

**December 7, 2010**

SUBJECT: FY 2009/2010 Budgetary Year-End Financial Report, Comprehensive Annual Financial Report, Redevelopment Agency Financial Report, and Sunnyvale Financing Authority 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, 2010. In addition, the City's audited Comprehensive Annual Financial Report (CAFR), the Redevelopment Agency Financial Report, and the Sunnyvale Financing Authority Financial Report for FY 2009/2010 are being presented for Council's information.

Overall the City's General Fund ended the year in a better financial position from that estimated in the Recommended Budget by approximately \$5.5 million. This is primarily the result of better than expected revenues in several areas, including Sales Tax and development-related taxes and fees. While there were also significant savings in the operations, the majority of these savings had already been incorporated into the FY 2010/2011 Recommended Budget. Year-end results in comparison to the estimates made for the Recommended Budget for other major funds are also included in this report.

BACKGROUND

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.

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 2009/2010.

The City's Comprehensive Annual Financial Report (CAFR) for FY 2009/2010, which has been prepared by staff and audited in accordance with Charter Section 1318, is presented to Council at this time for your information, along with the Sunnyvale Redevelopment Agency Financial Report and the Sunnyvale Financing Authority Financial Report.

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 2009/2010 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 2009/2010 are shown in the table on the following page. Total revenues exceeded the estimates for FY 2009/2010 included in the City Manager's Recommended Budget by approximately \$4.7 million.

FY 2009/2010 General Fund Revenues and Transfers - Estimated vs. Actual

<u>Description</u>	<u>Recommended Budget</u>	<u>Actual Revenues</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Percent Variance</u>
Property Taxes	\$ 43,270,592	\$ 43,699,859	\$ 429,267	0.99 %
Sales Taxes:				
Sales and Use Tax - City	23,500,000	25,431,710	1,931,710	8.22 %
Sales and Use Tax - Public Safety	1,000,000	1,158,626	158,626	15.86 %
Total Sales Tax	24,500,000	26,590,336	2,090,336	8.53 %
Other Taxes				
Business License Tax	1,250,000	1,363,638	113,638	9.09 %
Construction Tax	653,910	936,993	283,083	43.29 %
Real Property Transfer Tax	500,000	570,967	70,967	14.19 %
Total Other Taxes	2,403,910	2,871,598	467,688	19.46 %
Transient Occupancy Tax	5,513,241	5,578,196	64,955	1.18 %
Utility Users Tax	6,622,865	6,797,770	174,905	2.64 %
Franchises	5,975,125	5,979,301	4,176	0.07 %
Rents & Concessions	2,778,561	2,496,074	(282,487)	(10.17)%
Federal & Intergovernmental Revenues	1,207,095	954,170	(252,925)	(20.95)%
State Revenues:				
Motor Vehicle License Fees	365,700	408,379	42,679	11.67 %
Other State Revenues	361,450	608,753	247,303	68.42 %
State Library Grant	49,171	49,171	-	0.00%
Total State Revenues	776,321	1,066,303	289,982	37.35 %
Permits & Licenses	4,385,352	4,765,710	380,358	8.67 %
Fines & Forfeitures	1,128,841	1,107,547	(21,294)	(1.89)%
Service Fees:				
Abandoned Vehicles (AVASA)	185,000	199,678	14,678	7.93 %
Community Development Fees	1,105,698	1,172,757	67,059	6.06 %
Finance Fees	197,920	214,092	16,172	8.17 %
Library Fees	15,975	14,197	(1,778)	(11.13)%
Public Safety Fees	951,820	1,023,722	71,902	7.55 %
Public Works Fees	373,300	390,524	17,224	4.61 %
Parks and Recreation Fees	135,000	141,016	6,016	4.46 %
City-Wide Fees	11,095	9,711	(1,384)	(12.47)%
Total Service Fees	2,975,808	3,165,697	189,889	6.38 %
Interest Income	789,257	755,108	(34,149)	(4.33)%
Other Revenues:				
Interfund Revenues	5,537,998	6,924,400	1,386,402	25.03 %
Repayment to City - Town Center	1,769,490	1,987,407	217,917	-
Miscellaneous Revenues	231,717	993,636	761,919	328.81 %
Total Other Revenues	7,539,205	9,905,443	2,366,238	31.39 %
Transfers In/In Lieu Fees	9,933,341	\$10,019,710	86,369	0.87 %
Revenue Subtotal	\$ 119,799,514	\$ 125,752,822	\$ 5,953,308	4.97 %
Committed RDA Loan Amount	\$ -	\$ (1,244,392)	\$ (1,244,392)	0.00%
Revenue Total	\$ 119,799,514	\$ 124,508,430	\$ 4,708,916	3.93 %

Budget values are amounts from Recommended Budget

Property Tax revenues continued to grow in FY 2009/2010, up \$1.4 million over FY 2008/2009. This revenue growth was primarily attributable to the increases in Secured Tax. Total Property Tax revenue was approximately \$429K greater than what was projected for the Recommended Budget, primarily due to higher than expected revenues for Tax Delinquencies. Final

Secured Tax remittances, which represent approximately 90% of Property Tax revenue, tracked almost exactly to the projections made for the Recommended Budget. The growth in Secured Property Tax continued to be fueled by the increase in assessed valuations for residential properties over the past few years. While this appears to contradict information that has been provided recently by the County Assessor's Office, it is important to note that Property Tax remittances lag the economy by several years. This means that the recent reductions in assessed valuations will not begin to be reflected in Property Tax receipts until this fiscal year. Additional details on current and future projections for Property Tax are discussed in the Current Economic Conditions section of this report.

Sales Tax revenues in FY 2009/2010 totaled \$25.4 million, which was an increase of \$300K over FY 2008/2009. Final FY 2009/2010 revenues were approximately \$1.9 million above the amount projected for the Recommended Budget. This was the result of strong revenues in the final two quarters of the fiscal year, including a 21% increase in revenue in the fourth quarter of FY 2009/2010 in comparison to the fourth quarter of FY 2008/2009. Despite the strong finish, staff still has concerns as to whether recent increases are evidence of local economic recovery and sustainable growth. Similar to Property Tax, additional details related to Sales Tax will be discussed in the Current Economic Conditions section of this report.

Transient Occupancy Tax (TOT) revenues were down approximately \$100K from FY 2008/2009 revenues but were slightly higher than projections made for the Recommended Budget. Like Sales Tax, TOT revenues have been dramatically impacted by the recession. However, also like Sales Tax, the final two quarters of the fiscal year brought positive news, as monthly remittances for each month between December and June exceeded the amount from the same month in the previous fiscal year. Average room rates dropped from \$103/night in FY 2008/2009 to \$92/night in FY 2009/2010; however, occupancy rates were up five percentage points, to 61%, year-over-year.

Utility Users Tax (UUT) revenues were slightly down in comparison to FY 2008/2009 and were approximately \$175,000 higher than projected in the Recommended Budget. Reduced energy-related revenues were offset by increases to telecommunications-related revenues. Franchise Fees were approximately \$150,000 lower than FY 2008/2009 and met projections made for the Recommended Budget. The year-over-year decline in this revenue source was the result of lower than expected revenues from PG&E, which were partially offset by increases in cable-related franchise revenue.

The Real Property Transfer Tax revenues were relatively flat in comparison to FY 2008/2009 and exceeded projections made for the Recommended Budget. Real Property Transfer Tax is a tax on the transfer of interests in real estate

and is driven by the rate of turnover and changes in valuation. With turnover down and valuation growth much lower than it has been in recent years in the residential market, this revenue source has declined significantly over the past several years. However, as residential activity increases and valuations grow, this revenue source is expected to rebound to a higher baseline amount over the next several years.

Revenue received from the various permits and licenses offered by the City, as well as from Plan Check Fees, are a good indicator of the level of development activity within the City. After years of above-average activity, development-related revenues declined considerably in FY 2008/2009 and continued to decline into FY 2009/2010. FY 2009/2010 revenues were over \$1 million lower than FY 2008/2009 revenues. However, activity increased late in the fiscal year, which resulted in final revenues exceeding projections made for the Recommended Budget by nearly \$700,000. Staff believes that this recent increase in activity reflects a stabilization of this revenue source and that overall development-related revenues will return to a sustainable baseline amount over the next several years.

Interest earnings were lower than estimates made for the Recommended Budget by approximately \$34,000 and were \$1.1 million lower than interest earnings in FY 2008/2009. Much of the shortfall is associated with the continued decline in interest rates, which began dropping dramatically late in FY 2007/2008. Rates have dropped from 4.5% in March 2008 to 0.8% in June 2010. In addition to lower rates, other General Fund revenue shortfalls have reduced the Fund's reserve balances, which have led to a lower investment base.

Other revenues exceeded estimates made for the Recommended Budget by over \$2.4 million. Nearly \$1.6 million of this amount was related to loan repayments from the RDA that came in higher than expected; however, it is important to note the approximately \$1.2 million of that amount will need to be loaned back to the RDA to cover existing expenditure commitments. More details are provided in the RDA fund review, which is covered later in this report. The remaining \$800,000 was primarily the proceeds from the Sunnyvale school district's early payoff of its lease obligation to the City for modular classrooms (\$465,000) and significant revenues received for reimbursements for damage to City property (\$200,000). It is important to note that the lease revenue proceeds from the school district were utilized to pay off the bonds that financed the purchase of the modular classrooms, so the net impact to the City for this transaction is minimal.

Expenditures

General Fund expenditures for the fiscal year ending June 30, 2010 are shown in the table below:

FY 2009/2010 General Fund Expenditures and Transfers - Estimated vs. Actual

<u>Description</u>	<u>Amended Budget</u>	<u>Actual Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Percent Variance</u>
Equipment	\$ 333,475	\$ 88,241	\$ 245,234	73.54 %
Debt Service	177,270	625,960	(448,690)	-253.11%
Operations	116,500,339	115,869,109	631,230	0.54 %
Projects	5,593,870	3,948,174	1,645,696	29.42 %
Transfers	15,872,948	11,315,095	4,557,853	28.71 %
Total Expenditures Subtotal	138,477,902	131,846,579	6,631,323	4.79 %
Equipment Carryovers	-	200,449	(200,449)	0.00%
Project Carryovers	-	1,418,409	(1,418,409)	0.00%
Deferred Transfers	-	4,176,507	(4,176,507)	0.00%
Total Carryovers	-	5,795,365	(5,795,365)	-
Expenditures Grand Total	138,477,902	137,641,944	835,958	0.60 %

Includes Recommended Budget amounts plus Budget Modifications

The details of FY 2009/2010 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 2009/2010 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 Term 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 \$6.6 million in unexpended funds from FY 2009/2010, approximately \$5.8 million has been carried forward to FY 2010/2011 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 \$836,000 is savings to the General Fund and is the result of both operating and project savings. It is important to note that in comparison to budgeted General Fund appropriations, department operating programs saved approximately \$2.4 million in FY 2009/2010. As noted above, however, in order to present the most accurate financial position for the General Fund, approximately \$1.8 million of this savings was incorporated into the FY 2010/2011 Recommended Budget.

Additionally, the \$450,000 overage in debt service expenditures was related to the City's pay off of the bonds related to the modular classrooms utilized by the school district. As noted in the revenues section of this report, this expense

was offset by proceeds related to the lease of these classrooms to the school district, resulting in no material fiscal impact to the City.

Final Fund Results

The final position of the General Fund, as reflected in this Year-End Financial Report, is approximately \$5.5 million more favorable to the City in comparison to 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:

	Amended FY 2008/2009 Budget	Actual FY 2008/2009 Results	Variance
Total Revenues	\$ 119,799,514	\$ 124,508,430	\$ 4,708,916
Total Expenditures Including Carryovers	138,477,902	137,641,944	835,958
Net Results - Decrease in GF Reserves	\$ (18,678,388)	\$ (13,133,514)	\$ (5,544,874)

In total, the City’s General Fund closed FY 2009/2010 approximately \$5.5 million better than projected, which predominantly resulted in the Budget Stabilization Fund being drawn down less than was expected. While this is certainly good news, the reality is that the Budget Stabilization Fund still had to be drawn down significantly to mitigate the revenue shortfall in FY 2009/2010. The current General Fund Long-Term Financial Plan reflects a projected drawdown of the Budget Stabilization Fund eleven of the next twelve years, ending FY 2022/23 with a balance of \$9.4 million. As noted in the City Manager’s Transmittal Letter in the FY 2010/11 Recommended Budget, this plan is not optimal and requires adjustment going forward to create a more sustainable balance between revenues and expenditures that does not require such a drastic draw down of the Budget Stabilization Fund. Further, staff is reevaluating the appropriate level for maintaining the Budget Stabilization Fund going forward to assure the City’s ability to react strategically to drastic changes in economic conditions.

The current economic climate, specifically as it relates to the City’s fiscal condition, 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 2009/2010,

including certain grants and reimbursements, 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.

	FY 2008/2009	FY 2009/2010
Total Recurring Revenues	120,178,837	123,334,007
Total Recurring Expenditures	(125,933,880)	(125,462,754)
Difference	(5,755,043)	(2,128,747)

As is evidenced by the table, the City is still spending more than it is taking in on an ongoing basis. However, the FY 2009/2010 results are far better than the FY 2008/2009 results, which is the product of the significant actions taken to reduce expenditures and curb expenditure growth, as well as an improved economic climate that increased some revenues above projected amounts. Even with these actions, further expenditure cuts may be required to return the City to a state in which recurring revenues are, at a minimum, equivalent to recurring expenditures. This situation makes the deferred infrastructure maintenance and development more difficult, prohibits reinstatement of services and lost positions, and may result in further degradation in both areas.

Other Funds

In addition to the General Fund, other funds that warrant further discussion are highlighted below:

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 2009/2010 was approximately \$1.6 million higher than budgeted. However, as noted previously, approximately \$1.2 million of this amount will need to be loaned back to the RDA during FY 2010/2011 to cover obligations for ongoing special projects and the expected impact of assessed valuation appeals on commercial properties that will negatively impact the RDA's tax increment revenue.

The State's fiscal problems continue to impact RDA revenues, as ABX4-26, a state budget trailer bill, was passed in July 2009 as part of the State's FY 2009/2010 budget. This bill authorized the State to take a total of \$2.05 billion during FY 2009/2010 and FY 2010/2011 from redevelopment agencies throughout the State. The impact on Sunnyvale was a take of approximately \$2 million in FY 2009/2010 and another \$415,000 planned for FY 2010/2011.

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 these funds 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 approximately \$44 million, of which nearly all is being carried forward to be spent in FY 2010/2011. A large portion of the unspent FY 2009/2010 funds available in FY 2010/2011 is for either the Mathilda Avenue Railroad Overpass Improvements project (\$30.3 million) or the Downtown Streetscape Improvements project (\$1.9 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 the majority of its revenues from user fees collected from the City's water rate payers. During the review of the fund for the FY 2010/2011 rate setting process, staff revised

revenue estimates and adjusted expenses to account for projected sales as well as project carryover funds from capital projects.

Revenues and other resources came in approximately \$470,000 under estimates. The fund sold approximately 10% less water than in the prior year, continuing the trend of shifting sales towards the bottom tiers of the Water Fund pricing structure, and therefore earning less revenue per unit of water sold. This reduction in revenue was offset by a reduction in total operating expenditures of approximately \$700,000. The bulk of the savings came from purchased water, which finished approximately \$590,000 lower than estimated.

Solid Waste Management Fund

The Solid Waste Management Fund accounts for operation of the City's solid waste collection and disposal system. Revenues are received from user fees and from the sale of recyclable materials. The fund's expenses primarily consist of charges for the Sunnyvale Materials Recovery and Transfer (SMaRT®) Station operations, disposal fees at Kirby Canyon Landfill, and the contractor payment to Bay Counties Waste Services (Specialty Solid Waste and Recycling) for collection of garbage, yard trimmings and recyclable materials. Revenues in this fund are driven primarily by the volume of garbage collected and disposed. As measured by weight, quantities were down about 10% from the previous year. Fund expenses are driven partially by quantities of garbage, but are largely fixed costs for the collection system and SMaRT Station equipment and infrastructure. Overall, the Solid Waste Management Fund finished FY 2009/2010 very close to what had been projected in the Recommended Budget.

In the SMaRT Station Fund, the delayed wrap up of the SMaRT Station Materials Recovery Equipment project increased both expenses and revenues for SMaRT Station operations, with a net positive effect of \$272,000 in this fund compared to the original budget.

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 approximately \$835,000 higher than projections. This was due primarily to higher than anticipated revenues from services fees and unanticipated revenue from connection fees related to the Town Center and other development projects. Fund expenses were approximately \$750,000 less than budgeted, which was primarily the result of savings in project-related expenses and reductions in both the unit cost and quantity of chemicals used

for treating both regular wastewater discharge and the production of recycled water.

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 \$535,000 lower than what was anticipated in the FY 2009/2010 Recommended Budget, which was predominantly the result of golf fees and golf shop revenues not meeting revised estimates. Expenditures were only slightly lower than expected, resulting in an ending fund balance that is lower than the fund balance reflected in the Recommended Budget by approximately \$520,000.

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 general services in FY 2009/2010, including carryovers, were \$17.5 million. Overall, the fund finished approximately \$268,000 better than was projected in the FY 2010/2011 Recommended Budget. This is attributable to operating savings in the Department of Information Technology, as actual non-personnel expenditures were lower than anticipated due to cost savings for utilities (telecommunications), satellite copiers, and hardware/software maintenance and support. There were also some savings related to fleet vehicle replacement, as the replacement of some vehicles was deferred after an assessment on their condition warranted an extended life expectancy.

Employee Benefits Fund

The Employee Benefits Fund ended in better financial position than anticipated in the FY 2010/2011 Recommended Budget. This is predominantly the result of lower than expected expenditures in the Retirement Benefits Sub-fund, as the salary deferrals taken by the bargaining units partially mitigated the expected increase in pension costs. In addition, the Medical and Insurance Sub-fund now has a dedicated reserve of nearly \$33 million to fund the City's Other Post-Employment Retirement Benefits (OPEB) Trust for retiree medical costs. Council has previously approved the City entering into the Trust, and the transfer of these funds will occur in FY 2010/2011.

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

The ability of the City to withstand difficult economic times has been put to the test over the past two years, as the recession that gripped the worldwide economy has taken a toll on the City of Sunnyvale. The General Fund 20-Year Long-Term Financial Plan included in the FY 2009/2010 Adopted Budget incorporated a "reset" that reflected Sunnyvale's new fiscal reality. Both short- and long-term projections for a number of major revenue sources were reduced to consider a declining revenue base. The impact of the significant market losses by CalPERS that will considerably increase the City's costs for providing retirement benefits in the future was integrated into our projected operating expenditures. A comprehensive and critical review of the City's operations yielded a number of recurring cost saving actions that saved the General Fund approximately \$4.2 million annually. Projections for future salary and benefits increases were tempered to align with future projections for revenues.

As FY 2009/2010 began to unfold, however, it was evident that these actions were not enough to allow the City to absorb the impact of its reduced revenue base and its projected expenditure increases. As such, the FY 2010/2011 Adopted Budget incorporated additional actions required to produce a balanced 20-Year Long-Term Financial Plan. These actions included continuing to address rising personnel costs by deferring salary increases, eliminating a number of vacant positions, and beginning the process of studying and identifying alternatives to our existing pension plan; increasing efficiency through reorganizations to reduce redundancy and achieve economies of scale; and judiciously drawing down on our Budget Stabilization Fund. The last action, the significant drawdown on the Budget Stabilization Fund, is the most pressing concern, as the FY 2010/2011 Adopted Budget included a \$23 million drawdown over the next twelve years. This action does not serve to stabilize services during fluctuations in the economy, which is the intended purpose of the Budget Stabilization Fund, but it instead subsidizes service levels to avoid additional cuts, evidence of an ongoing structural problem.

As FY 2009/2010 came to a conclusion, there were some positive signs with respect to a few of the City's main revenue sources. A strong final quarter of Sales Tax revenues, driven by significant year-over-year gains in the autos and transportation and business and industry categories, produced growth in this revenue source over FY 2008/2009, which was entirely unexpected. Additionally, development-related activity picked up in the final quarter, as several large-scale projects as well as general activity drove revenues in this

area above projections. Staff is cautiously optimistic that these two major revenue sources, which dropped precipitously over the past two years, have stabilized and will generate the modest growth that has been projected going forward.

Despite positive news related to some revenue sources, there are still significant concerns going forward. The positive economic news and improved climate did not result in growth for a number of major revenues, including Utility Users Tax, Franchise Fees, Transient Occupancy Tax, and interest earnings, with the interest earnings dropping significantly from the previous year. Furthermore, the General Fund's largest revenue source, Property Tax, has yet to be impacted by the recession due to the lag in the assessment valuation and appeals process. The City is aware, however, of substantial outstanding appeals related to our commercial property inventory. City staff expects resolution of these appeals to result in reduced Secured Property Tax revenues related to commercial properties in FY 2011/2012 and FY 2012/2013 before growth resumes in FY 2013/2014. Because of the unprecedented nature of the total valuation being appealed Countywide, there are concerns that revenue losses will be worse than projected. Staff is currently monitoring the status of the City's FY 2011/2012 assessment roll on a monthly basis to ensure it remains aware of material changes above and beyond what we have currently projected.

The expenditure side also remains a major concern, especially as it relates to personnel costs. While the City has taken a number of actions to begin containing these costs, which constitute over 80% of General Fund operating expenditures, the volatility of our pension expenses continues to be an issue. The significant market losses realized by CalPERS in FY 2008/2009 will begin impacting our contribution rates starting next fiscal year. CalPERS has been through a number of different iterations with respect to how to apply these rate increases to mitigate the negative impact on employers. Regardless of how CalPERS does ultimately decide to phase in these rate increases, the losses that CalPERS took in FY 2008/2009 will result in a significant increase to the City's contribution rates beginning in FY 2011/2012. Additionally, every five years CalPERS does an experience study in which it reviews and updates, as necessary, the underlying assumptions it uses to develop its actuarial valuations. The results of the most recent experience study, which will also be incorporated into the City's FY 2011/2012 rates, require rate increases due to a variety of factors, including salary increases above previous projections, longer life-spans post-retirement, and slightly higher retirement ages.

As of this report, the City is awaiting its valuation report from CalPERS, which will set the final FY 2011/2012 rates and estimate the FY 2012/2013 and FY 2013/2014 rates. Once this information is provided, staff will incorporate the updated rates into our 20-Year Long-Term Financial Plan. An update on the City's CalPERS contribution rates and the impact on the General Fund's Long-

Term Financial Plan will be provided at the January 28, 2011 Study/Budget Issues Workshop.

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.

FY 2009/2010 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. 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 auditors did not identify any deficiencies in the FY 2009/2009 MOIC (Attachment B).

The MOIC also contains information on certain new accounting standards that will apply to the City in coming years. Staff is aware of these GASB statements and will implement and report under the required timeframes. In fact, staff has implemented a year early for GASB 54.

REDEVELOPMENT AGENCY FINANCIAL REPORT

Information regarding the fiscal status of the City’s Redevelopment Agency (RDA) has been presented throughout this report. Because the RDA is a separate component unit of the City, however, it does have its own annual financial report. This financial report is presented for Council’s information as Attachment D.

SUNNYVALE FINANCING AUTHORITY FINANCIAL REPORT

Because the Sunnyvale Financing Authority (Authority) is a separate component unit of the City, it also has its own annual financial report. This financial report is presented for Council’s information as Attachment E. The

Authority's main activity is the issuance of debt for the benefit of the City. The primary action from the Authority in FY 2009/2010 was the refunding of the City's 2001 Water and Wastewater Bonds. In order to cover the outlay for this refunding, Council authorized the City to issue utility revenue bonds for the purpose of refunding the 2001 bonds and funding needed significant capital improvements to the water and wastewater facilities. Details on this refunding are covered in the City's CAFR, as well as in the Authority's Financial Report.

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 2009/2010 in better position than was estimated in the Recommended Budget by approximately \$5.5 million. Even with those positive results, however, there are a number of revenue and expenditure areas that remain a significant concern. Staff is currently reviewing the available data in these areas in an effort to provide updated information at the January 28, 2011 Study and Budget Issues Workshop. The Workshop will include a presentation regarding the City's current financial status, particularly the impact on our Long-Term Financial Plans, and potential further actions that will be required.

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, the Memorandum on Internal Control and Required Communications issued by the independent auditors, the Redevelopment Agency Financial Report, and the Sunnyvale Financing Authority Financial Report.

Reviewed by:

Grace Leung, Director of Finance
Prepared by: Drew Corbett, Budget Manager

Approved by:

Gary Luebbbers, 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)
- D. Redevelopment Agency Financial Report (CD Format)
- E. Sunnyvale Financing Authority Financing Report (CD Format)

Fund 35 - General Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Equipment			
020000 General Equipment	\$ 164,835	\$ -	\$ 164,835
020901 Public Safety Equipment	123,855	88,241	35,614
Total Equipment	288,690	88,241	200,449
Debt Service			
7900 1998 ABAG COP	177,270	625,960	(448,690)
Total Debt Service	177,270	625,960	(448,690)
Operating Programs			
City Council			
739 City Council	702,098	592,314	109,784
Total City Council	702,098	592,314	109,784
City Attorney			
751 Comprehensive Legal Services	1,722,314	1,725,490	(3,177)
Total City Attorney	1,722,314	1,725,490	(3,177)
City Manager			
526 Youth, Family, and Child Care Resources	228,107	227,950	157
725 Community Building, Civic Engagement, and Volunteering	391,696	366,113	25,583
726 Intergovernmental Relations (IGR)	137,502	131,208	6,294
727 Policy Analysis and Citywide Process Improvement	159,820	149,829	9,990
728 Council - Appointed Advisory Board and Commissions	142,686	48,652	94,034
729 Office of the City Manager Dptmt Management & Support Services	1,249,019	1,266,219	(17,200)
735 Communications	580,051	523,672	56,379
736 Public Records and City Elections	833,681	807,472	26,208
Total City Manager	3,722,562	3,521,116	201,446
Community Development			
230 Housing and Human Services	136,814	129,126	7,688
242 Land Use Planning	2,109,040	2,118,612	(9,572)
243 Construction Permitting	2,532,432	2,462,506	69,926
245 Neighborhood Preservation	833,284	848,800	(15,517)
246 Community Development Dptmt Management & Support Services	291,063	338,351	(47,289)
247 Economic Development	535,749	343,613	192,136
Total Community Development	6,438,381	6,241,008	197,373
Finance			
710 Financial Management and Analysis	586,451	533,261	53,190
717 Payroll Administration	511,614	522,362	(10,748)
718 Finance Department Management and Support Services	189,318	187,812	1,506
719 Accounting and Financial Reporting	820,337	747,600	72,737
720 Utility Billing, Collection and Revenue Management	2,100,570	2,090,569	10,001
740 Purchasing and Payment of City Obligations	1,526,112	1,629,020	(102,908)
743 Budget Management	866,612	738,618	127,994
744 Treasury / Cash Management	921,836	983,793	(61,957)
745 Internal Audits	388,108	179,543	208,566
Total Finance	7,910,957	7,612,577	298,379
Human Resources			
755 Recruitment, Classification, and Compensation	1,169,106	819,078	350,028
757 Employee/Labor Relations and Employee Development	975,575	856,237	119,338
758 Employee Benefits, HRIS, Workers' Comp, Safety & Wellness Admin	1,042,094	898,656	143,438
759 HR Department Public Info, Management, & Support Services	366,710	365,502	1,207
786 City Liability and Property Information	532,677	473,850	58,828
Total Human Resources	4,086,163	3,413,324	672,839

Fund 35 - General Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Library			
610 Borrower Services/Circulation of Library Materials	2,112,628	2,085,226	27,402
611 Library Services for Adults	930,442	919,854	10,588
612 Library Services for Children and Teens	813,444	797,916	15,528
613 Acquire Library Materials for the Public	1,167,074	1,201,499	(34,425)
614 Library Technology Services	319,034	286,136	32,898
615 Prepare Library Materials for the Public	776,404	744,964	31,440
616 Outreach and Publicity Services	99,889	65,050	34,838
617 Library Department Management and Support Services	837,899	949,402	(111,503)
Total Library	7,056,813	7,050,047	6,766
Parks and Recreation			
265 Neighborhood Parks and Open Space Management	6,707,333	6,587,586	119,747
601 Park and Recreation Management	757,229	715,271	41,958
Total Parks and Recreation	7,464,562	7,302,857	161,705
Public Safety			
481 Police Services	22,214,659	21,153,078	1,061,581
482 Fire Services	22,232,367	22,372,462	(140,095)
483 Community Safety Services	4,437,770	4,182,976	254,795
484 Personnel and Training Services	2,358,160	2,269,745	88,416
485 Special Operations	6,297,232	6,551,304	(254,072)
486 Technical Services	3,454,719	3,777,372	(322,653)
487 Public Safety Administration	5,042,935	5,425,944	(383,009)
488 Records, Management and Property Services	2,011,539	2,311,111	(299,572)
Total Public Safety	68,049,382	68,043,992	5,390
Public Works			
115 Transportation Operations	2,023,840	1,850,795	173,045
117 City Streetlight System	1,089,828	1,199,748	(109,921)
118 Pavement Operations	2,392,340	2,217,752	174,588
216 Roadside and Median Right-of-Way Services	1,374,285	1,119,051	255,234
217 Concrete Maintenance	1,058,003	1,059,814	(1,812)
218 Street Tree Services	1,358,732	1,125,522	233,210
302 Public Works Support Services	688,479	692,589	(4,110)
303 City Property Management Services	292,391	269,361	23,030
306 Engineering Services	878,394	831,750	46,643
Total Public Works	11,156,292	10,366,383	789,909
Total Operating Programs	118,309,523	115,869,109	2,440,414
Non-Departmental			
Recurring Expenditures:			
Transfers Out:			
7900 Capital Projects Fund-General Assets	4,289,869	789,756	3,500,112
7900 Community Recreation Fund - Leisure Services	4,614,373	4,641,720	(27,347)
7900 General Services Fund - Proj Mgmt Serv	361,490	446,813	(85,323)
7900 General Services Fund Tech & Communication Services	66,416	66,416	0
7900 Infrastructure Fund - General Assets	2,066,147	678,830	1,387,317
7900 Liability and Property Insurance Fund	942,762	942,762	-
7900 Youth Services Fund	550,497	550,497	0
7900 Payment to Town Center Developer Per ARDDOPA*	1,769,490	1,987,407	(217,917)
Total Transfers Out	14,661,044	10,104,202	4,556,842
7900 Lease Payments to RDA for Parking Structure**	1,210,892	1,210,893	(1)
Total Recurring Non-Departmental Expenditures	15,871,936	11,315,095	4,556,841
Total Non-Departmental	15,871,936	11,315,095	4,556,841

* This amount is an accrued expenditure based on the current ARDDOPA. These funds have not actually been paid and are subject to amendments to the ARDDOPA.

Fund 35 - General Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<i>** This amount is an accrued expenditure based on terms of the parking insurance agreement but has not been paid.</i>			
Projects			
805150 Library Foundation Program Grant	212,682	17,869	194,813
809901 Government Access Programming	119,099	-	119,099
820570 Minor Building Modifications	10,267	10,267	-
820610 Downtown Area Maintenance	35,000	27,952	7,048
821010 City Owned Properties - Downtown	8,459	8,459	-
821350 AVASA Equipment Acquisition	18,209	-	18,209
823500 Junior Achievement Sunnyvale [GF]	5,000	5,000	-
824940 Murphy Avenue Tree Lights Maintenance	2,926	730	2,196
825570 239 - 241 Commercial Street Property Maintenance	109	109	-
825700 Update of Mandated General Plan Sub-elements	56,765	36,996	19,769
826180 FY 06-07 #2 Recruitment and Training for Sworn Officers	-	408	(408)
826220 FY 08-09 #7 Recruitment and Training for Sworn Officers	962,477	434,000	528,477
826230 FY 09-10 #9 Recruitment and Training for Sworn Officers	571,604	1,099,164	(527,560)
826552 Onizuka AFS Base Realignment and Closure (BRAC) - Phase 2	667,274	460,920	206,354
826620 Town Center Construction - Public Works Services	160,000	86,650	73,350
826640 Town Center Construction - Fire Prevention Services	25,100	25,100	-
826660 Finance Department Staffing Study	1,934	1,935	(1)
827230 Second Harvest Food Bank - Operation Brown Bag [GF]	5,134	5,134	-
827310 Emergency Operations Planning and Management	18,185	18,185	-
827350 State 911 Enhancement Funding Project	16,000	-	16,000
827360 State 911 GIS Technology Funding Project	30,267	7,572	22,695
827390 Department Operational Efficiency & Optimum Staffing Studies	165,541	115,541	50,000
827400 Implement CalEPA Aboveground Petroleum Storage Act	27,259	10,751	16,509
827420 Urban Forestry Management Plan	32,804	30,286	2,518
827500 New Residential Heritage Districts - 2008 Study Issue	904	904	-
827650 RFID/Library Automated Materials Handling System	1,000,958	1,020,366	(19,408)
827700 Electronic Records Management System	714	714	(0)
827710 Catholic Charities Hsng. Search & Stabilization Svcs. [GF]	5,134	5,134	-
827720 Catholic Charities - Long Term Care Ombudsman Program [GF]	6,148	6,148	-
827770 Senior Housing Solutions [GF]	9,025	9,025	-
827790 Senior Adult Legal Assistance (SALA) [GF]	6,836	6,836	-
827870 Silicon Valley Leadership	6,000	6,000	-
827890 CPR Anytime Training to Sunnyvale High School Youth	14,970	14,970	(0)
827940 Seatbelt Education and Enforcement	2,231	2,231	-
827950 Sobriety Checkpoint Mini-Grant	8,855	8,855	-
827970 History Museum Utility Reimbursement	4,000	4,000	-
827980 Digital Storytelling Grant	5,000	5,000	-
827990 We've Only Just Begun- LSTA	1,630	1,630	-
828000 "Avoid the 13" DUI Enforcement Campaign	11,235	11,235	-
828070 Fire Apparatus Mobile Data Terminals (MDTs)	232,068	232,068	-
828080 Emergency Management Preparedness Grant - EMPG FY 09/10	39,510	14,350	25,160
828440 Catholic Charities: Day Break III	5,853	5,853	-
828480 Abilities United: Maximizing Independence & Employment Train	5,258	5,258	-
828560 Seatbelt Education and Enforcement	23,196	13,753	9,443
828630 Climate Action Plan	100,000	23,318	76,682
828640 Acterra Home Energy Audits	49,500	12,375	37,125
828650 Emergency Management Preparedness Grant - EMPG FY09	73,732	-	73,732
828660 FY 2009 Urban Shield	64,432	64,432	-
828690 Land Use & Transportation Study	449,705	27,511	422,194
828770 2008 State Homeland Security Training Program: Rescue System	8,528	8,528	(0)
828790 2008 State Homeland Security Training Prog: First Responder	18,771	17,206	1,565
828840 Project Readiness Initiative Program	25,000	17,450	7,550
828850 Library Programming Enhancement	5,000	-	5,000
828860 Laptop Computer for After-School Homework Center	1,200	-	1,200
828870 Downtown Association Jazz Series on Murphy Avenue	10,000	-	10,000
Total Projects	5,347,484	3,948,174	1,399,310
Total Appropriations	139,994,904	131,846,579	8,148,324
Project and Equipment Carryovers	0	1,618,856	(1,618,856)
Deferred Transfers Out	0	4,176,507	(4,176,507)
Unexpended Project Funds Returned to Fund	0	(1,093,775)	1,093,775

Fund 35 - General Fund

<u>Description</u>	<u>Current Budget</u>	<u>Actual Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
Total	<u>139,994,904</u>	<u>136,548,167</u>	<u>3,446,736</u>

Fund 70 - Housing Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
Community Development			
230 Housing and Human Services	\$ 527,946	\$ 518,076	\$ 9,870
Total Community Development	<u>527,946</u>	<u>518,076</u>	<u>9,870</u>
Total Operating Programs	<u>527,946</u>	<u>518,076</u>	<u>9,870</u>
Non-Departmental			
7900 Housing - Housing Mitigation	38,450	38,450	-
Total Recurring Non-Departmental Expenditures	<u>38,450</u>	<u>38,450</u>	<u>-</u>
Total Non-Departmental	<u>38,450</u>	<u>38,450</u>	<u>-</u>
Projects			
823750 BMR Compliance Enforcement	54,122	468	53,654
825930 City Owned Prpty-Downtown/388 Charles St	2,093	2,093	-
826520 Pre-Dvlpmnt Costs-Affrdble Housng Sites	11,529	11,529	-
827590 Dvlp Afford Sr Housing-Fair Oaks	5,402,029	5,010,301	391,727
828100 First-Time Homebuyer Loans (81-120% AMI)	27	27	(0)
828110 Housing Trust Fund (HTFSCC) Phase IV Contribution	200,000	200,000	-
828822 Infill Infrastructure Grant for Fair Oaks Sr. Housing	-	296,492	(296,492)
Total Projects	<u>5,669,799</u>	<u>5,520,910</u>	<u>148,890</u>
Total Appropriations	<u>6,236,196</u>	<u>6,077,436</u>	<u>158,760</u>
Project Carryovers	-	445,381	(445,381)
Unexpended Project Funds Returned to Fund	-	(171,076)	171,076
Total	<u>6,236,196</u>	<u>6,351,741</u>	<u>(115,545)</u>

Fund 71 - HOME Grant Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
Community Development			
230 Housing and Human Services	\$ 70,547	\$ 70,457	\$ 90
Total Community Development	<u>70,547</u>	<u>70,457</u>	<u>90</u>
Total Operating Programs	<u>70,547</u>	<u>70,457</u>	<u>90</u>
Non-Departmental			
7900 General Fund	6,178	5,707	471
Total Non-Departmental	<u>6,178</u>	<u>5,707</u>	<u>471</u>
Projects			
827860			
Develop Affordable Senior Housing - Fair Oaks/Garland [HOME]	783,000	783,000	-
828120 First-Time Homebuyer Loans (up to 80% AMI)	76,695	76,695	-
828530 Aster Park Rehabilitation	1,300,000	-	1,300,000
Total Projects	<u>2,159,695</u>	<u>859,695</u>	<u>1,300,000</u>
Total Appropriations	<u>2,230,242</u>	<u>930,152</u>	<u>1,300,090</u>
Project Carryovers	-	1,300,000	(1,300,000)
Unexpended Project Funds Returned to Fund	-	(173,305)	173,305
Total	<u>2,230,242</u>	<u>2,056,847</u>	<u>173,395</u>

Fund 110 - Community Development Block Grant Fund

<u>Description</u>	<u>Current Budget</u>	<u>Actual Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Programs			
Community Development			
230 Housing and Human Services	\$ 434,672	\$ 426,416	\$ 8,256
Total Community Development	<u>434,672</u>	<u>426,416</u>	<u>8,256</u>
Total Operating Programs	<u>434,672</u>	<u>426,416</u>	<u>8,256</u>
Non-Departmental			
7900 General Fund	38,043	35,570	2,473
Total Non-Departmental	<u>38,043</u>	<u>35,570</u>	<u>2,473</u>
Projects			
800851 Support Network for Battered Women (SNBW) [CDBG]	18,842	18,842	0
803501 CDBG Housing Rehabilitation Revolving Loan Fund	996,883	61,949	934,934
803601 Sunnyvale Community Services [CDBG]	54,926	54,926	0
Catholic Charities - Long Term Care Ombudsman			
804751 Program [CDBG]	12,627	12,627	0
First United Methodist Church - Sr. Nutrition Program			
811351 [CDBG]	20,432	20,432	0
812701 Home Access, Paint and Emergency Repair Program	66,697	56,438	10,259
818301 Fair Housing Services	20,000	20,000	0
820631 ADA Curb Retrofit	636,112	352,442	283,670
822911 Columbia Neighborhood Center Facility Expansion	1,012,998	165,459	847,539
824350 The Health Trust - Meals on Wheels [CDBG]	8,520	8,520	0
824370 Friends for Youth - Mentoring [CDBG]	10,913	10,913	0
825870 Live Oak Adult Day Services [CDBG]	12,639	12,639	0
825920 Bill Wilson Center [CDBG]	15,864	15,864	0
827200 Outreach and Transportation Assistance for Seniors	17,702	17,702	0
827211 EHC Life Builders - Sunnyvale HOMES Program	27,396	27,396	0
827221 Family & Children's Services-Columbia Center	22,464	18,744	3,720
828130 Homelessness Prevention	503,644	502,197	1,447
828140 CDBG Sidewalk Replacement	450,000	450,000	0
828450 MayView Community Health Center	10,644	10,644	0
Santa Clara Family Health Foundation- Healthy Kids			
828460 Program	14,194	14,194	0
West Valley Community Services- Rotating Shelter			
828470 Program	10,774	10,774	0
828500 Orchard Gardens Neighborhood Traffic Calming	50,000	50	49,950
828510 ADA Curb Retrofit: CDBG-R	265,924	265,924	0
Total Projects	<u>4,260,194</u>	<u>2,128,676</u>	<u>2,131,518</u>
Total Appropriations	<u>4,732,909</u>	<u>2,590,662</u>	<u>2,142,247</u>
Project Carryovers	0	2,131,519	(2,131,519)
Unexpended Project Funds Returned to Fund	0	(29,545)	29,545
Total	<u>4,732,909</u>	<u>4,692,636</u>	<u>40,273</u>

Fund 141 - Park Dedication Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Non-Departmental			
7900 Capital Projects Fund - General Assets	\$ 1,271,317	\$ 227,860	\$ 1,043,457
7900 Infrastructure Fund - Community Recreation Assets	529,699	95,824	433,876
7900 Infrastructure Fund - General Assets	2,718,992	576,228	2,142,764
7900 Infrastructure Fund - Project Management Services	124,393	97,658	26,735
Total Non-Departmental	4,644,401	997,569	3,646,832
Projects			
821001 City Owned Properties - Adjacent to Parks	13,679	34,693	(21,014)
Total Projects	13,679	34,693	(21,014)
Total Appropriations	4,658,080	1,032,262	3,625,818
Deferred Transfers Out	-	3,370,757	(3,370,757)
Total	4,658,080	4,403,019	255,061

Fund 175 - Asset Forfeiture Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
Public Safety			
481 Police Services	\$ 2,030	\$ -	\$ 2,030
Total Public Safety	<u>2,030</u>	<u>-</u>	<u>2,030</u>
Total Operating Programs	<u>2,030</u>	<u>-</u>	<u>2,030</u>
Non-Departmental			
7900 General Fund - General	93,565	92,600	965
Total Non-Departmental	<u>93,565</u>	<u>92,600</u>	<u>965</u>
Projects			
819840 Police Services Equipment Acquisition	79,000	55,748	23,252
828150 Police Services Equipment - Cell Phones	48,000	48,000	-
Total Projects	<u>127,000</u>	<u>103,748</u>	<u>23,252</u>
Total Appropriations	<u>222,595</u>	<u>196,348</u>	<u>26,247</u>
Project Carryovers	-	23,252	(23,252)
Total	<u>222,595</u>	<u>219,600</u>	<u>2,995</u>

Fund 190 - Police Services Augmentation Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
Public Safety			
481 Police Services	\$ -	\$ 90	\$ (90)
483 Community Safety Services	225,394	143,805	81,589
Total Public Safety	<u>225,394</u>	<u>143,895</u>	<u>81,499</u>
Total Operating Programs	<u>225,394</u>	<u>143,895</u>	<u>81,499</u>
Non-Departmental			
7900 Police Services Augmentation Fund Supplement	92,584	92,686	(102)
Total Non-Departmental	<u>92,584</u>	<u>92,686</u>	<u>(102)</u>
Total Appropriations	<u>317,978</u>	<u>236,581</u>	<u>81,397</u>
Total	<u>317,978</u>	<u>236,581</u>	<u>81,397</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	\$ 862,032	\$ 688,558	\$ 173,473
536 Employment Services Provided to WIA Enrolled Participants	4,945,640	4,287,161	658,479
537 Business Services	1,396,027	1,292,307	103,720
538 Youth Services	1,255,105	1,179,060	76,045
539 Enterprise Support	2,700,974	2,208,398	492,576
542 Supplemental Grants - Staffed	273,484	253,892	19,592
543 Supplemental Grants - Managed	503,256	577,826	(74,570)
Total Employment Development	<u>11,936,516</u>	<u>10,487,202</u>	<u>1,449,315</u>
Total Operating Programs	<u>11,936,516</u>	<u>10,487,202</u>	<u>1,449,315</u>
Non-Departmental			
7900 General Fund - General	524,206	459,339	64,867
Total Non-Departmental	<u>524,206</u>	<u>459,339</u>	<u>64,867</u>
Total Appropriations	<u>12,460,722</u>	<u>10,946,541</u>	<u>1,514,181</u>
Total	<u>12,460,722</u>	<u>10,946,541</u>	<u>1,514,181</u>

Fund 245 - Parking District Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
Public Works			
247 Economic Development	\$ 6,684	\$ 9,419	\$ (2,735)
254 Parking District Landscaping Management	77,663	62,907	14,756
255 Downtown Parking District Parking Lots	57,634	52,056	5,577
310 Land Development - Engineering Services	-	(667)	667
Total Public Works	<u>141,980</u>	<u>123,715</u>	<u>18,265</u>
Total Operating Programs	<u>141,980</u>	<u>123,715</u>	<u>18,265</u>
Non-Departmental			
7900 General Fund - General	14,729	14,729	-
Total Non-Departmental	<u>14,729</u>	<u>14,729</u>	<u>-</u>
Projects			
824700 Downtown Parking Maintenance Assessment	1,996	1,996	0
Total Projects	<u>1,996</u>	<u>1,996</u>	<u>0</u>
Total Appropriations	<u>158,705</u>	<u>140,440</u>	<u>18,265</u>
Total	<u>158,705</u>	<u>140,440</u>	<u>18,265</u>

Fund 280 & 281 - Gas Tax Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Program			
Public Works			
118 Pavement Operations	\$ 2,050,946	\$ 2,009,484	\$ 41,462
Total Public Works	<u>2,050,946</u>	<u>2,009,484</u>	<u>41,462</u>
Total Operating Programs	<u>2,050,946</u>	<u>2,009,484</u>	<u>41,462</u>
Non-Departmental			
7900 General Services Fund - Project Management Service	35,957	48,248	(12,291)
7900 Capital Projects Fund - Gas Tax Funded	3,858,661	446,904	3,411,757
7900 Infrastructure Fund - General Assets	1,913,434	480,475	1,432,959
Total Non-Departmental	<u>5,808,052</u>	<u>975,628</u>	<u>4,832,424</u>
Projects			
827680 Mathilda Avenue Caltrain Overpass Parking Access	50,000	-	50,000
827690 Evaluation of Bridges and Levees	200,000	-	200,000
Total Projects	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Total Appropriations	<u>8,108,998</u>	<u>2,985,112</u>	<u>5,123,886</u>
Project Carryovers	-	250,000	(250,000)
Deferred Transfers Out	-	4,490,834	(4,490,834)
Unexpended Project Funds Returned to Fund	-	(10,000)	10,000
Total	<u>8,108,998</u>	<u>7,715,946</u>	<u>393,052</u>

Fund 285 - Transportation Development Act (TDA) Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Non-Departmental			
7900 Capital Projects Fund - General Assets	\$ 367,294	\$ 18,113	\$ 349,181
Total Non-Departmental	<u>367,294</u>	<u>18,113</u>	<u>349,181</u>
Total Appropriations	<u>367,294</u>	<u>18,113</u>	<u>349,181</u>
Deferred Transfers Out	-	141,887	(141,887)
Total	<u>367,294</u>	<u>160,000</u>	<u>207,294</u>

Fund 295 - Youth and Neighborhood Services Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
City Manager			
525 Columbia Neighborhood Center	\$ 751,178	\$ 729,548	\$ 21,630
Total City Manager	<u>751,178</u>	<u>729,548</u>	<u>21,630</u>
Total Operating Programs	<u>751,178</u>	<u>729,548</u>	<u>21,630</u>
Total Appropriations	<u>751,178</u>	<u>729,548</u>	<u>21,630</u>
Total	<u>751,178</u>	<u>729,548</u>	<u>21,630</u>

Fund 315 - Redevelopment Agency Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
Community Development			
247 Economic Development	\$ 147,683	\$ 184,588	\$ (36,904)
751 Comprehensive Legal Services	215,931	176,878	39,053
799 Non-Programatic	3,980,810	5,665,084	(1,684,274)
Total Community Development	<u>4,344,424</u>	<u>6,026,549</u>	<u>(1,682,125)</u>
Total Operating Programs	<u>4,344,424</u>	<u>6,026,549</u>	<u>(1,682,125)</u>
Non-Departmental			
7900 General Fund - General	59,193	59,193	-
7900 Capital Projects Fund - General Assets	656,428	670,922	(14,494)
7900 1992 RDA Central Core Project Bonds	606,536	608,800	(2,264)
Total Non-Departmental	<u>1,322,157</u>	<u>1,338,915</u>	<u>(16,758)</u>
Projects			
814950 Redevelopment Implementation Plan (2005-2009)	75,000	-	75,000
824450 Downtown Development Economic Analysis	125,750	59,503	66,247
824570 Outside Counsel Services for RDA	153,319	56,813	96,506
826700 Downtown Public Improvements	2,272,037	156,782	2,115,256
828520 Town Center/ Target Public Improvements	3,729,726	3,259,710	470,016
Total Projects	<u>6,355,833</u>	<u>3,532,808</u>	<u>2,823,024</u>
Total Appropriations	<u>12,022,414</u>	<u>10,898,273</u>	<u>1,124,141</u>
Project Carryovers	-	2,823,024	(2,823,024)
Total	<u>12,022,414</u>	<u>13,721,297</u>	<u>(1,698,883)</u>

Fund 330 - Governmental Funds - City Debt Service

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Debt Service			
010810 ABAG 39	\$ 177,270	\$ 177,270	\$ -
011550 2001 Government Center COP Debt Service	927,593	584,908	342,685
Total Debt Service	<u>1,104,863</u>	<u>762,178</u>	<u>342,685</u>
Total Appropriations	<u>1,104,863</u>	<u>762,178</u>	<u>342,685</u>
Total	<u>1,104,863</u>	<u>762,178</u>	<u>342,685</u>

Fund 335 - Redevelopment Agency Debt Service Fund

<u>Description</u>	<u>Current Budget</u>	<u>Actual Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
Debt Service			
010102 Post - 1/1/94 General Fund Loans	\$ -	\$ 5,660,569	\$ (5,660,569)
011900 2003 Central Core Tax Allocation Bonds	610,511	609,461	1,050
010510 1998 Parking Lease COPs	1,215,392	1,215,623	(231)
Total Debt Service	1,825,903	7,485,653	(5,659,750)

Fund 385 - Capital Projects Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Non-Departmental			
7900 General Fund - General	\$ 11,743	\$ 11,743	\$ (0)
7900 Capital Projects Fund - Gas Tax Funded	180,262	89,054	91,208
7900 Capital Projects Fund - General Assets	1,086,716	607,164	479,552
7900 General Services Fund - Project Management Services	19,237	14,023	5,214
7900 Infrastructure Fund - General Assets	447,555	447,555	-
Total Non-Departmental	1,745,513	1,169,540	575,974
Projects			
Subfund 100 - General Assets			
808352 Morse Avenue Neighborhood Park Development	342,875	60,369	282,506
825511 Roadway Rehabilitation on Various Streets - Phase II	1,274,819	1,070,844	203,975
825610 Fair Oaks Avenue Overhead Bridge	940,000	-	940,000
826570 Tasman/Fair Oaks Area Streetscape and Sense of Place	1,694,802	1,109,207	585,595
826730 Underground Overhead Utilities	196,399	11,842	184,557
826750 Senior Center Safety Improvements	521	521	-
826760 Senior Center Furnishings, Equipment, and Asset Protection	1,374	1,374	-
826780 Downtown-Related Construction Mitigation	40,081	18,947	21,134
826790 Sunnyvale Avenue Median from Iowa to Washington	750,000	-	750,000
826800 Downtown Wayfinding and Gateways	838,673	503	838,170
826810 Downtown Murphy Avenue Streetscape Revitalization	3,472,647	3,222,648	249,999
826820 Town Center Traffic Signal Modifications	744,914	-	744,914
827171 Sunnyvale Golf Course Continuous Cart Paths	825,000	67,316	757,684
828161 Residential and School Area Sidewalks	927,000	-	927,000
828170 Murphy Park Playground Construction	98,279	98,279	-
828540 Hollenbeck/Danforth Countdown Signals	4,991	4,991	-
828590 Mary Avenue Street Space Allocation Study	200,000	18,113	181,887
828600 Borregas Avenue Bicycle Lanes	52,000	50	51,950
828610 Concrete Reconstruction	605,000	604,394	606
828620 Light Emitting Diode (LED) Streetlight Retrofit	1,142,500	639	1,141,861
828670 Downtown Streetscape Improvements	1,875,000	-	1,875,000
Total Subfund 100 - General Assets	16,026,877	6,290,039	9,736,838
Project Carryovers	-	9,736,839	(9,736,839)
Unexpended Project Funds Returned to Fund	-	(414,512)	414,512
Total Subfund 100 - General Assets	16,026,877	15,612,366	414,511
Subfund 600 - Gas Tax			
821870 Borregas Avenue Bicycle Corridor	91,554	89,054	2,500
822710 Mathilda Avenue Railroad Overpass Improvements	33,063,031	2,760,663	30,302,368
826830 Sunnyvale Ave. at Arques Ave. ADA Modifications	521,093	360,262	160,831
826840 Radar Speed Signs for Various Locations	59,122	59,122	-
826850 Calabazas Creek Bridge at Old Mt. View-Alviso Rd	396,000	-	396,000
826880 Norman Drive Traffic Calming	27,521	27,521	-
Total Subfund 600 - Gas Tax	34,158,321	3,296,622	30,861,699
Project Carryovers	-	30,861,699	(30,861,699)
Unexpended Project Funds Returned to Fund	-	(58,920)	58,920

Fund 385 - Capital Projects Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Total Subfund 600 - Gas Tax	34,158,321	34,099,401	58,920
Subfund 950 - Traffic Mitigation Projects			
816000 Future Traffic Signal Construction/Modification	389,066	22,928	366,138
827630 Safe Routes to Schools City-wide Projects	81,084	25,703	55,382
Total Subfund 950 - Traffic Mitigation Projects	470,150	48,630	421,519
Project Carryovers	-	421,519	(421,519)
Total Subfund 950 - Traffic Mitigation Projects	470,150	470,149	0
Subfund 960 - Transportation Impact Fees			
826890 Mathilda/SR 237/US 101 Interchange Improvements Study Report	500,000	-	500,000
826900 Washington Avenue/Mathilda Ave	336,814	-	336,814
Total Subfund 960 - Transportation Impact	836,814	-	836,814
Project Carryovers	-	836,814	(836,814)
Total Subfund 960 - Transportation Impact	836,814	836,814	-
Subfund 980 - Capital Projects Fund/Prop 1B Transportation Bond Local Streets And Roads Sub-Fund			
825621 Wolfe Road Caltrain Overcrossing	1,252,990	1,242,990	10,000
828180 Homestead Road Pavement Overlay	1,055,000	73,799	981,201
828570 Sunnyvale Avenue Rehabilitation	715,000	64,170	650,830
Total Subfund 980	3,022,990	1,380,959	1,642,031
Project Carryovers	-	1,642,031	(1,642,031)
Unexpended Project Funds Returned to Fund	-	(38,374)	38,374
Total Subfund 980 - Transportation Impact	3,022,990	2,984,616	38,374
Total Projects	54,515,151	11,016,249	43,498,902
Total Appropriations	56,260,664	12,185,789	44,074,876
Total Project Carryovers	-	43,498,902	(43,498,902)
Total Deferred Transfers Out	-	570,760	(570,760)
Total	56,260,664	56,255,451	5,214

Fund 460 - Water Supply and Distribution Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Debt Service			
011703 Water Bonds 2001 Series A	\$ 1,103,378	\$ 1,105,430	\$ (2,052)
011603 2001 Gvrn Cntr COP Dbt Srv Fund 460/100	67,918	43,592	24,326
Total Debt Service	1,171,296	1,149,022	22,274
Operating Programs			
Public Works			
307 Capital Project Administration	44,041	42,052	1,989
313 Water Supply and Distribution	20,394,603	18,673,050	1,721,553
7900 Loan Repayment to General Fund	351,700	351,700	-
Total Public Works	20,790,344	19,066,802	1,723,542
Total Operating Programs	20,790,344	19,066,802	1,723,542
Non-Departmental			
7900 General Services Fund - Project Management Services	266,742	479,727	(212,985)
7900 General Fund - General	2,444,547	2,407,872	36,675
7900 Infrastructure Fund - General Assets	3,750	1,750	2,000
7900 Liability and Property Insurance Fund	266,208	266,208	-
7900 General Services Fund - Fleet Services	64,152	54,060	10,092
Total Non-Departmental	3,045,399	3,209,617	(164,218)
Projects			
806351 Water Meters for New Developments	2,739	2,739	-
815203 Replacement of Water/Sewer Supervisory Control System	1,482,183	12,753	1,469,430
819771 Utility Maintenance Management System	202,234	-	202,234
824281 Leak Detection Program	30,000	-	30,000
824291 Water Cost of Service Study	8,577	3,577	5,000
824311 Refurbishment of Water Tanks @ Wright Avenue	2,151,893	1,297,682	854,211
824801 Roof Replacement of Water Plants	40,368	-	40,368
825241 Equipment Replacement at Six (6) Hetch-Hetchy Connections	130,000	55,752	74,248
825301 Pressure Reducing Valve Replacement & Relocation for SCADA	60,000	788	59,212
825391 Wolfe/Evelyn Plant Mechanical Reconstruction	1,047,358	-	1,047,358
825411 Hamilton Plant Emergency Generator & Mechanical Reconst	817,130	691,045	126,085
825431 Well Connections to Transmission Main	872,306	806,846	65,460
825451 City-wide Water Line Replacement	1,265,014	1,317,877	(52,863)
825461 Interior Coating of Water Tanks	1,201,849	19,024	1,182,825
825481 Renovation of Westmoor and Serra Wells	-	-	-
825491 Exterior Painting of Water Tanks	1,377,248	818,306	558,942
826960 Water Utility Master Plan	156,389	151,588	4,801
827180 Automation of Water Meter Reading Encinal and Fair Oaks Parks Recycled Water	342,290	370,750	(28,460)
828190 Conversion	50,000	-	50,000
828490 Electronic Utility Bill Presentment and Payment	9,270	4,270	5,000
Total Projects	11,246,847	5,552,996	5,693,851

Fund 460 - Water Supply and Distribution Fund

<u>Description</u>	<u>Current Budget</u>	<u>Actual Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
Total Appropriations	<u>36,253,887</u>	<u>28,978,438</u>	<u>7,275,449</u>
Project Carryovers	-	5,775,174	(5,775,174)
Total Deferred Transfers Out	-	38,675	(38,675)
Unexpended Project Funds Returned to Fund	-	(2,285,173)	2,285,173
Total	<u>36,253,887</u>	<u>32,507,114</u>	<u>3,746,773</u>

Fund 465 - Wastewater Management Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Debt Service			
011704 Water Bonds 2001 Series A	\$ 1,510,537	\$ 1,513,345	\$ (2,808)
011604 2001 Gvm Cntr COP Dbt Srv Fund 465/100	54,486	29,925	24,561
Total Debt Service	1,565,023	1,543,270	21,753
Operating Programs			
307 Capital Project Administration	44,042	41,999	2,042
343 Storm Water Collection System	318,238	315,831	2,407
344 Wastewater Treatment	11,998,818	10,370,113	1,628,705
345 Sanitary Sewer Collection System	1,630,926	1,687,701	(56,775)
751 Comprehensive Legal Services	25,375	33,973	(8,598)
799 Non-Programmatic	1,569,637	1,569,637	-
Total Operating Programs	15,587,036	14,019,255	1,567,781
Non-Departmental			
7900 General Services Fund - Project Management Services	397,346	477,365	(80,019)
7900 General Services Fund - Fleet Services	64,152	54,060	10,092
7900 General Fund - General	2,390,740	2,354,065	36,675
7900 Infrastructure Fund - General Assets	27,750	750	27,000
7900 Liability and Property Insurance Fund	385,344	385,344	-
7900 Gas Tax Fund	50,000	-	50,000
7900 Utilities Fund - Water	24,000	1,281	22,719
Total Non-Departmental	3,339,332	3,272,865	66,467
Equipment			
20201 Wastewater Equipment	97,829	97,829	-
Total Equipment	97,829	97,829	-
Projects			
801101 WPCP Air Conditioning Project	700,333	700,333	-
804703 Storm Drain Pipes, Manholes, and Laterals Replacement	7,500	-	7,500
805253 Sewer Pipes, Manholes, and Laterals Emergency Replacement	19,865	19,865	-
822762 Storm Pump Station Number 2 Rehabilitation	320,000	-	320,000
822802 Storm Sewer Extension - Taylor Avenue	187,584	185,983	1,601
822812 Storm Sewer Extension - McKinley Avenue	302,584	181,649	120,935
822822 Storm Sewer Extension - Washington Avenue	225,000	181	224,819
823221 Wastewater Data/Process/Service Assessment Studies	7,146	7,146	-
824301 Rehabilitation of Digesters and Replacement of Digester Lids	3,537,717	1,693,206	1,844,511
824771 Primary Sedimentation Basin Renovation	2,550,000	-	2,550,000
825111 Tertiary Plant Tank Drainage System Modifications	267,764	267,764	-
825141 Air Flootation Tanks Rehabilitation	1,228,899	104,414	1,124,485
825321 Replacement/Rehabilitation of Sanitary Manholes	117,552	88,511	29,041
825331 Replacement/Rehabilitation of Sewer Pipes	1,240,069	83,114	1,156,955
825521 Pond Sediment Removal	1,162,611	-	1,162,611
825751 Sewer Lift Stations Rebuild	20,000	-	20,000
825961 SCVURPPP Contracting and Fiscal Agent	4,219	9,759	(5,540)
827010 Water Pollution Control Plant Primary Roof Replacement	199,955	198,874	1,081
827020 Emergency Bypass Pumping Plan	178,352	6,755	171,597
827030 WPCP Strategic Infrastructure Plan	409,720	333,822	75,898
827060 Sulfur Dioxide (SO2) Equipment Replacement	490,611	121,489	369,122
827070 Algae Digestibility Study	40,000	-	40,000

Fund 465 - Wastewater Management Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
827080 Murphy/Evelyn Avenues Sewer Infrastructure Improvements	782,777	782,777	-
828010 Alternative Monitoring System (AMS)	(15,373)	(15,373)	-
828200 Parks Ornamental Pond Overflow Connection To Sanitary Sewer	200,000	-	200,000
828210 Pretreatment Handheld Data Entry Device Project	96,778	-	96,778
828220 Storm Drain Marking	41,988	41,988	-
828230 WPCP Power Monitoring	140,000	-	140,000
828240 Replacement of Temporary Buildings at the WPCP	184,000	-	184,000
828550 Pond Reed Removal	117,490	104,515	12,975
Total Projects	14,765,138	4,916,769	9,848,369
Total Appropriations	35,354,358	23,849,989	11,504,369
Project Carryovers	-	9,853,910	(9,853,910)
Deferred Transfers Out	-	115,818	(115,818)
Unexpended Project and Equipment Funds Returned to Fund	-	(1,672,255)	1,672,255
Total	35,354,358	32,147,462	3,206,896

Fund 485 - Solid Waste Management Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Debt Service			
011605 2001 Government Center COP Dbt Srv Fund	\$ 80,657	\$ 44,299	\$ 36,358
011803 SV Share of Solid Waste Revenue	1,579,952	1,578,834	1,118
Total Debt Service	1,660,609	1,623,133	37,476
Operating Programs			
Public Works			
307 Capital Project Administration	44,041	37,785	6,256
323 Solid Waste Management	28,748,345	29,027,325	(278,980)
751 Comprehensive Legal Services	1,030	718	312
799 Non-Programmatic	964,536	1,189,536	(225,000)
Total Public Works	29,757,953	30,255,364	(497,412)
Total Operating Programs	29,757,953	30,255,364	(497,412)
Non-Departmental			
7900 General Services Fund - Project Managment Services	23,093	16,834	6,259
7900 General Fund - General	2,400,440	2,400,440	0
7900 Infrastructure Fund - General Assets	-	26	(26)
7900 Liability and Property Insurance Fund	10,549	10,549	-
7900 Capital Projects Fund - General Assets	153	-	153
7900 Utiltiies Fund - Water	32,000	1,708	30,292
7900 SMaRT Fund - Operations	-	198,543	(198,543)
Total Non-Departmental	2,466,235	2,628,100	(161,865)
Projects			
801351 Sunnyvale Contribution to SMaRT Station Equipment Rep. Fund	182,424	182,424	-
822331 Trim Landfill Screening Trees on Caribbean Drive	34,303	34,303	-
824251 Landfill Gas System Response to New Regulations	49,497	-	49,497
824741 Landfill "Constituents of Concern" Monitoring	24,155	24,155	-
825121 SMaRT Station Office Addition	350,000	-	350,000
825911 Landfill Gas Flare and Blowers Replacement	114,332	-	114,332
827560 Aerial Mapping and Settlement Analysis of the SV Landfill	13,390	13,390	-
828050 JPA for Countywide Recycling and Source Reduction Program	50,000	-	50,000
828250 Zero Waste-Waste Characterization Study and Strategic Plan	224,000	84,350	139,650
Total Projects	1,042,100	338,621	703,479
Total Appropriations	34,926,897	34,845,219	81,679
Project Carryovers	-	703,479	(703,479)
Deferred Transfers Out	-	2,984	(2,984)
Unexpended Project Funds Returned to Fund	-	(41,016)	41,016
Total	34,926,897	35,510,666	(583,768)

Fund 490 - SMaRT Station Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Debt Service			
11801 Solid Waste Bonds Series 2003	\$ 1,945,063	\$ 1,949,263	\$ (4,200)
11805 2007 Solid Waste Interest Payment	759,869	763,445	(3,576)
Total Debt Service	<u>2,704,932</u>	<u>2,712,707</u>	<u>(7,775)</u>
Operating Programs			
Public Works			
323 Solid Waste Management	-	237	(237)
324 Materials Recovery and Refuse Transfer (SMaRT)	24,884,595	26,635,424	(1,750,828)
751 Comprehensive Legal Services	7,212	-	7,212
Total Public Works	<u>24,891,807</u>	<u>26,635,660</u>	<u>(1,743,853)</u>
Total Operating Programs	<u>24,891,807</u>	<u>26,635,660</u>	<u>(1,743,853)</u>
Non-Departmental			
7900 SMaRT Fund - Capital	-	1,048,469	(1,048,469)
Total Non-Departmental	<u>-</u>	<u>1,048,469</u>	<u>(1,048,469)</u>
Projects			
811250 SMaRT Station Equipment Replacement	2,598,203	1,116,897	1,481,306
Total Projects	<u>2,598,203</u>	<u>1,116,897</u>	<u>1,481,306</u>
Total Appropriations	<u>30,194,942</u>	<u>30,465,264</u>	<u>(270,322)</u>
Project Carryovers	-	1,481,306	(1,481,306)
Total	<u>30,194,942</u>	<u>31,946,570</u>	<u>(1,751,628)</u>

Fund 525 - Community Recreation Fund

<u>Description</u>	<u>Current Budget</u>	<u>Actual Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Programs			
Community Services			
645 Golf Course Maintenance Operation and Golf Shop Services	\$ 3,364,815	\$ 3,332,076	\$ 32,739
646 Arts and Recreation Programs and Operation of Recreation Facilities	9,031,019	8,046,093	984,926
648 Art and Recreation Programs	-	(383)	383
Total Community Services	<u>12,395,833</u>	<u>11,377,785</u>	<u>1,018,048</u>
Total Operating Programs	<u>12,395,833</u>	<u>11,377,785</u>	<u>1,018,048</u>
Non-Departmental			
7900 General Fund - General	1,088,176	1,088,176	-
Total Non-Departmental	<u>1,088,176</u>	<u>1,088,176</u>	<u>-</u>
Equipment			
20801 Recreation Equipment	37,544	22,953	14,591
Total Equipment	<u>37,544</u>	<u>22,953</u>	<u>14,591</u>
Projects			
823270 Cooperative Middle School Activity	1,952	1,952	0
828680 Active Start Program	24,805	6,334	18,471
Total Projects	<u>26,757</u>	<u>8,286</u>	<u>18,471</u>
Total Appropriations	<u>13,548,310</u>	<u>12,497,201</u>	<u>1,051,110</u>
Project/Equipment Carryovers	-	18,471	(18,471)
Unexpended Project and Equipment Funds Returned to Fund	-	(47,935)	47,935
Total	<u>13,548,310</u>	<u>12,467,737</u>	<u>1,080,574</u>

Fund 595 - General Services Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Equipment			
20600 Furniture	\$ 392,362	\$ 53,111	\$ 339,251
21300 Equipment Building Maintenance/ Equipment	35,728	-	35,728
20700 Fleet Equipment	1,161,518	470,842	690,676
21600 Information Processing Hardwar	908,337	369,898	538,439
21601 Information Process Software/ HR/Payroll System	1,354,932	261,845	1,093,087
21603 Communications and Office Equipment	824,947	359,426	465,521
21604 Telecommunications Equipment	86,460	1,718	84,742
21605 Office Equipment	114,390	18,660	95,730
21606 Satellite Copier Equipment	11,462	-	11,462
21607 Print Shop Equipment	49,512	-	49,512
21608 Telecom Franchise Equipment	3,888	-	3,888
21610 KSUN Equipment	229,721	5,244	224,477
Total Equipment	5,173,257	1,540,744	3,632,513
Operating Programs			
769 Facilities Services	3,680,442	3,584,466	95,976
307 Capital Project Administration	1,925,590	1,918,624	6,966
761 Application and Integration Services and Support	2,126,840	2,273,318	(146,479)
763 Provision of Vehicles and Motorized Equipment	2,711,647	2,766,851	(55,204)
767 Infrastructure Services and Support	1,910,332	2,007,092	(96,760)
770 Internal and External Business Support Services	797,092	346,747	450,345
775 Office and Mail Systems	812,472	706,486	105,986
779 Information Technology Department Management and Support Services	627,607	637,854	(10,247)
799 Non-Programmatic	738,810	738,810	-
Total Public Works	15,330,831	14,980,248	350,583
Total Operating Programs	15,330,831	14,980,248	350,583
Non-Departmental			
7900 General Fund - General	465,373	465,374	(1)
7900 Infrastructure Fund - General Assets	46,351	10,196	36,155
7900 Sunnyvale Office Center	116,522	116,522	0
7900 2001 Government Center COP	858,047	471,269	386,778
7900 General Services Fund - Project Management Services	14,278	10,408	3,870
Total Non-Departmental	1,500,571	1,073,769	426,802

Fund 595 - General Services Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Projects			
824980 Sunnyvale Office Center Site Improvements	48,205	45,142	3,062
828040 Automated Fuel Management System	108,121	108,121	(0)
825900 Information Technology Investment Account	68,596	14,950	53,646
Total Projects	<u>224,921</u>	<u>168,213</u>	<u>56,708</u>
Total Appropriations	<u>22,229,580</u>	<u>17,762,974</u>	<u>4,466,606</u>
Project/Equipment Carryovers	-	3,411,358	(3,411,358)
Deferred Transfers Out	-	36,155	(36,155)
Unexpended Project and Equipment Funds Returned to Fund	-	(586,648)	586,648
Total	<u>22,229,580</u>	<u>20,623,839</u>	<u>1,605,741</u>

Fund 610 - Infrastructure Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Non-Departmental			
7900 General Services Fund - Project Management Service	\$ 311,036	\$ 327,546	\$ (16,510)
7900 Capital Projects Fund - General Assets	231,760	-	231,760
7900 General Fund	670,163	670,163	-
Total Non-Departmental	1,212,959	997,709	215,250
Projects			
Subfund 100 - General Assets			
817950 Civic Center Buildings - HVAC	4,963	4,963	-
818100 Public Safety Buildings - Roofs	632,583	256,568	376,015
818150 Public Safety Buildings - Rehabilitation	541	541	-
818450 Community Center Buildings - HVAC	1,080	1,080	0
818550 Park Buildings - Rehabilitation	173,296	41,405	131,891
818700 Corporation Yard Buildings - Rehabilitation	116,868	43,236	73,632
819610 Public Safety Buildings - HVAC	1,879,763	1,031,424	848,340
819630 Community Center Buildings - Roof Replacement and Repair	753,888	68,765	685,123
820010 Community Center Buildings - Rehabilitation	33,415	5,452	27,964
820120 Repaint Street Light Poles	60,000	-	60,000
820130 Routine Resurfacing of City Owned Parking Lots	51,580	8,840	42,740
820140 Computer/Radio Controlled Landscape Irrigation	640,000	-	640,000
820180 Traffic Signal Controller Replacement	150,164	77,067	73,097
820190 Traffic Signal Hardware & Wiring	653,237	226,918	426,319
820200 Traffic Signal Light Emitting Diode (LED) Array Replacements	31,660	-	31,660
820240 Park Tennis/Basketball Court Reconstruction	150,000	-	150,000
820270 Playground Equipment Replacement	221,285	102,405	118,880
820280 Park Furniture and Fixtures Replacement	53,192	53,192	-
821330 Park Buildings - Roof Repair and Replacement	254,419	-	254,419
822080 Fair Oaks Park Hardscape Renovation	36,000	-	36,000
825201 Remodel Community Center Kitchen and Serving Area	28,000	9,542	18,458
825290 Pavement Rehabilitation	883,816	131,901	751,915
825340 Street Lights Conduit Replacement	94,589	44,589	50,000
825850 Swim Pools Infrastructure	206,673	27,791	178,883
827110 Update of Public Building Long-Range Infrastructure Plan	200,000	-	200,000
827150 Community Center Gas Line Replacement	189,658	179,658	10,000
827470 Long Range Facilities Planning	15,478	15,504	(26)
827910 Storm Damage at City Facilities (DPS, SOC, & CC Gym)	(2,062)	-	(2,062)
828030 Annual Slurry Seal of City Streets	654,555	628,593	25,962
828280 Library Restroom Upgrades	50,510	36,609	13,901
828290 Repair/Replace Park Parking Lot Drainage & Surfacing	77,770	-	77,770
828320 Senior Center Floor Coverings	13,896	13,896	-
828330 Community Center Fire Protection Door Closers	168,197	-	168,197
828340 Indoor Recreation Center Bleacher Replacement	70,967	70,967	-
828360 Serra Park Building Restroom Upgrade	15,000	-	15,000
828370 Chemical Storage Washington Pool	10,000	4,449	5,551
828380 Park Building HVAC Rooftop Upgrades	68,465	-	68,465
828580 Tasman Light Rail Traffic Signal Controller Replacement	15,600	1,791	13,809
Total Subfund 100 - General Assets	<u>8,659,045</u>	<u>3,087,143</u>	<u>5,571,903</u>
Project Carryovers	-	5,573,991	(5,573,991)
Unexpended Project Funds Returned to Fund	-	(703,866)	703,866
Total Subfund 100 - General Assets	<u>8,659,045</u>	<u>7,957,268</u>	<u>701,778</u>

Fund 610 - Infrastructure Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Subfund 500 - Community Recreation			
800451 Sunnyvale Tennis Center Court Resealing	22,500	4,000	18,500
804401 Golf Courses Protective Netting Replacement	49,827	49,827	-
827160 Tennis Center Court Rebuilding	89,846	26,071	63,775
828420 Tennis Center Roof, HVAC, Locker Rooms, and Painting	367,300	15,138	352,162
Total Subfund 500 - Community Recreation	<u>529,473</u>	<u>95,035</u>	<u>434,437</u>
Project Carryovers	-	434,437	(434,437)
Unexpended Project Funds Returned to Fund	-	(173)	173
Total Subfund 500 - Community Recreation	<u>529,473</u>	<u>529,299</u>	<u>173</u>
Subfund 900 - Multi-Funded Assets			
818651 Corporation Yard Buildings - Roofs	450	450	-
Total Subfund 900 - Multi-Funded Assets	<u>450</u>	<u>450</u>	<u>-</u>
Unexpended Project Funds Returned to Fund	-	(1,800)	1,800
Total Subfund 900 - Multi-Funded Assets	<u>450</u>	<u>(1,350)</u>	<u>1,800</u>
Total Projects	<u>9,188,968</u>	<u>8,485,217</u>	<u>703,751</u>
Total Appropriations	<u>10,401,927</u>	<u>9,482,926</u>	<u>919,001</u>
Deferred Transfers Out	-	231,760	(231,760)
Total	<u>10,401,927</u>	<u>9,714,686</u>	<u>687,241</u>

Fund 640 - Employee Benefits Fund

<u>Description</u>	<u>Current Budget</u>	<u>Actual Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Programs			
Human Resources			
781 Employee Leave Benefits - Leave Earned/Usage Information	\$ 12,973,835	\$ 12,512,670	\$ 461,165
784 Retirement, Insurances, and Taxes - Usage Information	42,348,565	41,042,124	1,306,441
Workers' Compensation Excess Insurance, Cost of Claims, and			
785 Leave Hours Taken - Usage Information	3,270,082	3,080,984	189,098
Total Human Resources	<u>58,592,482</u>	<u>56,635,779</u>	<u>1,956,703</u>
Total Operating Programs	<u>58,592,482</u>	<u>56,635,779</u>	<u>1,956,703</u>
Total Appropriations	<u>58,592,482</u>	<u>56,635,779</u>	<u>1,956,703</u>
Total	<u>58,592,482</u>	<u>56,635,779</u>	<u>1,956,703</u>

Fund 645 - Liability and Property Insurance Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Operating Programs			
Human Resources			
751 Comprehensive Legal Services City Liability and Property, Safety Services, and Workers'	\$ 101,500	\$ 238,973	\$ (137,473)
786 Compensation Benefits Administration City Liability and Property Insurance and Claim Costs - Usage	181,884	135,029	46,855
787 Information	1,225,114	1,161,270	63,844
Total Human Resources	<u>1,508,498</u>	<u>1,535,272</u>	<u>(26,774)</u>
Total Operating Programs	<u>1,508,498</u>	<u>1,535,272</u>	<u>(26,774)</u>
Non-Departmental			
7900 General Fund	150,000	150,000	-
Total Non-Departmental	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Total Appropriations	<u>1,658,498</u>	<u>1,685,272</u>	<u>(26,774)</u>
Total	<u>1,658,498</u>	<u>1,685,272</u>	<u>(26,774)</u>

Fund 727 - Fremont Pool Permanent Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Non-Departmental			
7900 Comm Rec Fund - Leisure Svcs	\$ 27,217	\$ 9,334	\$ 17,883
Total Non-Departmental	<u>27,217</u>	<u>9,334</u>	<u>17,883</u>
Total Appropriations	<u>27,217</u>	<u>9,334</u>	<u>17,883</u>
Total	<u>27,217</u>	<u>9,334</u>	<u>17,883</u>

Fund 730 - Swirsky Youth Opportunity Fund

<u>Description</u>	<u>Current Budget</u>	<u>Actual Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
Non-Departmental			
7900 Comm Rec Fund - Leisure Svcs	\$ 16,557	\$ 5,662	\$ 10,895
Total Non-Departmental	<u>16,557</u>	<u>5,662</u>	<u>10,895</u>
Total Appropriations	<u>16,557</u>	<u>5,662</u>	<u>10,895</u>
Total	<u>16,557</u>	<u>5,662</u>	<u>10,895</u>

CITY OF SUNNYVALE
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED
JUNE 30, 2010

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

For the Year Ended June 30, 2010

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MEMORANDUM ON INTERNAL CONTROL

November 12, 2010

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, 2010, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

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**CITY OF SUNNYVALE
MEMORANDUM ON INTERNAL CONTROL**

STATUS OF PRIOR YEAR SCHEDULE OF OTHER MATTERS

2009-01 - 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.

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.

**CITY OF SUNNYVALE
MEMORANDUM ON INTERNAL CONTROL**

STATUS OF PRIOR YEAR SCHEDULE OF OTHER MATTERS

- 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.
- 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.

Current Status:

GASB Statement No. 51 has been implemented. Details can be found in the Comprehensive Annual Financial Report (CAFR) of FY 2009/10.

CITY OF SUNNYVALE
MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR SCHEDULE OF OTHER MATTERS

2009-02 - Statement No. 53 - Accounting and Financial Reporting for Derivative Instruments (Effective for fiscal 09/10)

This Statement is intended to improve how state and local governments report information about derivative instruments in their financial statements. Specifically, GASB 53 requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting (proprietary and entity-wide financial statements). Governments enter into derivative instruments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (that is, hedgeable items); or to lower the costs of borrowings. Governments often enter into derivative instruments with the intention of effectively fixing cash flows or synthetically fixing prices. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts. In addition, this standard addresses hedge accounting requirements.

Current Status:

The City did not enter into any transactions related to derivative instruments as of June 30, 2010. Such transactions are among the prohibited investments in the City's Investment Policy.

GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions (Effective for fiscal 10/11)

This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered **nonspendable**, such as fund balance associated with inventories. This Statement also provides for additional classification as **restricted, committed, assigned, and unassigned** based on the relative strength of the constraints that control how specific amounts can be spent.

The **restricted** fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

The **committed** fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the **assigned** fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds *other than the general fund*, assigned fund balance represents the remaining amount that is not restricted or committed.

**CITY OF SUNNYVALE
MEMORANDUM ON INTERNAL CONTROL**

STATUS OF PRIOR YEAR SCHEDULE OF OTHER MATTERS

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. *In other funds*, the unassigned classification should be *used only to report a deficit balance* resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

Current Status:

GASB Statement No. 54 has been implemented one year earlier than required. Details can be found in the Comprehensive Annual Financial Report (CAFR) of FY 2009/10.

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REQUIRED COMMUNICATIONS

November 12, 2010

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, 2010 and have issued our report thereon dated November 12, 2010. 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 is 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 2010. As described in notes to the financial statements, during the year, the City implemented the following new standards:

CITY OF SUNNYVALE

REQUIRED COMMUNICATIONS

GASB Statement No. 51 - Accounting and Financial Reporting for Intangible Assets – This Statement establishes and clarifies financial reporting of intangible assets. There was no material effect on the financial statements from the implementation of this statement.

GASB Statement No. 53 Accounting and Financial Reporting for Derivative Instruments – This Statement improves how state and local governments report information about derivative instruments in their financial statements. The City does not have any derivative instruments as of June 30, 2010. Therefore there was no effect on the financial statements from the implementation of this statement.

GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions (Effective for the coming fiscal 2010/11) - This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. As discussed in Note 13 to the financial statements, during the year ended June 30, 2010, the City early implemented this accounting standard.

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 2010.

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. The most sensitive accounting estimates affecting the financial statements are the fair value of investments, depreciation and compensated absences.

Estimated Depreciation: Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Compensated Absences: Accrued compensated absences, which are comprised of accrued vacation and sick leave, is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year, and are disclosed in the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

CITY OF SUNNYVALE

REQUIRED COMMUNICATIONS

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.

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 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 City's financial reporting process.

Uncorrected Misstatements: Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Council.

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

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