 months ago. The recession is likely to have a significant impact on some of the General Fund's major revenue sources.

With indicators pointing toward the economic situation getting worse before it begins to rebound, staff believes that many current revenue projections are overstated. The extent to which current projections will need to be lowered is not known at this time, as in many cases, there is too little information available to make an accurate projection. However, staff is currently working to gather and provide more detailed information on major General Fund revenue sources for the January 23rd Study and Budget Issues Workshop. It is important to note that these updated projections will be presented in the context of the 20-Year Long-Term Financial Plan, which should provide insight as to whether the current economic crisis is expected to give way to a full recovery or if it has eroded our baseline revenue foundation. If the latter is believed to be the case, the extent of the projected structural deficit will be discussed.

Below is a preliminary discussion of the major General Fund revenue sources that are being impacted by the current economic crisis.

Based on the rapid decline in Sales Tax revenues during the final quarter of last fiscal year and a number of economic indicators and reports, staff believes that the current FY 2008/2009 projections for Sales Tax are overstated and will need to be adjusted downward. First quarter results from FY 2008/2009, which cover sales during the months of July, August, and September 2008, are expected to be down compared with the first quarter of FY 2007/2008. Due to the timing of the remittances received from the State, the actual decline is not known at this time. The State Board of Equalization provides monthly advances based on projected sales, and then once a quarter it provides a "true-up", which reconciles actual Sales Tax receipts with the revenue advances that have already been provided. The sum of the three advances and the "true-up"

amounts to the 1% of taxable sales due to the City for that quarter. The City will be receiving its "true-up" for the first quarter of FY 2008/2009 in mid-December. This will provide more information as to the impact of the downturn on our Sales Tax revenues.

Based on the current economic environment, staff believes that the actual first quarter results for Sales Tax will be on par with the declines seen in the final quarter of FY 2007/2008, which was down 14% in comparison to the final quarter in FY 2006/2007. While it is clear that current FY 2008/2009 Sales Tax projections are overstated, at this point there is not enough information available to make a determination as to how far downward the projections should be adjusted. As indicated, more information will be known once the final revenue amounts from the first quarter are determined, but the impact of the sharper economic decline that began in October will not be known until we have the results from the second quarter. Current statewide indications are that the automobile and the high-tech sectors are being particularly negatively impacted. Auto sales and business-to-business transactions constitute approximately 17% and 40% of Sales Tax revenues, respectively. At this point, based on last year's results and various economic reports, staff is estimating that Sales Tax receipts will be down a minimum of \$6.5 million this year. The deepening economic crisis could impact these revenues further as consumer confidence continues to erode and businesses do not make investments in capital assets because of the credit crunch. An update will be provided on Sales Tax revenues at the January 23, 2009 Workshop.

Despite the outstanding results in FY 2007/2008 for the Transient Occupancy Tax, this revenue source is a concern for FY 2008/2009. Because of the heavy amount of business-related activity that occurs in the City, TOT revenue trends tend to follow the Sales Tax revenue trends. Through the first four months of FY 2008/2009, TOT revenues are down 5.3% in comparison to the first four months of last fiscal year. Just as is the case with Sales Tax, staff believes current FY 2008/2009 estimates are overstated. Based on the four months of TOT revenues that we have received to date, revenues could be reduced by at least \$500,000. At this point, it does not appear that TOT revenues have been as negatively impacted as Sales Tax revenues, but the remainder of the fiscal year remains a concern as the economic downturn is continuing to deepen.

The current financial upheaval has continued to drive interest rates even lower during the first several months of the fiscal year. This, combined with a reduced cash position due to declining revenues in other areas, has lowered overall interest earnings significantly through the first four months of the fiscal year in comparison to the same time last fiscal year. As a result interest earnings, which have represented a significant amount of annual revenue to the General Fund, will not meet current budgeted projections. Based on year-to-date interest earnings, the current projection may need to be adjusted

downward by 33%, or approximately \$1 million. Staff is now preparing a more detailed projection, which considers the City's cash position and current rates of return.

Another area of concern is the development-related revenues, including Construction Tax. As noted previously, the City has experienced a tremendous amount of development over the past couple of years, and development-related revenues have reached unprecedented levels during this time. Knowing that these revenue levels were not sustainable, staff reduced future revenue projections beginning in FY 2008/2009 to consider the expected downturn in the economic cycle. Through five months of the fiscal year, it is difficult to determine whether current projections will be met based on year-to-date results. Activity has remained strong, particularly though the first four months of the year. However, the most recent reporting period, Accounting Period Five, was down significantly. By its very nature, this revenue source is extremely cyclical and the one-month reduction may simply reflect these timing issues. On the other hand, if this downward trend continues, the development-related revenues could miss their target for this fiscal year by about \$1 million. With two more reporting periods prior to the January 23rd workshop, staff will have more information available to project whether current projections will be met or if they should be revised downward.

Despite the current recession, there are several major revenue sources, including the top General Fund revenue source, Property Tax, that are currently tracking to meet budgeted projections. Based on information from the County of Santa Clara regarding the City's current Property Tax roll, all indications point to Property Tax revenues meeting FY 2008/2009 projections. The County has indicated, however, that the County-wide Property Tax roll is expected to be negatively impacted in FY 2009/2010. The impact of this on Sunnyvale is not known at this time, but staff will receive more information in the coming months to include updated information into the FY 2009/2010 Recommended Budget. Future years' projections for revenue increases that were incorporated into the FY 2008/2009 Recommended Budget are modest, reflecting the concern held for the past several years that issues in the housing and mortgage markets could negatively impact Property Tax revenues.

Two other General Fund revenue sources, Utility Users Tax and Franchise Fees, are also currently tracking to budgeted projections. These two revenue sources account for over \$13 million in revenue annually.

In summary, the current recession has already had a more significant impact on the City's major revenue sources than originally projected. While revenue estimates included in the City Manager's FY 2008/2009 Recommended Budget reflected a projected slowdown in growth, the current economic crisis is much worse than was anticipated. Declines in four of the City's major revenue

sources – Sales Tax, Transient Occupancy Tax, Development-related revenues, and Interest earnings - could be at least \$9 million for this fiscal year. Because of the lag in receiving information on several of these revenues, this estimate is very preliminary and will be adjusted as we have more concrete information.

While revenues are currently lower than budgeted, expenses for City services do not decrease accordingly. The fact that expenses continue to rise over the 20-Year planning period means that a structural budgetary gap will develop if the revenue drop is not temporary. Further, the City will be experiencing continuing pressures on the expense side which may contribute further to the imbalance between revenues and expenditures. For example, the recent heavy investment losses sustained by CalPERS will translate to higher contribution rates for our retirement plans beginning in FY 2011/2012 absent a substantial turnaround in the market. Rates at these levels have not been anticipated in our 20-Year Long-Term Financial Plans.

Because of the City's long-term financial planning process, the budgetary gap created by the current shortfall in revenues can be absorbed over the short term while the magnitude of the recession's impact on the long-term fiscal health of the City can be assessed. Once that is determined, a reasoned and measured approach can be taken to address any long-term issues. With that said, however, it is unlikely that the General Fund's 20-Year Long-Term Financial Plan can absorb the impact of the current recession on revenues without having to take some cost saving measures. While the extent of necessary measures is unknown at this point, it is important that at a minimum, no additional expenditures are added to the current year's budget. Staff is currently working to update FY 2008/2009 revenue projections based on the information available to present to Council at the January 23rd Study and Budget Issues Workshop. These updated projections will be presented in the context of the 20-Year Long-Term Financial Plan so that the full impact of reduced revenues can be considered.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City Charter Section 1318 requires that "At the end of each fiscal year, a final audit and report shall be submitted by [a Certified Public Accountant] to the City Council." The City's Comprehensive Annual Financial Report (CAFR) is prepared annually to meet this requirement and is submitted to Council as Attachment C to this report.

The CAFR, which is prepared in the format prescribed by the Governmental Accounting Standards Board (GASB), contains several major sections. The Financial Section contains the Management's Discussion and Analysis, the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. All information in the Financial Section has been

audited. The CAFR also contains a Statistical Section, which contains additional financial information not subject to audit.

We have submitted the City's 2008 CAFR to the Government Finance Officers' Association (GFOA) for their award program and will be presenting it to you upon receipt. The City's CAFRs have received this award for the last twenty-two years.

FY 2007/2008 Audit

The City's independent audit was performed by the firm of Maze and Associates who rendered an unqualified opinion on the City's CAFR. The independent auditors were selected in a competitive Request for Proposals process in FY 2007/2008 and their five-year contract was approved by Council on April 8, 2008 (RTC #08-105).

In addition to the opinion on the CAFR, the independent auditors also issue a Memorandum on Internal Control and Required Communications (MOIC) in which they note any deficiencies in the City's financial practices and internal controls. The MOIC was previously referred to as the Management Letter. Beginning in FY 2006/2007, the MOIC has been prepared according to a new auditing standard. Statement of Auditing Standards (SAS) 112, entitled "Communicating Internal Control Related Matters Identified in an Audit," was issued in May 2006 by the American Institute of Certified Public Accountants, effective for the FY 2006/2007 financial audit.

For the purposes of SAS 112, "internal control" is defined as a process within an entity designed to provide reasonable assurance regarding reliability of financial reporting and compliance with applicable laws and regulations.

Under SAS 112, there are three categories of deficiencies that may be identified during the external audit of the financial report:

- Control deficiencies
- Significant deficiencies
- Material weaknesses

The auditors did not identify any deficiencies in the FY 2007/2008 MOIC (Attachment B). They did, however, include Recommendations related to Information Technology Best Practices and Fraud Policies and Procedures. There are three Recommendations for Information Technology Best Practices. First, comply with the Payment Card Industry Data Security Standard, developed to minimize security breaches in processing credit card transactions. These standards were set in late 2007 and City staff will work to be in compliance by the end of this fiscal year. Second, implement various improvements to ensure the City's information systems controls are comparable to industry standards. Information Technology Department staff is

in the process of upgrading the computer hardware infrastructure. Following the upgrade, staff will implement improvements such as those described in this recommendation in FY 2009/2010. Third, produce audit logs to document user account changes within the financial system. The financial system does track these changes and currently, these audit reports are generated on an as needed basis. Staff is currently putting a process in place to generate the report regularly for review at the appropriate authority level.

The recommendation for fraud policies and procedures is for the City to adopt and implement formal written policies and procedures. City staff has prepared a Fraud Policy, which will now undergo review by executive management. It is anticipated the policy will be adopted and implemented as an administrative policy in FY 2008/2009. The MOIC also notes two new upcoming GASB statements that address the accounting and financial reporting for pollution remediation obligations and intangible assets. Staff is aware of these GASB statements and will implement and report under the required timeframes.

FISCAL IMPACT

The fiscal impact of each fund's results of operations is discussed in detail in the body of the report.

CONCLUSION

This report presents the year-end results for the City of Sunnyvale on a budgetary basis and presents the Comprehensive Annual Financial Report. In summary, the City's General Fund ended FY 2007/2008 in approximately the same financial position as was estimated in the Recommended Budget. However, the economic recovery from the dot-com bust, which led to a steady increase in revenues over the past three fiscal years, gave way in the latter part of last fiscal year to a recession that has begun to impact some of the City's major revenue sources. The magnitude of this current recession and its impact to the City is unknown at this time. Extremely preliminary calculations are that General Fund revenues will be reduced by at least \$9 million this fiscal year, with possible increases in this amount as the recession deepens. Staff is currently reviewing the available data in an effort to provide updated projections for major revenue sources at the January 23, 2009 Study and Budget Issues Workshop. The Workshop will include a presentation regarding the City's current financial status and particularly the impact on our Long-Term Financial Plans.

The City's Comprehensive Annual Financial Report (CAFR) received an unqualified opinion from our independent auditors, and there were no deficiencies noted in this year's Memorandum on Internal Control and Required Communications (MOIC).

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's Web site.

RECOMMENDATION

Staff recommends Council receive and file the budgetary Year-end Financial Report, the audited Comprehensive Annual Financial Report, and the Memorandum on Internal Control and Required Communications issued by the independent auditors.

Reviewed by:

Mary J. Bradley, Director of Finance
Prepared by: Drew Corbett, Budget Division

Approved by:

Gary Luebbers
City Manager

Attachments

- A. Schedule of Appropriations by Fund
- B. Auditor's Memorandum on Internal Control and Required Communications
- C. Comprehensive Annual Financial Report (CD Format)

Fund 35 - General Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Equipment			
020000 General Equipment	\$176,300	\$9,415	\$166,885
Total Equipment	176,300	9,415	166,885
Debt Service			
7900 1993 ABAG COP	233,750	233,750	0
7900 1998 ABAG COP	175,219	175,219	0
Total Debt Service	408,969	408,969	0
Operating Programs			
City Council			
739 City Council	647,655	565,038	82,616
Total City Council	647,655	565,038	82,616
City Attorney			
751 Comprehensive Legal Services	1,483,613	1,405,206	78,407
Total City Attorney	1,483,613	1,405,206	78,407
City Manager			
526 Youth, Family, and Child Care Resources	221,302	207,829	13,473
725 Community Building, Civic Engagment, and Volunteering	494,194	485,704	8,491
726 Intergovernmental Relations (IGR)	177,373	176,726	647
727 Policy Analysis and Citywide Process Improvement	163,316	162,991	324
728 Council - Appointed Advisory Board and Commissions	114,327	113,252	1,075
729 Office of the City Manager Dptmt Management & Support Services	900,269	1,002,890	(102,621)
735 Communications	567,245	514,950	52,295
736 Public Records and City Elections	1,071,307	1,071,450	(143)
Total City Manager	3,709,332	3,735,793	(26,460)
Community Development			
230 Housing and Human Services	121,256	120,576	680
242 Land Use Planning	2,003,327	1,906,170	97,157
243 Construction Permitting	2,385,104	2,497,720	(112,616)
245 Neighborhood Preservation	803,454	778,290	25,164
246 Community Development Dptmt Management & Support Services	289,444	343,195	(53,751)
247 Economic Development	601,497	437,110	164,387
Total Community Development	6,204,081	6,083,060	121,021
Finance			
710 Financial Management and Analysis	592,828	541,684	51,144
717 Payroll Administration	445,705	514,145	(68,440)
718 Finance Department Management and Support Services	292,109	290,134	1,975
719 Accounting and Financial Reporting	715,733	713,155	2,578
720 Utility Billing, Collection and Revenue Management	1,961,236	1,979,303	(18,067)
740 Purchasing and Payment of City Obligations	1,423,890	1,426,614	(2,724)
743 Budget Management	870,121	867,734	2,387
744 Treasury / Cash Management	843,702	844,106	(404)
745 Internal Audits	264,933	262,461	2,473
Total Finance	7,410,258	7,439,338	(29,079)
Human Resources			
753 Personal Services	0	4,086	(4,086)
755 Recruitment, Classification, and Compensation	1,185,389	1,083,631	101,758
757 Employee/Labor Relations and Employee Development	818,782	732,191	86,591
758 Employee Benefits, HRIS, Workers' Comp, Safety & Wellness Admin	1,669,017	1,513,618	155,398
759 HR Department Public Info, Management, & Support Services	446,921	410,258	36,664

Fund 35 - General Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Total Human Resources	4,120,110	3,743,785	376,325
Library			
610 Borrower Services/Circulation of Library Materials	1,959,271	1,950,172	9,098
611 Library Services for Adults	859,969	856,794	3,175
612 Library Services for Children and Teens	747,363	743,936	3,427
613 Acquire Library Materials for the Public	1,198,465	1,194,185	4,280
614 Library Technology Services	270,462	269,435	1,027
615 Prepare Library Materials for the Public	731,093	724,714	6,379
616 Outreach and Publicity Services	114,791	105,031	9,760
617 Library Department Management and Support Services	807,880	806,545	1,335
Total Library	6,689,293	6,650,813	38,480
Parks and Recreation			
265 Neighborhood Parks and Open Space Management	6,464,967	6,486,742	(21,775)
601 Park and Recreation Management	711,904	683,892	28,013
Total Parks and Recreation	7,176,871	7,170,633	6,238
Public Safety			
481 Police Services	21,973,246	20,999,458	973,788
482 Fire Services	21,424,650	21,661,407	(236,757)
483 Community Safety Services	4,388,993	4,118,536	270,457
484 Personnel and Training Services	2,391,129	2,438,559	(47,430)
485 Special Operations	6,072,505	6,272,446	(199,942)
486 Technical Services	3,391,547	3,826,059	(434,512)
487 Public Safety Administration	2,813,892	2,909,527	(95,634)
488 Records, Management and Property Services	2,073,498	2,152,278	(78,780)
Total Public Safety	64,529,460	64,378,271	151,189
Public Works			
115 Transportation Operations	2,344,908	2,139,198	205,711
117 City Streetlight System	977,534	981,237	(3,703)
118 Pavement Operations	1,628,405	1,930,629	(302,224)
216 Roadside and Median Right-of-Way Services	1,341,104	1,277,670	63,435
217 Concrete Maintenance	1,282,981	1,256,538	26,443
218 Street Tree Services	1,435,147	1,436,156	(1,009)
302 Public Works Support Services	667,136	667,756	(620)
303 City Property Management Services	308,733	326,735	(18,002)
306 Engineering Services	876,724	860,494	16,230
Total Public Works	10,862,673	10,876,412	(13,739)
Total Operating Programs	112,833,346	112,048,347	784,999

Non-Departmental

Recurring Expenditures:

Transfers Out:

7900 CDBG Fund			0
7900 Capital Projects Fund-General Assets	2,106,419	12,692	2,093,727
7900 Traffic Mitigation	0	0	0
7900 Community Recreation Fund - Leisure Services	4,319,217	4,301,081	18,136
7900 Employee Benefits - Insurance and Other	1,009,386	1,009,386	0
7900 Employee Benefits - Retirement Benefits	0		0
7900 General Services Fund - DPS Equipment	0	0	0
7900 General Services Fund - Proj Mgmt Serv	192,326	117,318	75,008
7900 General Services Fund Tech & Communication Services	155,892	155,892	(0)
7900 Infrastructure Fund - General Assets	2,536,707	61,580	2,475,127
7900 Infrastructure Fund - Multi Funded Assets	126,284	2,060	124,224

Fund 35 - General Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
7900 Liability and Property Insurance Fund	1,435,853	1,435,853	0
7900 Youth Services Fund	334,666	334,666	(0)
7900 Capital Projects Fund - Gas Tax Funded	327,381	0	327,381
7900 General Fund - General	(225,102)	0	(225,102)
7900 Payment to Town Center Developer per ARDDOPA	0	375,867	(375,867)
Total Transfers Out	12,319,029	7,806,396	4,512,633
7900 Lease Payments to RDA for Parking Structure	1,213,805	1,213,805	0
Total Recurring Non-Departmental Expenditures	13,532,834	9,020,201	4,512,633
Total Non-Departmental	13,532,834	9,020,201	4,512,633

Projects

802150 Utility Undergrounding Cost Sharing	10,000	0	10,000
803602 Sunnyvale Community Services	0	0	0
803700 Leadership Sunnyvale	8,000	8,000	0
804201 City-wide Aerial Photos	30,000	0	30,000
805150 Library Foundation Program Grant	216,754	76,243	140,511
806900 Euphrat After School Art Program	9,000	9,000	0
808100 Fair Oaks Industrial Complex Maintenance	130,000	39,083	90,917
809000 Bill Wilson Center (GF)	0	0	0
809901 Government Access Programming	126,014	0	126,014
812250 Joint Venture: Silicon Valley Network	2,000	2,000	0
819720 Human Services Outside Group Funding Support (GF)	0	0	0
820570 Minor Building Modifications	10,172	5,681	4,491
820610 Downtown Area Maintenance	35,000	33,967	1,033
821010 City Owned Properties - Downtown	12,500	10,252	2,248
821350 AVASA Equipment Acquisition	44,672	26,463	18,209
821670 Update Fiscal Sub-Element	0	0	0
823500 Junior Achievement Sunnyvale	8,000	8,000	0
823850 Electronic Archiving of CDD Permit Records	0	0	0
824090 Recreation and Open Space Sub-Element	0	0	0
824510 Live Oak Adult Day Services (GF)	0	0	0
824520 Family & Children's Services-Columbia Center (GF)	0	0	0
824690 Cable TV Franchise Negotiation	0	0	0
824860 Traffic Calming - Riding Group Donation	5,913	2,025	3,888
824930 Downtown Summer Music Series	0	0	0
824940 Murphy Avenue Tree Lights Maintenance	13,500	13,371	129
825000 Emergency Operations Center Training	16,068	0	16,068
825010 Citizen Emergency Response Team	7,690	7,691	(1)
825020 Weapons of Mass Destruction Training	0	136,353	(136,353)
825060 Sunnyvale Bicycle Plan	5,047	1,407	3,640
825070 Bicycle Map Revision	8,372	0	8,372
825570 239 / 241 Commercial Street Property Maintenance	25,000	9,842	15,158
825700 Update of Mandated General Plan	160,000	1,922	158,079
825710 Update of Non-Mandated General Plan	80,000	31,806	48,194
825861 India Community Center (GF)	0	0	0
825890 Optimal Staffing Study for Public Safety	0	0	0
825950 Traffic Seat Belt Enforcement	0	0	0
825970 Downtown Underground Parking Insurance	159,000	56,959	102,041
826030 Tales for Tots	10,000	9,720	280
826040 P/BID Feasibility Study	0	0	0
826100 New Residential Heritage District	0	0	0
826120 NOVA Youth Employment Program	21,865	21,862	4
826150 WMD Training - Urban Areas Security	0	0	(0)
826160 Local Business Preference Outreach	0	0	0
826170 FY 06/07 #1 Recruitment and Training for Sworn Officers	388,855	257,673	131,182
826180 FY 06/07 #2 Recruitment and Training for Sworn Officers	753,078	653,660	99,419
826190 FY 06/07 #3 Recruitment and Training for Sworn Officers	1,685,029	1,257,601	427,428
826200 FY 07-08 #4 Recruitment and Tr	1,413,613	1,716,131	(302,518)
826210 FY 07-08 #5 Recruitment and Tr	502,185	391,637	110,548
826390 Transitioning from a Growth to a Steady-State City	9,537	0	9,537

Fund 35 - General Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
826410 Ad Hoc Charter Review Committee	0	0	0
826420 Greenhouse Gas Emissions Reduction	15,315	15,315	0
826430 OTS DUI Enforcement and Awareness Campaign	6,690	2,470	4,220
826440 Formation of a BID in Downtown	0	0	0
826460 Live Homework Help	22,525	22,525	0
826470 Mathilda Avenue Traffic Signal	48,182	48,182	0
826480 Sunnyvale Multimodal Station B	11,000	11,000	0
826550 Onizuka AFS Base Realignment and Closure (BRAC)	564,735	43,730	521,005
826551 Onizuka AFS Base Realignment a	608,113	460,096	148,017
826600 Roadway Reconfiguration Guidelines	10,000	0	10,000
826610 Sunnyvale Parks and Open Space	200,000	134,858	65,142
826620 Town Center Construction - Pub	215,000	204,484	10,516
826630 Town Center Construction - Bui	150,000	141,664	8,336
826640 Town Center Construction - Fir	42,000	42,000	0
826650 Parks and Recreation - Facilit	43,900	35,254	8,646
826660 Finance Department Staffing St	80,000	37,870	42,130
827210 EHC Life Builders - Sunnyvale	2,888	2,888	0
827220 Family & Children's Services-C	3,000	3,000	0
827230 Second Harvest Food Bank - Ope	280	280	0
827240 Sunnyvale Community Services [20,091	20,091	0
827250 Support Network for Battered W	1,636	1,636	0
827260 OTS Grant-Hand Held Ticket Wri	69,650	54,465	15,185
827270 2007 Stop on Red Campaign	1,180	1,137	43
827280 Satterberg Foundation Crime Pr	15,000	13,986	1,014
827310 Emergency Operations Planning	18,211	0	18,211
827320 In The Bag...Stories To Go For	23,980	23,482	498
827330 Bullet Proof Vest Partnership	20,428	20,428	(0)
827340 DHS SUASI (FFY 2006) Training	30,000	5,502	24,498
827350 State 911 Enhancement Funding	98,619	57,373	41,246
827360 State 911 GIS Technology Fundi	90,000	49,400	40,600
827370 911 for Kids Education Initiat	5,000	3,196	1,804
827380 2007/2008 DUI Education and En	28,441	7,305	21,136
827390 Department Operational Efficie	116,100	0	116,100
827400 Implement CalEPA Aboveground P	48,473	2,733	45,740
827410 2008 OTS Seat Belt Enforcement	10,000	9,333	667
827420 Urban Forestry Management Plan	66,000	0	66,000
827480 Peery Park Specific Plan - 200	300,000	0	300,000
827490 Lawrence Station Transit Villa	25,000	0	25,000
827500 New Residential Heritage Distr	98,500	0	98,500
827600 Let's Talk About It: Jewish Li	2,500	1,544	956
827610 Solar Photovoltaic System for	142,660	0	142,660
827880 TCSN - Be Aware of Your Speed	2,083	1,955	128
827890 CPR Anytime Training to Sunnyv	25,000	0	25,000
890260 Temporary Towncenter Mail Sign	0	0	0
Total Projects	9,189,045	6,267,527	2,921,518
Accounting Adjustment for Prior Year	0	131,455	(131,455)
Total Appropriations	136,140,494	127,885,914	8,254,580
Project and Equipment Carryovers	0	2,182,055	(2,182,055)
Operating Carryovers	0	0	0
Deferred Transfers Out	0	4,959,835	(4,959,835)
Total	136,140,494	135,027,804	1,112,690

Fund 70 - Housing Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
Community Development			
230 Housing and Human Services	\$379,791	\$373,671	\$6,120
751 Comprehensive Legal Services	6,887	317	6,570
Total Community Development	<u>386,678</u>	<u>373,988</u>	<u>12,690</u>
Total Operating Programs	<u>386,678</u>	<u>373,988</u>	<u>12,690</u>
Non-Departmental			
7900 Housing - Housing Mitigation	14,652	14,652	0
Total Non-Recurring Non-Departmental Expenditures	<u>14,652</u>	<u>14,652</u>	<u>0</u>
Total Non-Departmental	<u>14,652</u>	<u>14,652</u>	<u>0</u>
Projects			
814700 BMR Acquisition	566,237	136,237	430,000
823560 Housing for City/Public School/Child Care Employees	200,393	2,429	197,965
823750 BMR Compliance Enforcement	52,020	17,742	34,278
823770 HOME Projects	0	0	0
824410 Moulton Plaza - 1601 Tenaka Place	0	0	0
824471 First-Time Homebuyer Support	626,295	463,952	162,343
824890 Community Housing Development Organizations (CHDOs)	0	0	0
825930 City Owned Properties - Downtown	4,725	1,081	3,644
826140 Housing Loan Portfolio Tracking	0	0	0
826520 Pre-Development Costs on Affordable Housing Sites	15,787	15,787	0
826530 Country-wide Homeless Count	0	0	0
826540 Mid-Peninsula Housing - 662 Ga	0	0	0
826010 Housing Trust Fund of Santa Cl	300,000	300,000	0
Total Projects	<u>1,765,457</u>	<u>937,228</u>	<u>828,230</u>
Total Appropriations	<u>2,166,787</u>	<u>1,325,868</u>	<u>840,919</u>
Project Carryovers	0	526,840	(526,840)
Total	<u>2,166,787</u>	<u>1,852,708</u>	<u>314,079</u>

Fund 71 - HOME Grant Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
Community Development			
230 Housing and Human Services	\$70,693	\$70,906	(\$213)
799 Non-Programmatic	0	(910)	910
Total Community Development	<u>70,693</u>	<u>69,996</u>	<u>697</u>
Total Operating Programs	<u>70,693</u>	<u>69,996</u>	<u>697</u>
Projects			
823771 HOME Projects	3,572,349	0	3,572,349
824891 Community Housing Development	1,082,515	740,400	342,115
Total Projects	<u>4,654,864</u>	<u>740,400</u>	<u>3,914,464</u>
Total Appropriations	<u>4,725,557</u>	<u>810,396</u>	<u>3,915,161</u>
Project Carryovers	0	1,600,000	(1,600,000)
Total	<u>4,725,557</u>	<u>2,410,396</u>	<u>2,315,161</u>

Fund 110 - Community Development Block Grant Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
Community Development			
230 Housing and Human Services	\$542,097	\$489,652	\$52,445
Total Community Development	<u>542,097</u>	<u>489,652</u>	<u>52,445</u>
Total Operating Programs	<u>542,097</u>	<u>489,652</u>	<u>52,445</u>
Non-Departmental			
7900 Capital Projects Fund - Gas Tax Funded	0	0	0
7900 Employee Benefits - Retirement Benefits	0	0	0
7900 Housing Fund - Mitigation	0	0	0
7900 CDBG - CDBG Sub Fund	12,000	0	12,000
Total Non-Departmental	<u>12,000</u>	<u>0</u>	<u>12,000</u>
Projects			
800001 Catholic Social Services - Shared Housing Program	5,858	5,858	0
800851 Support Network for Battered Women	18,747	18,747	0
801851 Senior Adult Legal Assistance	6,957	6,957	0
802451 Project Match (Senior Shared Housing)	9,296	9,296	0
803501 CDBG Housing Rehabilitation RLF	1,194,780	426,821	767,959
803601 Sunnyvale Community Services - CDBG	60,218	60,218	0
804751 Long Term Care Ombudsman	8,772	8,772	0
811351 Senior Nutrition Program	18,477	18,477	0
811451 Second Harvest Food Bank - Operation Brown Bag	3,645	3,645	0
812701 Home Access, Paint and Emergency Repair Program	100,000	73,744	26,256
812901 Cupertino Community Services	8,788	8,788	0
815151 Emergency Housing Consortium of Santa Clara County	22,067	22,067	0
818301 Fair Housing Services	30,000	30,000	0
820631 ADA Curb Retrofit	100,000	82,816	17,184
820641 Community Association Rehabilitation, Inc. (CAR)	5,100	5,100	0
823761 CDBG Housing Acquisition - RLF	500,000	0	500,000
824350 The Health Trust-Meals on Wheels	9,063	9,063	0
824370 Friends for Youth-Mentoring	12,813	12,813	0
825870 Live Oak Adult Day Services	12,924	12,924	0
825880 Family & Children's Services-Columbia Center (CDBG)	16,533	16,533	0
825920 Bill Wilson Center (CDBG)	13,318	13,318	0
827190 Santa Clara Valley (SCV) Blind	5,000	5,000	0
827200 Outreach and Transportation As	20,000	20,000	0
822911 Columbia Neighborhood Center F	762,635	3,946	758,689
Total Projects	<u>2,944,991</u>	<u>874,904</u>	<u>2,070,087</u>
Total Appropriations	<u>3,499,088</u>	<u>1,364,555</u>	<u>2,134,532</u>
Project Carryovers	0	1,003,752	(1,003,752)
Deferred Transfers Out	0	0	0
Total	<u>3,499,088</u>	<u>2,368,307</u>	<u>1,130,780</u>

City of Sunnyvale
Year-end Appropriations Report
Fiscal Year Ending June 30, 2006

Attachment A

Fund 141 - Park Dedication Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Non-Departmental			
7900 Capital Projects Fund - General Assets	\$115,000	\$91,026	\$23,974
7900 Infrastructure Fund - Community Recreation Assets	164,727	5,976	158,751
7900 Infrastructure Fund - General Assets	2,698,536	199,239	2,499,297
Total Non-Departmental	2,978,263	296,240	2,682,023
Projects			
827290 Heritage Museum Landscapes, Ph	140,000	140,000	0
825581 Plaza del Sol Phase II	2,063,808	121,369	1,942,439
826381 Construct Restroom Building at San Antonio Park	313,950	291,061	22,889
821001 City Owned Properties - Adjace	15,000	18,948	(3,948)
Total Projects	2,532,758	571,378	1,961,380
Total Appropriations	5,511,021	867,619	4,643,402
Project Carryovers	0	1,943,009	(1,943,009)
Deferred Transfers Out	0	2,382,293	(2,382,293)
Total	5,511,021	5,192,921	318,100

Fund 175 - Asset Forfeiture Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
Public Safety			
481 Police Services	\$3,045	\$3,000	\$45
Total Public Safety	<u>3,045</u>	<u>3,000</u>	<u>45</u>
Total Operating Programs	<u>3,045</u>	<u>3,000</u>	<u>45</u>
Non-Departmental			
7900 General Services Fund - Technology & Communication Services	12,190	0	0
7900 General Fund - General	83,818	84,742	(84,742)
7900 Infrastructure Fund - General Assets	43,962	14,352	125,618
7900 General Services Fund - Technology	0	1,000	(1,000)
Total Non-Departmental	<u>139,970</u>	<u>100,094</u>	<u>39,876</u>
Projects			
819840 Police Services Equipment Acquisition	125,000	85,242	39,758
823880 Biological Evidence Freezer Installation	25,642	24,124	1,518
824120 Evidence Barcode Tracking System	11,903	10,214	1,689
825820 Property and Evidence Purge Program	12,912	11,513	1,399
Total Projects	<u>175,457</u>	<u>131,093</u>	<u>44,364</u>
Total Appropriations	<u>318,472</u>	<u>234,187</u>	<u>84,285</u>
Project Carryovers	0	39,758	(39,758)
Deferred Transfers Out	0	29,610	(29,610)
Total	<u>318,472</u>	<u>303,555</u>	<u>14,917</u>

Fund 190 - Police Services Augmentation Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
Public Safety			
481 Police Services	\$273,695	\$273,695	\$0
Total Public Safety	<u>273,695</u>	<u>273,695</u>	<u>0</u>
Total Operating Programs	<u>273,695</u>	<u>273,695</u>	<u>0</u>
Non-Departmental			
7900 Police Services Augmentation Fund Supplement	0	20,043	(20,043)
Total Non-Departmental	<u>0</u>	<u>20,043</u>	<u>(20,043)</u>
Total Appropriations	<u>273,695</u>	<u>293,738</u>	<u>(20,043)</u>
Total	<u>273,695</u>	<u>293,738</u>	<u>(20,043)</u>

Fund 210 - Employment Development Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
Employment Development			
535 Employment Services Provided to the General Public	\$1,071,518	\$1,062,922	\$8,596
536 Employment Services Provided to WIA Enrolled Participan	2,243,769	2,231,522	12,247
537 Business Services	496,262	470,013	26,249
538 Youth Services	674,617	649,597	25,019
539 Enterprise Support	2,575,507	2,575,384	123
542 Supplemental Grants - Staffed	153,639	147,410	6,229
543 Supplemental Grants - Managed	629,690	568,706	60,984
799 Non-Programmatic	0	0	0
Total Employment Development	<u>7,845,001</u>	<u>7,705,554</u>	<u>139,447</u>
Total Operating Programs	<u>7,845,001</u>	<u>7,705,554</u>	<u>139,447</u>
Total Appropriations	<u>7,845,001</u>	<u>7,705,554</u>	<u>139,447</u>
Total	<u>7,845,001</u>	<u>7,705,554</u>	<u>139,447</u>

Fund 245 - Parking District Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
Public Works			
247 Economic Development	\$10,438	\$18,677	(\$8,239)
254 Parking District Landscaping Management	86,604	76,159	10,445
255 Downtown Parking District Parking Lots	73,677	51,772	21,906
Total Public Works	<u>170,720</u>	<u>146,608</u>	<u>24,112</u>
Total Operating Programs	<u>170,720</u>	<u>146,608</u>	<u>24,112</u>
Non-Departmental			
7900 General Fund - General	16,485	16,485	0
Total Non-Departmental	<u>16,485</u>	<u>16,485</u>	<u>0</u>
Projects			
824700 Downtown Parking Maintenance Assessment	7,845	2,027	5,818
Total Projects	<u>7,845</u>	<u>2,027</u>	<u>5,818</u>
Total Appropriations	<u>195,050</u>	<u>165,119</u>	<u>29,930</u>
Project Carryovers	0	5,818	(5,818)
Total	<u>195,050</u>	<u>170,937</u>	<u>24,112</u>

Fund 280 & 281 - Gas Tax Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Program			
Public Works			
118 Pavement Operations	\$1,771,275	\$1,512,599	\$258,676
Total Public Works	<u>1,771,275</u>	<u>1,512,599</u>	<u>258,676</u>
Total Operating Programs	<u>1,771,275</u>	<u>1,512,599</u>	<u>258,676</u>
Non-Departmental			
7900 General Services Fund - Project Management Service	102,880	62,954	39,926
7900 General Fund - General	4,818	4,818	0
7900 Capital Projects Fund - Gas Tax Funded	4,418,683	378,876	4,039,807
7900 Infrastructure Fund - General Assets	619,777	284,440	335,337
Total Non-Departmental	<u>5,146,158</u>	<u>731,088</u>	<u>4,415,070</u>
Projects			
Fund 280 - Gas Tax Street Improvement			
802500 City Share of Development Cost	5,000	0	5,000
817100 Citywide Traffic Deficiency Plan	1,177	0	1,177
820690 Java Drive Sidewalks	0	0	0
823690 Evelyn Ave. Bike Lanes from Bernardo Ave. to Sunnyvale Ave.	49,735	49,368	367
824130 Sidewalk / Curb / Gutter from Mathilda Ave. to the Tennis Ctr	0	0	0
824560 Pedestrian Safety/Opportunities Plan	17,280	15,502	1,778
825130 Radar Speed Signs for School Areas	8,085	5,728	2,357
816050 Repair of City Bridges and Cul	10,000	722	9,278
826690 El Camino Real Master Schemati	150,000	0	150,000
Total Projects	<u>241,277</u>	<u>71,320</u>	<u>169,957</u>
Total Appropriations	<u>7,158,710</u>	<u>2,315,007</u>	<u>4,843,703</u>
Project Carryovers	0	162,896	(162,896)
Deferred Transfers Out	0	4,548,994	(4,548,994)
Total	<u>7,158,710</u>	<u>7,026,897</u>	<u>131,813</u>

City of Sunnyvale
Year-end Appropriations Report
Fiscal Year Ending June 30, 2006

Attachment A

Fund 285 - TDA Article 3 Funds

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Non-Departmental			
7900 Capital Projects Fund - General Assets	\$8,648	\$8,648	\$0
7900 Capital Projects Fund - Gas Tax Funded	335,043	335,042	1
7900 Gas Tax Fund	29,789	29,789	(0)
Total Non-Departmental	373,480	373,480	0
Total Appropriations	373,480	373,480	0
Deferred Transfers Out	0	0	0
Total	373,480	373,480	0

Fund 295 - Youth and Neighborhood Services Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
City Manager			
525 Columbia Neighborhood Center	\$685,159	\$664,487	\$20,672
Total City Manager	<u>685,159</u>	<u>664,487</u>	<u>20,672</u>
Total Operating Programs	<u>685,159</u>	<u>664,487</u>	<u>20,672</u>
Non-Departmental			
7900 Employee Benefits - Retirement Benefits	0	0	0
Total Non-Departmental	<u>0</u>	<u>0</u>	<u>0</u>
Projects			
Total Projects	<u>0</u>	<u>0</u>	<u>0</u>
Total Appropriations	<u><u>685,159</u></u>	<u><u>664,487</u></u>	<u><u>20,672</u></u>
Project Carryovers	0	0	0
Total	<u><u>685,159</u></u>	<u><u>664,487</u></u>	<u><u>20,672</u></u>

Fund 315 - Redevelopment Agency Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Debt Service			
011900 Gov Funds - RDA Debts / 2003 Central Core Redevt Project	\$612,346	\$587,283	\$25,063
Total Debt Service	612,346	587,283	25,063
Operating Programs			
Community Development			
247 Economic Development	142,855	184,221	(41,366)
751 Comprehensive Legal Services	14,898	140,292	(125,393)
799 Non-Programatic	1,646,358	3,683,322	(2,036,964)
Total Community Development	1,804,111	4,007,835	(2,203,724)
Total Operating Programs	1,804,111	4,007,835	(2,203,724)
Non-Departmental			
7900 General Fund - General	44,882	44,882	0
Total Non-Departmental	44,882	44,882	0
Projects			
814950 Redevelopment Plan Project Area	25,000	0	25,000
823490 Downtown Public Improvements	0	0	0
824440 Redevelopment Implementation Plan (2005-2009)	0	0	0
824450 Downtown Development Economic Analysis	128,140	2,390	125,750
824570 Outside Counsel Services for RDA	145,770	14,778	130,992
825590 Downtown Wayfinding System	0	0	0
825770 Murphy Avenue Enhancements Phase I	0	0	0
825780 Downtown Block 2 Completion	0	0	0
826700 Town Center Site Investigation	4,100,000	621,289	3,478,711
Total Projects	4,398,910	638,457	3,760,453
Total Appropriations	6,860,249	5,278,457	1,581,792
Project Carryovers	0	3,760,453	(3,760,453)
Total	6,860,249	9,038,910	(2,178,661)

Fund 330 - Governmental Funds - City Debt Service

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Debt Service			
010800 1993 ABAG COPs	\$233,750	\$233,750	\$0
010810 ABAG 39	175,219	175,219	0
011550 2001 Government Center COP Deb	1,223,358	1,067,994	155,364
Total Debt Service	1,632,327	1,476,963	155,364
Non Programmatic			
10800 1993 ABAG COPs	0	230,184	(230,184)
Total Projects	0	230,184	(230,184)
Total Appropriations	1,632,327	1,707,147	(74,820)
Project Carryovers	0	0	0
Total	1,632,327	1,707,147	(74,820)

Fund 335 - Governmental Funds - RDA Debt Service

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Debt Service			
10102 Revelopment Advance from Gener	\$1,646,358	\$3,713,137	(\$2,066,779)
10400 1992 Central Core Bonds	0	11	(11)
10500 1992 Parking Lease Bonds	0	0	0
10510 1998 Parking Lease COPs	1,218,305	1,266,239	(47,934)
11900 2003 Central Core Tax Allocation Bonds	616,321	615,296	1,025
Total Debt Service	3,480,984	5,594,683	(2,113,699)
Non-Departmental			
10510 1998 Parking Lease COPs	0	29,815	0
Total Appropriations	3,480,984	5,624,498	(2,113,699)
Total	3,480,984	5,624,498	(2,113,699)

Fund 385 - Capital Projects Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Non-Departmental			
7900 General Services Fund - Project Management Services	\$22,142	\$52,922	(\$30,780)
7900 Capital Projects Fund - General Assets	131,000	57,128	73,872
7900 Capital Projects Fund - Gas Tax Funded	583,027	0	583,027
7900 Gas Tax Fund	0	0	0
7900 General Fund - General	13,921	13,921	(0)
7900 Capital Projects Fund - Traffic Mitigation	85,000	64,841	20,159
7900 Capital Projects Fund - Sense of Place	111,000	106,000	5,000
7900 Capital Projects	0	0	0
7900 825541 Transportation Grant Matching	554,186	90,790	463,396
7900 825980 Tasman/Fair Oaks Area Pedestrian	25,000	25,000	0
Total Non-Departmental	1,525,276	410,601	1,114,675
Projects			
Subfund 100 - General Assets			
808101 Fair Oaks Industrial Complex -	50,000	0	50,000
821370 Sunnyvale Senior Center Construction	0	0	0
821534 Multimodal Transit Station Admin Costs	0	0	0
821640 Fremont High School Swim Pool	0	0	0
821650 Animal Field and Shelter Services	880,000	880,000	0
822220 Canary Drive Traffic Calming	0	0	0
823570 Short-Term Office Space Solution	254,028	251,555	2,473
824140 Sunnyvale Historical Museum	315,325	275,660	39,665
824920 Wolfe Road Bike Route from Maria Lane to Homestead Road	0	0	0
825511 Roadway Rehabilitation on Vari	201,419	12,000	189,419
825980 Tasman/ Fair Oaks Area Pedestrian	25,346	25,346	0
825990 Caltrain Northside Pedestrian	37,883	11,048	26,835
826050 Blair Avenue Neighborhood Traffic Calming	90,000	68,087	21,913
826570 Tasman/Fair Oaks Area Streetscape and Sense of Place	2,211,300	122,123	2,089,177
826750 Senior Center Safety Improve	40,000	24,318	15,682
826760 Senior Center Furnishings, Equ	75,000	66,708	8,293
826770 Murphy Park Tot Swing Set	18,400	0	18,400
826780 Downtown-Related Construction	60,000	3,693	56,307
826790 Sunnyvale Avenue Median from I	750,000	0	750,000
826800 Downtown Wayfinding and Gatewa	300,000	8,912	291,088
826810 Downtown Murphy Avenue Streets	1,696,612	178,018	1,518,594
826820 Town Center Traffic Signal Mod	745,000	86	744,914
827620 Cezanne Drive In-Pavement Cros	26,500	0	26,500
Total Subfund 100 - General Assets	7,776,813	1,927,554	5,849,259
Project Carryovers	0	5,742,153	(5,742,153)
Total Subfund 100 - General Assets	7,776,813	7,669,707	107,106
Subfund 600 - Gas Tax			
821570 Calabazas Creek Trail Project	0	0	0
821620 Sidewalk Improvements Near Tasman Light Rail Transit	0	0	0
821630 Wolfe Road Traffic Signal Interconnect	0	0	0
821870 Borregas Avenue Bicycle Corridor	7,648,932	4,082,566	3,566,366
822710 Mathilda Avenue Railroad Overpass Improvements	2,366,229	1,430,206	936,023
824061 Pedestrian Lighted Crosswalk	60,923	18,755	42,168
825080 Evelyn Avenue Bike Lanes, Sunnyvale Avenue to Reed Ave.	92,363	92,363	0
825510 Roadway Rehabilitation on Various Streets (Grant)	1,580,450	64,320	1,516,130
826020 Mary Avenue Reconstruction from Homestead Road to The Dalles	0	0	0

Fund 385 - Capital Projects Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
826060 SV-Saratoga/Mathilda Ave. Adaptive Traffic Signal Project	0	0	0
826830 Sunnyvale Ave. at Arques Ave.	550,000	12,624	537,377
826840 Radar Speed Signs for Various	200,000	0	200,000
826860 Internally Illuminated Street	65,000	0	65,000
826870 Signing and Safety Enhancement	215,000	21,153	193,847
826880 Norman Drive Traffic Calming	75,000	0	75,000
Total Subfund 600 - Gas Tax	<u>12,853,897</u>	<u>5,721,986</u>	<u>7,131,911</u>
Project Carryovers	0	7,089,743	(7,089,743)
Total Subfund 600 - Gas Tax	<u>12,853,897</u>	<u>12,811,729</u>	<u>42,168</u>
Subfund 950 - Traffic Mitigation Projects			
824910 Frances Street Transit Corridor Improvements	279,586	201,797	77,789
825541 Transportation Grant Matching	68,606	0	68,606
825630 Mary Ave. Extension Engineering	366,959	279,929	87,030
827630 Safe Routes to Schools City-wi	295,600	0	295,600
816000 Future Traffic Signal Construction	175,000	78,247	96,753
Total Subfund 950 - Traffic Mitigation Projects	<u>1,185,751</u>	<u>559,973</u>	<u>625,778</u>
Project Carryovers	0	451,236	(451,236)
Total Subfund 950 - Traffic Mitigation Projects	<u>1,185,751</u>	<u>1,011,209</u>	<u>174,542</u>
Subfund 960 - Transportation Impact Fees			
825530 Transportation Model Update	17,253	10,528	6,725
826890 Mathilda/SR 237/US 101 Interch	500,000	0	500,000
826900 Washington Avenue/Mathilda Ave	336,826	12	336,814
Total Subfund 960 - Transportation Impact	<u>854,079</u>	<u>10,540</u>	<u>843,539</u>
Project Carryovers	0	843,539	(843,539)
Total Subfund 960 - Transportation Impact	<u>854,079</u>	<u>854,079</u>	<u>0</u>
Subfund 980			
825621 Wolfe Road Caltrain Overcrossi	2,100,000	30,089	2,069,911
Total Subfund 980	<u>2,100,000</u>	<u>30,089</u>	<u>2,069,911</u>
Project Carryovers		2,069,911	(2,069,911)
Total Subfund 960 - Transportation Impact	<u>2,100,000</u>	<u>2,100,000</u>	<u>0</u>
Total Projects	<u>24,770,540</u>	<u>24,446,723</u>	<u>323,817</u>
Total Appropriations	<u>26,295,816</u>	<u>8,660,743</u>	<u>17,635,073</u>
Total Project Carryovers	0	16,210,383	(16,210,383)
Total Deferred Transfers Out	0	967,443	(967,443)
Total	<u>26,295,816</u>	<u>25,838,569</u>	<u>457,247</u>

Fund 460 - Water Supply and Distribution Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Debt Service			
011703 Water Bonds 2001 Series A	\$1,102,874	\$1,104,968	(\$2,094)
011603 2001 Gvrn Cntr COP Dbt Srv Fun	83,339	79,024	4,315
Total Debt Service	1,186,213	1,183,992	2,221
Operating Programs			
Public Works			
313 Water Supply and Distribution	19,090,051	18,244,862	845,189
7900 Loan Repayment to General Fund	351,700	351,700	0
Total Public Works	19,441,751	18,596,562	845,189
Total Operating Programs	19,441,751	18,596,562	845,189
Non-Departmental			
General Services Fund - Project Management			
7900 Services	250,329	363,933	(113,604)
7900 General Fund - General	2,281,605	2,281,605	(0)
7900 Infrastructure Fund - General Assets	33,717	20,345	13,372
7900 Infrastructure Fund - Multi Assets	17,333	283	17,050
7900 Liability and Property Insurance Fund	49,184	49,184	0
7900 General Services Fund - Tech & Communication	4,684	4,616	68
7900 General Services Fund - Technology Services	628	0	628
Total Non-Departmental	2,637,480	2,719,965	(82,485)
Projects			
806253 Water Main Development Costs (City Share)	20,000	0	20,000
806303 Water Pipes, Manholes, and Laterals Replacement	20,000	0	20,000
806351 Water meters for New Developments	90,000	48,242	41,758
806401 New Developments	20,000	0	20,000
815203 System	750,469	32,468	718,001
824291 Water Cost of Service Study	0	0	0
824311 Refurbishment of Water Tanks @ Wright Avenue	883,013	12	883,001
824811 Downtown Water Line Engineering	0	0	0
824841 Sites	0	0	0
825241 Connections	130,000	122,356	7,644
825281 Earthquake Mitigation of Water	0	0	0
825301 Relocation for SCADA	60,000	35,389	24,611
825411 Reconst	780,419	70,077	710,342
825421 Water Pressure Zone Three Expansion	0	0	0
825441 Recycled Water Booster Pump @	148,922	148,474	448
825451 City-Wide Water Line Replacement	576,430	359,210	217,220
825481 Renovation of Westmoor and Serra Wells	310,569	147,780	162,789
825501 Wright Ave Water Plant Mechanical Reconstruction	0	0	0
826590 Raynor)	200,000	184,369	15,631
806453 Water Pump, Motor and Engine R	25,000	554	24,446

Fund 460 - Water Supply and Distribution Fund

<u>Description</u>	<u>Current Budget</u>	<u>Actual Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
824801 Roof Replacement of Water Plan	50,000	0	50,000
825221 Central Water Plant Building R	153,000	0	153,000
825461 Interior Coating of Water Tank	296,514	35,042	261,472
827300 Homestead Water Main and Road	418,689	353,392	65,297
826910 H Street Water Line - 3rd to 8	0	(43)	43
824281 Leak Detection Program	30,000	19,324	10,676
Total Projects	<u>4,963,025</u>	<u>1,556,647</u>	<u>3,406,378</u>
Total Appropriations	<u>28,228,469</u>	<u>24,057,165</u>	<u>4,171,303</u>
Project Carryovers	0	3,197,742	(3,197,742)
Total Deferred Transfers Out	0	28,690	(28,690)
Total	<u>28,228,469</u>	<u>27,283,597</u>	<u>944,871</u>

Fund 465 - Wastewater Management Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Debt Service			
011704 Water Bonds 2001 Series A	\$1,509,846	\$1,512,712	(\$2,866)
011604 2001 Gvrn Cntr COP Dbt Srv Fun	57,211	54,249	2,962
Total Debt Service	1,567,057	1,566,961	96
Operating Programs			
343 Storm Water Collection System	278,346	250,343	28,003
344 Wastewater Treatment	10,377,193	10,936,475	(559,282)
345 Sanitary Sewer Collection System	1,492,492	1,496,477	(3,985)
751 Comprehensive Legal Services	28,118	2,666	25,452
799 Non-Programmatic	4,521,382	4,521,382	0
Total Operating Programs	16,697,531	17,207,344	(509,813)
Non-Departmental			
7900 General Services Fund - Project Managment Services	478,966	637,781	(158,815)
7900 General Services Fund - Sewer Equipment	926,311	676,311	250,000
7900 General Fund - General	1,954,545	1,954,545	(0)
7900 Infrastructure Fund - General Assets	42,353	16,940	25,413
7900 Infrastructure Fund - Multi Assets	7,428	121	7,307
7900 Liability and Property Insurance Fund	106,198	106,198	0
7900 General Services Fund - Technology Services	1,526	0	1,526
7900 General Services Fund - Tech & Communication	11,376	11,210	166
Total Non-Departmental	3,528,703	3,403,107	125,596
Projects			
801101 WPCP Air Conditioning Project	773,947	50,285	723,662
804653 Storm Drain Development Costs (City Share)	28,000	0	28,000
804703 Storm Drain Pipes, Manholes, and Laterals Replacement	10,000	1,446	8,554
805203 Sewer Development Costs	20,000	0	20,000
805253 Sewer Pipes, Manholes, and Laterals Emergency Replacement	20,000	41,341	(21,341)
812751 WPCP Energy Improvements	0	0	0
820822 Chlorinating/Dechlorinating Eq	0	0	0
821112 Power Generation Facility Improvements	310,683	0	310,683
822561 Emergency Use Audit - Hot Water Loop Replacement	215,688	23,862	191,826
822752 Storm Pump Station Number 1 Rehabilitation	795,249	742,617	52,632
822762 Storm Pump Station Number 2 Rehabilitation	0	0	0
822792 Rehabilitation of Manholes - Lawrence Trunk Sewer	0	0	0
823221 Wastewater Data/Process/Service Assessment Studies	84,295	9,600	74,695
824301 Rehabilitation of Digesters and Replacement of Digester Lids	1,500,000	1,223,650	276,350
824341 Wastewater Cost of Service Study	0	14,013	(14,013)
825111 Tertiary Plant Tank Drainage System Modifications - Phase I	345,688	30,089	315,599
825141 Air Flootation Tanks Rehabilitation	445,227	207,834	237,393
825321 Replacement/Rehabilitation of Sanitary Manholes	75,000	71,219	3,781
825331 Replacement/Rehabilitation of Sewer Pipes	304,443	82,736	221,707
825521 Pond Sediment Removal	407,973	12,884	395,089
825961 SCVURPPP Contracting and Fiscal Agent	48,043	10,504	37,540
826450 WPCP Total Asset Management System Implementation	23,640	22,761	879
826500 Borregas Ave Sewer Rehabilitation - Wastewater Fund	0	0	0
826510 WPCP Primary Effluent Emergency	0	0	0
827020 Emergency Bypass Pumping Plan	250,000	3,548	246,453
827030 WPCP Strategic Infrastructure	550,000	88,639	461,361
827060 Sulfur Dioxide (SO2) Equipment	290,000	23,399	266,601
827010 Water Pollution Control Plant	210,000	6,925	203,075

Fund 465 - Wastewater Management Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
827080 Murphy/Evelyn Avenues Sewer In	594,077	0	594,077
Total Projects	7,301,953	2,667,352	4,634,601
Total Appropriations	29,095,244	24,844,764	4,250,480
Project Carryovers	0	4,379,376	(4,379,376)
Deferred Transfers Out	0	32,720	(32,720)
Total	29,095,244	29,256,860	(161,616)

Fund 485 - Solid Waste Management Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Debt Service			
011605 2001 Government Center COP Dbt Srv Fund	\$84,690	\$80,305	\$4,385
011803 SV Share of Solid Waste Revenue	1,031,317	1,109,727	(78,410)
Total Debt Service	1,116,007	1,190,032	(74,025)
Operating Programs			
Community Development			
323 Solid Waste Management	26,696,100	27,034,675	(338,576)
751 Comprehensive Legal Services	3,251	0	3,251
799 Non-Programmatic	1,093,610	1,093,610	0
Total Community Development	27,792,960	28,128,285	(335,325)
Total Operating Programs	27,792,960	28,128,285	(335,325)
Non-Departmental			
7900 Employee Benefits - Retirement Benefits		0	0
7900 General Services Fund - Project Managment Services	3,287	2,005	1,282
7900 General Fund - General	2,160,377	2,160,377	(0)
7900 Infrastructure Fund - General Assets	5,672	2,615	3,057
7900 Liability and Property Insurance Fund	3,245	3,245	0
7900 General Services Fund - Technology Services	202	0	202
7900 General Services Fund - Techn & Comm	1,506	1,484	22
Total Non-Departmental	2,174,289	2,169,727	4,562
Projects			
825911 Landfill Gas Flare and Blowers	96,000	0	96,000
801351 Sunnyvale Contribution fo SMaRt Station Equipment Rep. Fund	248,760	248,760	0
822331 Trim Landfill Screening Trees on Caribbean Drive	0	0	0
824251 Landfill Gas System Response to New Federal Regulations	49,497	0	49,497
824261 Solid Waste Cost of Service Study	82,580	31,509	51,071
824271 Condensate Collection and Pre-	0	0	0
825121 SMaRT Station Office Addition	50,000	0	50,000
Total Projects	526,837	280,269	246,568
CAFR Adjustment			
Total Appropriations	31,610,093	31,768,312	(158,219)
Project Carryovers	0	246,568	(246,568)
Total Deferred Transfers Out	0	3,099	(3,099)
Total	31,610,093	32,017,979	(407,886)

Fund 490 - SMaRT Station Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Debt Service			
11801 Solid Waste Bonds Series 2003	\$1,945,184	\$1,951,384	(\$6,200)
11805 2007 Solid Waste Interest Payment	118,012	118,012	0
Total Debt Service	2,063,196	2,069,396	(6,200)
Operating Programs			
Public Works			
324 Materials Recovery and Refuse Transfer (SMaRT)	23,696,411	25,014,936	(1,318,526)
751 Comprehensive Legal Services	9,341	74	9,267
Total Public Works	23,705,751	25,015,010	(1,309,259)
Total Operating Programs	23,705,751	25,015,010	(1,309,259)
Projects			
811250 SMaRT Station Equipment Replacement	15,047,021	7,389,838	7,657,183
Total Projects	15,047,021	7,389,838	7,657,183
Total Appropriations	40,815,968	34,474,244	6,341,724
Project Carryovers	0	7,657,183	(7,657,183)
Total	40,815,968	42,131,427	(1,315,459)

Fund 525 - Community Recreation Fund

<u>Description</u>	<u>Current Budget</u>	<u>Actual Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Programs			
Parks and Recreation			
645 Golf Course Maintenance Operation and Golf Shop Services	\$3,094,183	\$3,177,501	(\$83,318)
646 Arts and Recreation Programs and Operation of Recreation Facilities	8,275,525	7,783,742	491,783
Total Parks and Recreation	<u>11,369,708</u>	<u>10,961,243</u>	<u>408,465</u>
Total Operating Programs	<u>11,369,708</u>	<u>10,961,243</u>	<u>408,465</u>
Non-Departmental			
7900 General Fund - General	1,025,710	1,025,710	0
Total Non-Departmental	<u>1,025,710</u>	<u>1,025,710</u>	<u>0</u>
Projects			
823270 Cooperative Middle School Activity	2,815	863	1,952
824820 UV Protection for Senior Center "Soft Art"	0	0	0
825650 Business Plan for Community Center	18,359	0	18,359
Total Projects	<u>21,174</u>	<u>863</u>	<u>20,311</u>
Total Appropriations	<u>12,416,592</u>	<u>11,987,816</u>	<u>428,777</u>
Project/Operating Carryovers	0	20,311	(20,311)
Total	<u>12,416,592</u>	<u>12,008,127</u>	<u>408,466</u>

Fund 595 - General Services Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Equipment			
20200 Sewer Equipment	\$1,078,129	\$569,151	\$508,978
20600 Furniture	340,021	4,710	335,311
20700 Fleet Equipment	3,666,681	1,160,621	2,506,060
20800 Recreation Equipment	151,059	96,966	54,093
20900 Public Safety Equipment	419,574	49,288	370,286
21300 Equipment Building Maintenance	121,928	84,707	37,221
21501 Equipment - Furniture Under \$1,000	0	9,268	(9,268)
21502 Equipment - Building Equip Under \$1,000	0	0	0
21600 Information Technology Equipment	1,874,836	827,869	1,046,967
21601 Information Process Software	967,722	142,032	825,690
21602 HR/Payroll System	0	205,152	(205,152)
21603 Communications and Office Equipment	136,688	99,815	36,873
21604 Telecommunications Equipment	12,256	0	12,256
21605 Office Equipment	18,012	28,291	(10,279)
21606 Satellite Copier Equipment	3,248	0	3,248
21607 Print Shop Equipment	0	0	0
21608 Telecom Franchise Equipment	4,888	1,000	3,888
21609 Mail Services Equipment	0	0	0
Total Equipment	8,795,042	3,278,869	5,516,173
Operating Programs			
769 Facilities Services	3,746,615	3,814,814	(68,199)
307 Capital Project Administration	1,755,511	1,683,081	72,430
761 Application & Integration Svcs &	0	18	
763 Provision of Vehicles and Motorized Equipment	2,736,933	2,873,896	(136,963)
767 Infrastructure Services and Suppo	0	152	
773 Central Information Technology Systems and Networks	2,248,811	2,001,097	247,714
774 Telecommunications Franchises and New Agreements	89,107	80,219	8,889
775 Office and Mail Systems	951,351	775,984	175,367
776 Wireless Communications Operations	428,663	343,547	85,116
777 Evaluate, Procure, and Implement Major Computer Software	503,370	258,861	244,509
778 Maintain and Support Major Computer Software	1,560,495	1,691,773	(131,278)
Information Technology Department Management and Support			
779 Services	328,336	382,731	(54,395)
799 Non-Programmatic	825,102	825,102	0
Total Public Works	15,174,296	14,731,275	443,021
Total Operating Programs	15,174,296	14,731,275	443,021
Non-Departmental			
7900 Employee Benefits - Retirement Benefits	0	0	0
7900 General Services Fund - Technology Services	538	0	538
7900 General Services Fund - Techn & Comm	4,016	3,957	59
7900 General Fund - General	387,261	157,309	229,952
7900 Infrastructure Fund - General Assets	121,356	42,132	79,224
7900 Infrastructure Fund - Multi Assets	96,571	1,575	94,996
7900 Sunnyvale Office Center	93,556	93,556	91,981
7900 2001 Government Center COP	900,958	854,309	46,649
7900 Utilities Fund - Sewer	60,000	4,841	55,159
Total Non-Departmental	1,664,256	1,157,679	506,577

Fund 595 - General Services Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Projects			
823100 Police Services Tactical Operations Center	5,773	5,773	0
824980 Sunnyvale Office Center Rehabilitation	25,000	3,068	21,932
825160 Network Security	48,000	39,575	8,425
825640 Records Management	56,518	56,518	0
825900 Information Technology Investment Account	306,716	44,542	262,174
826400 Information Technology Optimal	23,423	4,551	18,872
826370 Email Subscription Management	20,000	0	20,000
827100 Mobile Recreation Vehicle	49,150	0	49,150
Total Projects	<u>534,580</u>	<u>154,026</u>	<u>380,554</u>
Total Appropriations	<u>26,168,174</u>	<u>19,321,849</u>	<u>6,846,325</u>
Project/Equipment Carryovers	0	4,525,197	(4,525,197)
Deferred Transfers Out	0	792,450	(792,450)
Total	<u>26,168,174</u>	<u>24,639,496</u>	<u>1,528,678</u>

Fund 610 - Infrastructure Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
118 Pavement Operations	\$719,217	\$647,088	\$72,129
Total Operating Programs	719,217	647,088	72,129
Non-Departmental			
7900 General Services Fund - Project Management Service	540,553	447,160	93,393
Total Non-Departmental	540,553	447,160	93,393
Projects			
Subfund 100 - General Assets			
817950 Civic Center Buildings - HVAC	261,696	3,317	258,379
818050 Civic Center Buildings - Remodeling	53,268	33,206	20,062
818150 Public Safety Buildings - Remodel	79,877	3,474	76,403
818450 Community Center Buildings - HVAC	600,856	33,670	567,186
818500 Park Buildings - HVAC	0	0	0
818550 Park Buildings - Remodel	139,074	124,083	14,991
818650 Corporation Yard - Roofs	0	0	0
818700 Corporation Yard Buildings - Remodel	457,431	258,656	198,775
819610 Public Safety Buildings - HVAC	1,500,771	18,304	1,482,467
819630 Community Center Buildings - Roofs	1,167,383	15,400	1,151,984
820000 Corporation Yard Buildings - HVAC	13,323	0	13,323
820020 Administration of Long Range Infrastructure Plan	0	0	0
820130 City Owned Parking Lot Resurfacing	40,950	15,294	25,656
820180 Traffic Signal Controller Replacement	54,777	36,536	18,241
820190 Traffic Signal Underground Replacement	602,366	217,230	385,136
820200 Traffic Signal Light Emitting Diode Array Replacements	30,000	0	30,000
820270 Playground Equipment Replacement	0	0	0
820280 Park Furniture and Fixtures Replacement	60,000	59,942	58
820361 Golf Course Tee Grounds Renewal	483,374	482,435	939
821330 Park Buildings - Roofs	0	0	0
822080 Fair Oaks Park Hardscape Renovations	36,000	0	36,000
824220 Raynor Activity Center Site Improvements	45,936	1,088	44,847
825200 Remodel Community Center Kitch	0	0	0
825340 Street Lights Conduit Replacement	89,779	30,675	59,104
825550 Adaptive Traffic Signal Control	41,500	34,223	7,277
825560 Security Access Constrol System	501,258	163,642	337,616
825610 Fair Oaks Avenue Overhead Brid	0	0	0
825670 Columbia Gym Wall Pads	0	0	0
825850 Swim Pools Infrastructure	42,260	42,260	0
826080 Borregas Avenue Sewer Rehabilitation	0	0	0
826560 Public Safety Building Detenti	115,402	110,033	5,370
826580 Serra Park Restrooms Fire Damage Repair	0	0	0
818100 Public Safety Buildings - Roof	500,237	5,554	494,683
820010 Community Center Buildings - R	0	0	(0)
820120 Repaint Street Light Poles	20,000	0	20,000
825290 Pavement Rehabilitation	220,000	203	219,797
825600 Caribbean Drive Bridge Improve	50,000	0	50,000
827110 Update of Public Building Long	200,000	0	200,000
827120 Calabazas Creek Bridge at Arqu	40,000	0	40,000
827130 Community Ctr and Columbia Spo	30,133	196	29,937
827140 Community Center Theater Seats	90,633	74	90,559
827150 Community Center Gas Line Repl	360,184	0	360,184
827470 ong Range Facilities Planning	195,880	30,426	165,454
825181 Cover for Passenger Waiting Be	29,800	0	29,800
827900 Creative Arts Kiln room Fire a	23,823	23,822	1

Fund 610 - Infrastructure Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
827910 Storm Damage at City Facilitie	39,917	39,917	(0)
Total Subfund 100 - General Assets	<u>8,217,887</u>	<u>1,783,658</u>	<u>6,434,230</u>
Project Carryovers	0	6,312,693	(6,312,693)
Total Subfund 100 - General Assets	<u>8,217,887</u>	<u>8,096,351</u>	<u>121,537</u>
Subfund 500 - Community Recreation			
818750 Golf and Tennis Buildings - Rehabilitation	50,000	259	49,741
820311 Golf Course Irrigation System	0	0	0
820351 Golf Course Sand Bunkers Rebuild	0	0	0
819750 Golf and Tennis Buildings - Ro	74,727	5,717	69,011
827160 Tennis Center Court Repairs	40,000	0	40,000
Total Subfund 500 - Community Recreation	<u>164,727</u>	<u>5,976</u>	<u>158,751</u>
Project Carryovers	0	158,752	(158,752)
Total Subfund 500 - Community Recreation	<u>164,727</u>	<u>164,728</u>	<u>(1)</u>
Subfund 900 - Multi-Funded Assets			
818651 Corporation Yard Buildings - Roofs	247,616	4,039	243,576
Total Subfund 900 - Multi-Funded Assets	<u>247,616</u>	<u>4,039</u>	<u>243,576</u>
Project Carryovers	0	243,576	(243,576)
Total Subfund 900 - Multi-Funded Assets	<u>247,616</u>	<u>247,615</u>	<u>0</u>
Total Projects	<u>8,630,230</u>	<u>1,793,673</u>	<u>6,836,557</u>
Total Appropriations	<u>9,890,000</u>	<u>2,887,921</u>	<u>7,002,079</u>
Project Carryovers	0	6,715,021	(6,715,021)
Total	<u>9,890,000</u>	<u>9,602,942</u>	<u>287,058</u>

Fund 640 - Employee Benefits Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
Human Resources			
781 Employee Leave Benefits - leave Earned/Usage Information	\$12,596,299	\$12,364,145	\$232,154
784 Retirement, Insurances, and Taxes - Usage Information	39,800,093	38,207,125	1,592,968
785 Workers' Comp Ex Insur, Claims Cost, Leave Hours - Usage Info	3,491,550	2,937,403	554,147
Total Human Resources	<u>55,887,942</u>	<u>53,508,673</u>	<u>2,379,269</u>
Total Operating Programs	<u>55,887,942</u>	<u>53,508,673</u>	<u>2,379,269</u>
Non-Departmental			
7900 Employee Benefits - Insurance and Other	0	0	0
7900 781 - Employee Leave Benefits	0	0	0
7900 Employee Benefits - Retirement Benefits	0	6,380	(6,380)
7900 799- Non Programmatic	0	754,738	0
Total Non-Departmental	<u>0</u>	<u>761,118</u>	<u>(761,118)</u>
Total Appropriations	<u>55,887,942</u>	<u>54,269,791</u>	<u>1,618,151</u>
Operating Carryovers	0	0	0
Total	<u>55,887,942</u>	<u>54,269,791</u>	<u>1,618,151</u>

Fund 645 - Risk Management Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
Human Resources			
751 Comprehensive Legal Services	\$123,629	\$12,839	\$110,791
786 City Liability and Property Information	1,274,058	1,206,317	67,741
Total Human Resources	<u>1,397,687</u>	<u>1,219,155</u>	<u>178,532</u>
Total Operating Programs	<u>1,397,687</u>	<u>1,219,155</u>	<u>178,532</u>
Non-Departmental			
7900 Employee Benefits - Retirement Benefits	0	0	0
Total Non-Departmental	<u>0</u>	<u>0</u>	<u>0</u>
Total Appropriations	<u>1,397,687</u>	<u>1,219,155</u>	<u>178,532</u>
Project Carryovers	0	0	0
Total	<u>1,397,687</u>	<u>1,219,155</u>	<u>178,532</u>

Fund 727 - Fremont Pool Permanent Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Non-Departmental			
7900 Comm Rec Fund - Leisure Svcs	\$43,049	\$39,238	\$3,811
Total Non-Departmental	43,049	39,238	3,811
Total Appropriations	43,049	39,238	3,811
Total	43,049	39,238	3,811

CITY OF SUNNYVALE
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED
JUNE 30, 2008

**CITY OF SUNNYVALE
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

For the Year Ended June 30, 2008

Table of Contents

	<u>Page</u>
<i>Memorandum on Internal Controls</i>	1
Schedule of Other Matters	3
Status of Prior Year Other Recommendation	8
<i>Required Communications</i>	9
Financial Statement Audit Assurance	9
Other Information Included with the Audited Financial Statements	9
Accounting Policies	9
Unusual Transactions, Controversial or Emerging Areas	10
Estimates	10
Disagreements with Management	10
Retention Issues	10
Difficulties	10
Audit Adjustments	11
Uncorrected Misstatements	11

MEMORANDUM ON INTERNAL CONTROL STRUCTURE

November 14, 2008

To the City Council of
the City of Sunnyvale, California

In planning and performing our audit of the financial statements of the City of Sunnyvale as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we noted no matters that we consider to be material weaknesses.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe to be of potential benefit to the City.

The City's written responses included in this report have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, City Council, others within the organization, and agencies and pass-through entities requiring compliance with generally accepted government auditing standards, and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

**CITY OF SUNNYVALE
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

2008-01 Information Technology Best Practices Recommendations

We conducted an Information Systems Review with our audit which encompassed the financial information system and the network environment that houses it. Our work included looking beyond the financial information systems as a result of greater risks of unauthorized access caused by overall industry growth of web-based commerce and internet based financial systems. Internal controls that are present in the overall network environment have become more important and relevant to understanding the internal controls over financial systems. We believe Information System controls must be continuously improved and enhanced to stay ahead of the ever increasing sophistication of hackers and criminals.

Currently, there are no Information Technology standards which local governments are required to conform to. Indeed there are a wide variety of informal guidelines and suggested controls from many different organizations which local governments may use to implement appropriate controls to ensure adequate security over information technology. Our Information Technology staff have reviewed these informal guidelines and concluded that the certification and accreditation framework developed by the National Institute of Standards and Technology (NIST) for the Federal Information Security Management Act (FISMA) are the most appropriate for local government. NIST and FISMA represent the minimum security requirements for federal government agencies information systems. We understand the U.S. Department of Justice recommends these for local governments. Our procedures included performing an external network scan based on NIST criteria and in determining that internal control provides for:

- Internet access defenses including hacker prevention, detection and deterrent systems
- Security of data from physical or network access
- Adequately protecting data from unauthorized internal access
- Reasonable measures to ensure continuation of service

A summary of our results and “best practices” recommendations are as follows:

- *Payment Card Industry Compliance* - Any organization that processes credit cards is required to comply with the Payment Card Industry Data Security Standard (PCI-DSS). It appears that the City is not in compliance with PCI-DSS. The standard was developed to minimize the risk of loss due to security breaches in processing credit card transactions. Merchants which conform to the Standard pay lower transaction fees than those that do not comply and they minimize their liabilities which may result from security breaches.
- *General Information Systems Controls* - We compared the City’s information systems controls with the various NIST standards and believe improvements should be considered for implementation such as formalizing business continuity plans including alternate processing site locations, contingency planning and training. We will provide a detailed report to the City which describes the relevant standards and the control status for their consideration.

As noted above, the City is not required to conform to NIST standards and could use another set of guidelines to ensure the adequacy of controls. However, we recommend the City select an appropriate industry standard such as NIST to plan, organize and monitor information security proactively.

**CITY OF SUNNYVALE
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

- *Audit/Event Logging* - We believe this is one of the more important standards of NIST. The City does not appear to have audit logs documenting any change, addition or deletion of user accounts within the financial information system. The City should have audit/event logs of any addition, deletion or change in financial information system user accounts and the logs should be monitored by someone without the rights to effect such changes to ensure only authorized appropriate changes are made. In addition, any administrative access such as upgrades or application modifications by any information technology personnel, outside consultants or vendors should also be logged and reviewed.

Management Response:

The City has reviewed the recommendations and is in agreement. Specifically, in regards to the Payment Card Industry Compliance, the PCI-DSS standards were set late in 2007 and the City will work to be in compliance by the end of FY 2008/2009. As to the General Information Systems controls, the ITD staff is currently in the process of upgrading the City's computer hardware infrastructure. Phase 2 of this project, to be implemented in FY 2009/2010, will include improvements to the information systems controls as described in this recommendation. In regards to the audit/event logging for user account changes within the financial information system, an audit/event log report can be generated from the system and is currently generated on an as needed basis. Staff will put a process in place to generate the report regularly for review at an appropriate authority level. It should be noted that administrative access by ITD personnel, outside consultants or vendor is currently documented through the ITD service request tracking system.

2008-02 Upcoming GASB Statement No. 49 - Accounting and Financial Reporting for Pollution Remediation Obligations (Effective for Fiscal Year 2008-2009)

This Statement addresses accounting and financial reporting for pollution remediation obligations (including contamination), which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This Statement excludes pollution prevention and landfill closure or post-closure costs. A municipality must estimate expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and a government has little or no discretion to avoid fixing the problem.
- A government has violated a pollution prevention-related permit or license.
- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the clean up.
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution.
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

**CITY OF SUNNYVALE
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

Liabilities and expenses would be estimated using an "expected cash flows" measurement technique, which is used by environmental professionals but will be employed for the first time by governments. Statement 49 also will require governments to disclose information about their pollution obligations associated with clean up efforts in the notes to the financial statements.

Pollution remediation outlays should be capitalized in the proprietary fund statements when goods and services are acquired if acquired for any of the following circumstances:

- a. To prepare property for sale. Capitalized costs (including pollution remediation costs) continue to be limited to lower of cost or net realizable value
- b. To prepare property for use when the property was acquired with known or suspected pollution that was expected to be remediated. Governments should capitalize only those pollution remediation outlays expected to be necessary to place the asset into its intended location and condition for use.
- c. To perform pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment. Governments should capitalize only those pollution remediation outlays expected to be necessary to place the asset into its intended location and condition for use.
- d. To acquire property, plant, and equipment that has a future alternative use. Outlays should be capitalized only to the extent of the estimated service utility that will exist after pollution remediation activities uses have ceased.

For outlays under criteria a and b, capitalization is appropriate only if the outlays take place within a reasonable period prior to the expected sale or following acquisition of the property, respectively, or are delayed, but the delay is beyond the government's control.

Management Response:

The City is aware of GASB Statement No. 49 and will implement and report as required for FY 2008/2009.

2008-03 - Upcoming GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets (Effective for fiscal 09/10) - Retroactive Application Required

Governments have different types of intangible assets, such as easements, water rights, patents, trademarks, and computer software. Easements are referred to in the GASB 34 description of capital assets, which has raised questions about whether and when intangible assets should be considered capital assets for financial reporting purposes.

The absence of specific authoritative guidance has resulted in inconsistencies in the recognition, initial measurement, and amortization of intangible assets among governments. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce inconsistencies and enhance comparability.

**CITY OF SUNNYVALE
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

A summary of the statement:

- Intangible assets should be classified, accounted for and reported as capital assets, unless excluded from the scope. Guidance in this statement is in addition to existing capital asset guidance.
- GASB 51 specifically addresses the nature of intangible assets:
 - *Lack of physical substance.* An asset may be contained in or on an item with physical substance, for example, a compact disc in the case of computer software. An asset also may be closely associated with another item that has physical substance, for example, the underlying land in the case of a right-of-way easement. These modes of containment and associated items should not be considered when determining whether or not an asset lacks physical substance.
 - *Nonfinancial nature.* In the context of this Statement, an asset with a nonfinancial nature is one that is not in a monetary form similar to cash and investment securities, and it represents neither a claim or right to assets in a monetary form similar to receivables, nor a prepayment for goods or services.
 - *Initial useful life greater than one year.*
- GASB 51 excludes:
 - Assets acquired or created primarily for the purpose of directly obtaining income or profit.
 - Assets resulting from capital lease transactions reported by lessees.
 - Goodwill created through the combination of a government and another entity.
- Recognition of an intangible asset occurs only if it is considered identifiable. That is when either of the following apply:
 - The asset is separable from the government. That is it can be sold, transferred, licensed, rented, or exchanged.
 - The asset arises from contractual or other legal rights, regardless of whether transferable or separable.
- Specific conditions must be present to recognize internally generated intangibles. Capitalization of costs begins after all of the following criteria are met:
 - Determination of specific objectives of the project and the nature of the service capacity expected upon the completion.
 - Demonstration of the feasibility that the completed project will provide its expected service capacity.
 - Demonstration of the current intention, ability, and effort to complete or continue development of the intangible asset.
 - Internally generated computer software is used as an example in applying the specific conditions approach.

**CITY OF SUNNYVALE
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

- Amortization lives are addressed:
 - Limited by contractual or legal provisions.
 - Renewal periods for rights may be considered if there is evidence that the government will seek and be able to achieve renewal and that any anticipated outlays to be incurred as part of achieving the renewal are nominal. Such evidence should consider the required consent of a third party and the satisfaction of any conditions required to achieve renewal.
 - An indefinite life (no amortization) is permitted so long as there are:
 - No limiting legal, contractual, regulatory, technological, or other factors, and
 - No subsequent change in circumstances.
 - A permanent right-of-way easement is an example.

Retroactive Application: For GASB 34 Phase I & II governments, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980. Retroactive reporting is not required for intangible assets with indefinite useful lives or internally generated intangibles, as of the effective date of this Statement.

Management Response:

The City is aware of GASB Statement No. 51 and will implement and report as required for FY 2009/2010.

**CITY OF SUNNYVALE
MEMORANDUM ON INTERNAL CONTROL**

STATUS OF PRIOR YEAR OTHER RECOMMENDATION

2007-01 Fraud Policies and Procedures

The City does not have a formal written policy on Management Fraud Prevention Program. According to the AICPA's SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*, it is important that management establish policies and procedures, and put them into action, in order to deter and prevent fraud. We recommend that the City adopt and implement formal written fraud policies and procedures to ensure the City personnel are aware of fraud risk areas.

Management Response:

Staff has drafted a formal written policy which will now undergo review by executive management. It is anticipated the policy will be adopted and implemented in FY 2008/2009.

REQUIRED COMMUNICATIONS

November 14, 2008

To the City Council of
the City of Sunnyvale, California

We have audited the financial statements of the City of Sunnyvale as of and for the year ended June 30, 2008 and have issued our report thereon dated November 14, 2008. Professional standards require that we advise you of the following matters relating to our audit.

Financial Statement Audit Assurance: Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit in accordance with generally accepted auditing standards does not provide absolute assurance about, or guarantee the accuracy of, the financial statements. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is an inherent risk that material errors, fraud, or illegal acts may exist and not be detected by us.

Other Information Included with the Audited Financial Statements: Pursuant to professional standards, our responsibility as auditors for other information in documents containing the City's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. Our responsibility also includes communicating to you any information that we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements. This other information and the extent of our procedures are explained in our audit report.

Accounting Policies: Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2008. As described in notes to the financial statements, during the year, the City implemented the following new standards:

- **GASB Statement No. 45 - Accounting And Financial Reporting By Employers For Postemployment Benefits Other Than Pensions**

GASB 45 uses Pension Accounting (GASB 27) to change the accounting for Other Post Employment Benefits (OPEB) to full accrual at the Entity-wide and proprietary funds financial statement levels. Under the concepts in GASB 45 an actuarial study or simplified measurement method calculation is performed to determine an Annual Required Contribution (ARC). So long as employers contribute this amount every year, no accrual adjustment is needed in the financial statements. A summary of the impacts of this statement are presented below:

As discussed in Note 11 to the financial statements, during the year ended June 30, 2008, the City contributed less than the ARC for fiscal 2007-08. The remaining ARC (termed Net OPEB Obligation) has been recorded as a liability and is being amortized over the actuarial amortization period in accordance with GASB 45 requirements. There was no cumulative effect of the accounting change as of the beginning of the year.

- **GASB Statement No. 48 - Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues**

This Statement establishes financial reporting for several categories of transactions. There was no cumulative effect on prior year financial statements. Note 13 to the financial statements included disclosures of revenue pledged for repayment of debt.

Unusual Transactions, Controversial or Emerging Areas: No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2008.

Estimates: Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

- *Landfill Post-closure Care Costs:* (Note 7D to the financial statements)- The City has estimated post closure costs of a landfill based on what it would cost to perform all currently mandated closure and post-closure care. Actual closure and post-closure care costs may be higher due to inflation variances, changes in technology, or changes in State or Federal regulations.
- *Town Center Pollution Remediation Obligations* (Note 16 to the financial statements): The City has estimated pollution remediation costs including legal and environmental consulting, reimbursement to the oversight agency, and costs related to remediation implementation and post-remediation monitoring.

Disagreements with Management: For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Retention Issues: We did not discuss any major issues with management regarding the application of accounting principles and auditing standards that resulted in a condition to our retention as the City's auditors.

Difficulties: We encountered no serious difficulties in dealing with management relating to the performance of the audit.

Audit Adjustments: For purposes of this communication, professional standards define an audit adjustment, whether or not recorded by the City, as a proposed correction of the financial statements that, in our judgment, may not have been detected except through the audit procedures performed. These adjustments may include those proposed by us but not recorded by the City that could potentially cause future financial statements to be materially misstated, even though we have concluded that the adjustments are not material to the current financial statements.

We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the entity's financial reporting process.

Uncorrected Misstatements: There were no uncorrected financial statement misstatements.

This report is intended solely for the information and use of the audit committee, City Council, and management and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates