

**Council Meeting: December 10, 2013**

**SUBJECT: Discussion and Possible Action to Receive and File the FY 2012/13 Budgetary Year-End Financial Report, Comprehensive Annual Financial Report, and Sunnyvale Financing Authority Financial Report; and Discussion and Potential Action for Columbia Neighborhood Center Expansion Project and Budget Modification No. 21**

**BACKGROUND**

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, 2013. In addition, the City's audited Comprehensive Annual Financial Report (CAFR) and Sunnyvale Financing Authority Financial Report for FY 2012/13 are being presented for Council's information.

Overall, the City's General Fund ended the year in a slightly more favorable financial position from that estimated in the FY 2013/14 Recommended Budget by approximately \$744,000. There were several areas where results represented a strong improvement from the City's results in FY 2011/12 including property tax and transient occupancy tax, as well as operating expenditure savings.

There are two significant assumptions in the FY 2013/14 Recommended Budget for the General Fund that did not occur as expected, but are likely to be resolved within the current fiscal year. They are the sale of the Raynor Activity Center (RAC) and the payment of \$14 million to the State of California related to the dissolution of the Redevelopment Agency (RDA). Both affected revenue and expenditures in the General Fund. With regards to the sale of the RAC, the City did not realize revenue from the sale in FY 2012/13, nor did it expend any funds related to the design or construction of a new branch library in the Lakewood Village Neighborhood. The payment that was budgeted for the RDA dissolution has been legally challenged by the City and therefore was not paid out. On the revenue side, this resulted in approximately \$1.8 million less in tax increment revenue for the City.

Typically as part of this report, staff recommends City Council approval of a budget modification to reconcile any hold over items from the prior year. In partnership with the Sunnyvale School District, the City equally shared in the cost to expand Columbia Neighborhood Center (CNC). The project exceeded its original budget and the City's share of the overage is approximately \$317,000. This overage was estimated in the FY 2013/14 Recommended Budget to be absorbed by the General Fund as a result of savings in operations and projects. These savings were realized and therefore staff is

recommending Budget Modification No. 21 to appropriate funding to close out the project.

### **EXISTING POLICY**

Statement 7.1g.1.7 of Council Fiscal Policy states that, “the City Council shall be provided 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 policy.

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.

### **CEQA REVIEW**

N/A

### **DISCUSSION**

#### **Fiscal Year 2012/13 Year-End Financial Update**

Staff has reviewed the City’s year-end financial results. The following is 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 2012/13 are shown in the table below.

#### **FY 2012/13 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>
<b>Property Taxes</b>	<b>\$49,362,825</b>	<b>\$47,555,857</b>	<b>(1,806,968)</b>	<b>-3.66%</b>
<b>Sales Taxes:</b>				
Sales and Use Tax - City	31,039,146	30,028,067	(1,011,079)	-3.26%
Sales and Use Tax - Public Safety	1,354,538	1,393,357	38,819	2.87%
<b>Total Sales Tax</b>	<b>32,393,684</b>	<b>31,421,424</b>	<b>(972,260)</b>	<b>-3.00%</b>
<b>Development Revenues</b>	<b>13,500,000</b>	<b>12,883,480</b>	<b>(616,520)</b>	<b>-4.57%</b>
<b>Other Taxes</b>				
Business License Tax	1,540,000	1,588,796	48,796	3.17%
Real Property Transfer Tax	1,042,000	1,275,159	233,159	22.38%
<b>Total Other Taxes</b>	<b>2,582,000</b>	<b>2,863,955</b>	<b>281,955</b>	<b>10.92%</b>
<b>Transient Occupancy Tax</b>	<b>8,856,790</b>	<b>9,016,052</b>	<b>159,262</b>	<b>1.80%</b>
<b>Utility Users Tax</b>	<b>6,568,703</b>	<b>6,549,144</b>	<b>(19,559)</b>	<b>-0.30%</b>
<b>Franchises</b>	<b>6,402,284</b>	<b>6,461,568</b>	<b>59,284</b>	<b>0.93%</b>
<b>Rents &amp; Concessions</b>	<b>2,538,767</b>	<b>2,530,141</b>	<b>(8,626)</b>	<b>-0.34%</b>

<u>Description</u>	<u>Recommended Budget</u>	<u>Actual Revenues</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Percent Variance</u>
<b>Federal &amp; Inter Gov't Revenues</b>	<b>2,182,291</b>	<b>2,286,580</b>	<b>104,289</b>	<b>4.78%</b>
<b>State Revenues</b>	<b>472,441</b>	<b>491,444</b>	<b>19,003</b>	<b>4.02%</b>
<b>Permits &amp; Licenses</b>	<b>1,448,860</b>	<b>1,268,490</b>	<b>(180,370)</b>	<b>-12.45%</b>
<b>Fines &amp; Forfeitures</b>	<b>1,093,439</b>	<b>1,039,076</b>	<b>(54,363)</b>	<b>-4.97%</b>
<b>Service Fees:</b>				
Abandoned Vehicles (AVASA)	165,749	178,170	12,421	7.49%
Community Development Fees	1,199,288	1,225,620	26,332	2.20%
Finance Fees	15,120	20,686	5,566	36.81%
Library Fees	15,486	15,389	(97)	-0.62%
Public Safety Fees	1,016,270	1,057,878	41,608	4.09%
Public Works Fees	4,134,260	4,105,088	(29,172)	-0.71%
<b>Total Service Fees</b>	<b>6,546,173</b>	<b>6,602,832</b>	<b>56,659</b>	<b>0.87%</b>
<b>Interest Income</b>	<b>512,887</b>	<b>507,798</b>	<b>(5,089)</b>	<b>-0.99%</b>
<b>Other Revenues:</b>				
Sale of Property	8,000,000	24,409	(7,975,591)	-99.69%
Interfund Revenues	10,814,027	10,814,027	0	0.00%
Miscellaneous Revenues	1,572,185	1,363,706	(208,479)	-13.26%
<b>Total Other Revenues</b>	<b>20,386,212</b>	<b>12,202,142</b>	<b>(8,184,070)</b>	<b>-40.15%</b>
<b>Transfers In/In Lieu Fees</b>	<b>10,895,200</b>	<b>9,512,490</b>	<b>(1,382,710)</b>	<b>-12.69%</b>
<b>Revenue Total</b>	<b>\$165,742,556</b>	<b>\$153,192,473</b>	<b>(12,550,083)</b>	<b>-7.57%</b>
Deferred Revenues and Transfers In	-	12,233,442	12,233,442	0.00%
<b>Revenue Total</b>	<b>\$165,742,556</b>	<b>\$165,425,915</b>	<b>(316,641)</b>	<b>-0.19%</b>

As discussed in the background section of this report, total FY 2012/13 General Fund estimated revenues included \$8 million in proceeds from the sale of the RAC and additional revenue from property tax increment received back from the payment to the State for the RDA dissolution. Net of these factors and accounting for deferred revenues and transfers related to projects, revenues fell short of the estimate included in the City Manager's Recommended Budget by approximately \$317,000.

Property Tax revenues for FY 2012/13 came in approximately \$1.8 million less than what was projected for the Recommended Budget. This is wholly attributable to the loss of the projected City share of Redevelopment Agency (RDA) tax increment. To be conservative, the Recommended Budget anticipated making an approximate \$14 million payment to the State, the result of which would have also been the return of approximately 13% of that payment based on the City's share of general property tax. The City is currently engaged in a legal dispute over this amount and therefore did not make the payment, resulting in a \$1.79 million shortfall in the RDA tax increment line item. Net of the tax increment, Property Tax revenues ended only \$10,000 less than planned. Overall Property Taxes grew more than \$4 million, or 9.6%, over FY 2011/12

revenues. This was the result of a continued increase in secured taxes, as well as a credit in administrative fees charged by the County. Property Tax revenues remain strong and are anticipated to exceed current year expectations.

Final City Sales and Use Tax revenues for FY 2012/13 were approximately \$972,000 under estimates made in the Recommended Budget and were approximately \$220,000 less than sales tax revenues received in FY 2011/12. While over the past several years sales tax revenues have rebounded from the recession, this flattening trend underlines the volatility of the City's sales tax revenue, and the associated risk it creates for the City's finances as one of the primary sources of revenue to the General Fund. It is currently anticipated that the City will not meet its FY 2013/14 sales tax goal. Staff is looking at its forecasting methods for sales tax going forward with an eye toward mitigating some of the volatility. This issue is discussed in more detail in the Economic Conditions section of this report.

Transient Occupancy Tax (TOT) revenues for FY 2012/13 exceeded projections made for the Recommended Budget by over \$150,000. Typically, because of the heavy amount of business related activity that occurs in the City, TOT revenues tend to lead Sales Tax trends. However, TOT remains strong despite moderation in Sales Tax revenue. Both room rates and occupancy rates increased from FY 2011/12 to FY 2012/13. Staff will continue to closely monitor TOT revenues and report out as appropriate.

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. The past five years have been extremely volatile for development activity in the City, with significant fluctuations in the amount of revenue received from this source. When the recession hit in FY 2008/09, activity slowed considerably with revenues dropping all the way to \$5.2 million in FY 2009/10. The rebound, however, began in FY 2009/10 and continued to accelerate through FY 2011/12, with revenues approaching \$14 million. FY 2012/13 total development related revenues came in at about \$12.8 million. There is still an elevated level of activity in the City and revenues for FY 2013/14 are expected to continue to remain strong. A new Development Enterprise Fund is being established for the FY 2014/15 budget. The new fund will align development related revenues and expenses. Therefore, although revenues came in under projections, the shortfall does not negatively affect the General Fund going forward.

Utility Users Tax (UUT) revenues for FY 2012/13 came in approximately as planned in the Recommended Budget, however were down by approximately \$280,000 compared to FY 2011/12 revenues. This revenue source continues to decline, primarily due to the gradual shift in the way consumers are using telecommunication devices, as more and more usage is not subject to UUT (e.g. text and data). The City's Franchise Fee revenue was slightly higher than projected for the Recommended budget and was up \$90,000 from 2011/12 actuals. The increase in Franchise Fee revenue is primarily the result of increased AT&T and Specialty Solid Waste and Recycling franchise revenues.

Real Property Transfer Tax revenues increased more than \$350,000 over FY 2011/12 and exceeded updated projections made for the Recommended Budget by 22%. Real Property Transfer Tax is a tax on the transfer of interests in real estate and is driven by the rate of property turnover and changes in valuation. The increase reflects the continued recovery in the real estate market locally.

Transfers and in-lieu fees were under, primarily related to the Silicon Valley Regional Communications System project, which is funded through a transfer from the City's Information Technology Internal Services Fund. These funds will be expended as the project is completed, and the transfers will be made to fund the project. Both revenues and expenditures are carried over as a result.

Interest earnings continued to be anemic, finishing the year just over \$500,000, approximately equal to FY 2011/12. Poor interest earnings continue to be attributable to the unusually low interest rate environment, with the City currently earning less than 1% on its investment portfolio because of the low yield on U.S. Treasuries and other highly safe investment instruments. Interest earnings are expected to remain low for the near term based on current investment returns.

### **Expenditures**

General Fund expenditures for the fiscal year ending June 30, 2013 are shown in the following table.

#### **FY 2012/13 General Fund Expenditures and Transfers - Estimated vs. Actual**

<b>Description</b>	<b>Recommended Budget</b>	<b>Actual Expenditures</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Percent Variance</b>
<b>Equipment</b>	\$ 501,911	\$ 245,842	\$ 256,069	51.02 %
<b>Operations</b>	130,181,827	130,010,804	171,023	0.13 %
<b>Projects</b>	10,860,350	4,859,450	6,000,900	55.26 %
<b>Transfers</b>	10,450,564	6,877,124	3,573,440	34.19 %
<b>Payment to State - RDA</b>	13,968,895	-	13,968,895	100.00 %
<b>Expenditures Subtotal</b>	<b>165,963,547</b>	<b>141,993,220</b>	<b>23,970,327</b>	<b>14.44 %</b>
RDA Dissolution Carryover	-	13,975,783	(13,975,783)	0.00 %
Equipment Carryovers	-	257,745	(257,745)	0.00 %
Project Carryovers	-	5,873,103	(5,873,103)	0.00 %
Deferred Transfers	-	3,590,751	(3,590,751)	0.00 %
<b>Total Carryovers</b>	<b>-</b>	<b>23,697,382</b>	<b>(23,697,382)</b>	<b>0.00 %</b>
<b>Expenditures Grand Total</b>	<b>165,963,547</b>	<b>165,690,602</b>	<b>272,945</b>	<b>0.16 %</b>

*Includes Recommended Budget amounts plus Budget Modifications*

The details of FY 2012/13 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 2012/13 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.

Year-end expenditures are significantly impacted by the deferment of payment to the State related to the dissolution of the RDA. Of the approximately \$25 million in unexpended funds from FY 2012/13, approximately \$14 million has been set aside for the RDA payment and \$9.7 million is being carried forward to FY 2013/14 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 majority of the carryovers for projects are for pavement rehabilitation and the Silicon Valley Regional Communications System Project, with an assortment of smaller projects making up the balance. The remaining \$ savings are from operations and projects that were completed under budget. The FY 2013/14 Recommended Budget included an estimated \$500,000 in savings from operations and project carryovers. The \$272,000 bottom line savings is in addition to those anticipated savings.

While the financial results of General Fund operations were better than expected, two departments, the Community Development Department (CDD) and the Department of Public Safety (DPS), exceeded their appropriations. The variance was small compared to budget at approximately \$200,000, with the majority (\$174,000) coming from the Department of Public Safety. For CDD this amounted to half a percent of their budget. DPS exceeded its budget by 0.2 percent.

The reasons for the overage in DPS were varied. While sworn staffing levels began the year as normal, they fell below authorized levels for the first time in three years primarily as a result of retirements. Due to the long lead time required to fully train a Public Safety Officer, a significant amount of overtime was needed to cover regular operations. This trend continues into the current fiscal year. Additionally, the City experienced two homicides and an increase in the rate for property crimes during the fiscal year. The homicides resulted in high intensity investigations. In order to address the spike in property crimes, the Department deployed a temporary Burglary Suppression Team, directed patrols, and expanded crime analysis activities. The majority of this work was funded through the use of overtime personnel hours. Finally, start-up costs for the Community Service Officer, Taser Programs, and the new dispatch system related to development and equipment were absorbed in the department budget. The overage in the Community Development Department was due to the continued high level of development activity in the City and is covered by fee revenues.

## Final Fund Results

The final position of the General Fund, as reflected in this Year-End Financial Report, is approximately \$744,000 more favorable to the City in comparison to the results estimated for the City Manager's Recommended Budget. These results impact the Budget Stabilization Fund and will be factored in the development of the FY 2014/15 recommended budget.

### FY 2012/13 General Fund Financial Position Year End Results

	Recommended Budget	Actual Results	Variance Favorable (Unfavorable)
<b>Beginning Balance</b>	\$ 88,422,337	\$ 88,422,337	0
Revenues and Transfers In	165,742,556	153,192,473	(12,550,083)
Deferred Revenues (RAC & RDA dissolution)	-	12,233,442	12,233,442
<b>Total Revenues</b>	<b>165,742,556</b>	<b>165,425,915</b>	<b>(316,641)</b>
<b><u>Expenditures</u></b>			
Expenditures and Transfers Out	151,994,652	141,993,220	10,001,433
Carryovers for Projects and Equipment	-	9,721,599	(9,721,599)
<b>Total Expenditures</b>	<b>151,994,652</b>	<b>151,714,819</b>	<b>279,833</b>
<b><u>Reserves</u></b>			
Contingencies	19,491,339	19,319,760	(171,579)
Capital Improvement	16,012,410	16,012,410	-
Development Enterprise Fund Reserve	3,566,240	2,949,720	(616,520)
Payment to the State - RDA Dissolution	13,968,895	13,975,783	6,888
<b>Budget Stabilization Fund</b>	<b>49,131,357</b>	<b>49,875,760</b>	<b>744,403</b>

## Other Funds

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

### 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, as well as for the maintenance of capital assets, 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 \$28.9 million, of which most is being carried forward to be spent in FY 2013/14. The major ongoing projects utilizing this carryover funding include the Seven Seas Park Development project, the Fair Oaks Avenue Overhead Bridge project, the Calabazas Creek Bridge at Old Mt. View-Alviso Rd project, the Mathilda/237/101 Interchange Improvements Study, and the Hendy Avenue Complete Street project.

Ongoing projects funded by Park Dedication Fee revenues had unspent funds of approximately \$10.6 million, of which almost all is being carried forward to be spent in FY 2013/14. The majority of this carryover funding is for the transfer of funds to the Capital Projects Fund for the construction of the new Seven Seas Park. Revenues in the Park Dedication Fund came in as planned with the exception of revenue from the sale of the Jackson Street homes, which were delayed but are expected to be complete within the current fiscal year. With an anticipated increase in fee revenue, a major update to the capital improvement plan for park and recreation facilities was budgeted in the FY 2013/14 Budget. The fund also now includes a set aside for land acquisition. Council policy sets aside 20% of the Park Dedication Fee Revenue into a reserve specifically designated for land acquisition. These funds will be used to acquire land for the purpose of constructing parks, open space, trails and other recreational facilities.

### **Water Supply and Distribution Fund**

The Water Supply and Distribution Fund accounts for the operations and expenses of the City's water system. This fund receives the majority of its revenues from user fees collected from the City's water rate payers. During the review of this fund for the FY 2013/14 rate setting process, staff revised revenue estimates and adjusted expenses to account for projected water sales and project carryover funds from capital projects.

Revenues and other resources came in approximately \$2.26 million over estimates. After multiple years of decline, revenue from water sales grew 9% after a 7% increase in rates, which indicates a growth in demand. Total operating expenses ended approximately \$1.5 million more than planned, with the cost of purchasing water exceeding budget by approximately \$1.8 million, offset by personnel savings. Overall, including accounting for approximately \$3 million in unspent project carryovers, the total fund ended the year \$1.7 million better than planned due to the strong revenue performance. However, staff continues to watch the position of this fund carefully as fiscal year to date, sales are down, again expressing the same volatility in demand seen in recent years.

### **Solid Waste Management and SMaRT Station® Funds**

The Solid Waste Management Fund accounts for the operation of the City's solid waste collection and disposal system. Revenues are received from user fees and from the sale of recyclable materials. This 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 to a lesser extent, curbside recyclables and recyclables diverted from the general waste stream. As measured by weight, quantities were up 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 revenues finished FY 2012/13 approximately \$1.1 million better than planned with improvements coming in regular solid waste service fees as well as better than expected revenues from the sale of recyclables. Fund expenses including approximately \$900,000 in unspent project carryovers planned to be expended in FY 2013/14, exceeded budget by approximately \$1 million. On whole, the fund ended approximately as planned. However, as this fund continues to recover from the recession and is absorbing unexpected increases in collection contract costs, continued close monitoring will be required for the next several years to ensure fund stability.

In the SMaRT Station Fund, the net fund position for the year ended approximately \$711,000 better than expected. This is due to a 4.6% increase in solid waste tonnage delivered by the three Cities. As the costs for the SMaRT Station are based on the allocation of tons across the three cities, approximately half of is attributable to Sunnyvale, which is paid for by the Solid Waste Management Fund. However as increases in tons are driven by increased activity in the economy, revenue to the Solid Waste Management Fund (discussed above) is available to offset the increase in expense.

### **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 revenues were \$3.5 million higher than projections, a significant improvement. The majority (\$2.8 million) was attributable to development related fees and is restricted to use for capital improvements. The remaining \$700,000 increase was in service fees that came in better than expected in the FY 2013/14 Recommended Budget. However this reflects only 4% growth in revenue year over year. As this came after a 5.5% increase in rates, overall growth is down.

FY 2012/13 Wastewater Management Fund planned expenses ended approximately \$1.7 million better than expected, after accounting for the impact of project carryovers. Savings came primarily from vacancies which are one time. As a result of the positive revenue position and operating savings, overall fund position remains positive; however, there are significant capital needs in this fund coming up in the near future, including the replacement of the existing Water Pollution Control Plant (WPCP). As this is the primary cost driver, the excess revenue that is restricted for capital does benefit overall fund position. Cost estimates for the WPCP project have been included in the long-term financial plan for a number of years, and as the project draws closer and design gets underway, more detailed and refined estimates for both the cost of the project and the impact on rates will be incorporated into the long-term plan.

### **Golf and Tennis Operations Fund**

The Golf and Tennis Operations Fund accounts for revenues and expenditures related to the two City-operated golf courses and the tennis center. FY 2012/13 was the first year of this Fund's operation, as starting July 1, 2012, recreation operations were moved into the General Fund and the golf and tennis operations formed a new, self-sustaining

enterprise fund. Revenues ended approximately \$80,000 over revised estimates, and operations ended the year approximately \$86,000 over revised projections resulting in the fund ending about as planned.

### **General Services Fund**

The General Services Fund accounts for the expenditures associated with support services such as fleet, building maintenance, the print shop, and technology/communication services. Funding for these services is recovered through rental rates charged to the operating programs that benefit from these services. Overall, the fund finished approximately \$1.6 million better than was projected in the FY 2012/13 Recommended Budget. These savings are primarily attributable to operating and equipment savings in the Department of Information Technology. Expenditures on equipment replacement as well as a number of vacancies in the department contributed to actual expenditures being less than budgeted, although vacancies only provide one time savings. In the Print Shop, expenditures on outsourced printing services were lower than planned. Additionally, there were some savings related to equipment replacement across all the general service programs due to the deferral of scheduled replacements.

### **Employee Benefits Fund**

Total expenditures in the Employee Benefits Fund was \$190,375, or 0.28%, below anticipated costs, which was predominantly the result of lower workers' compensation and leave costs, offset by higher retirement benefits costs. Collections to the Benefits Fund to cover the cost of employee benefits (leaves, retirement, workers compensation, and insurances) come from the operating departments in the form of an "additive rate" that is charged to every hour an employee works. In FY 2012/13, the total amount of expected collections was \$64 million, with \$65 million collected. Year-over-year variances in collections, either over-collections or under-collections, are expected, and annual rate adjustments take this into account. Further, reserves in this fund are set to accommodate these year-over-year fluctuations.

### **Current Fiscal and Economic Environment**

As the City reaches the mid-point of the current fiscal year and begins development of the FY 2014/15 Recommended Budget, there are a number of factors affecting the City's fiscal environment that will provide guidance on short and long-term revenue and expenditure projections.

The general economic outlook is positive. The Legislative Analyst's Office (LAO) recently released a fiscal outlook report for California projecting increasing reserves and operating surpluses for the state over the next several years. Silicon Valley has led the recovery and the City continues to experience strong development related activity. Property values remain high and stable with single family median home prices at an all-time high. Early indications are that the City remains on track to meet revenue projections in the current fiscal year, with the significant exception of Sales Tax revenue, which will not be met this year and may need to be recalibrated over the long term.

Sales Tax, the second largest revenue source to the General Fund, continues to be very volatile. Approximately 40% of Sunnyvale's Sales Tax revenue is related to the Business and Industry sector which drives the volatility that is seen in this revenue source.

Revenue from this category is derived through investment businesses make in capital equipment. Growth in this sector is expected to be moderated as new orders for capital and equipment return to pre-recession ranges. We have already seen evidence of this in the sales tax receipts for the second half of FY 2012/13. In order to mitigate the volatility in the City's projections, staff is closely evaluating forecasting models with an eye towards culling out the portion of Business and Industry that is the baseline and thereby better understanding and hedging against the volatility in the revenue. Additionally, it is important to note that, as the economy continues to move to more of a service based economy, Sales Tax is not a revenue source that is anticipated to grow over the long term.

On the positive side, the most recent information from the County of Santa Clara shows that the FY 2014/15 Property Tax Assessment roll is up. With the continued strong development and healthy residential market, it is expected that the City's property tax base will continue to grow, resulting in a strong revenue performance in the current fiscal year and forward. Staff will be analyzing the data to see if the growth is more than we have projected in the current long term plan and an increase in the base is warranted.

In the November election, Measure B was passed by the Sunnyvale voters. This measure increases the rate for the City's Transient Occupancy Tax (TOT), the General Fund's third largest revenue, from 9.5% to 10.5%. It is anticipated that this will bring in approximately \$1 million per year in additional revenue to the General Fund. The impact of the passage of Measure B will be included with the FY 2014/15 Recommended Budget.

All revenue sources will be evaluated over the next several months to update current year estimates and develop projections for each year of the 20-year plan. Setting the right revenue baseline will be a significant factor in determining the City's capacity to maintain the restored service levels it incorporated into the FY 2013/14 Budget while meeting the increasing demands on our services.

Just as important will be the projections for expenditure growth, particularly those related to personnel expenditures. There are a number of factors that will be considered in projecting personnel expenditures going forward, many of which are currently being evaluated. To date, all Miscellaneous bargaining units current contracts have held to budgetary assumptions on salary. For Safety, where salary adjustments are based on a survey, the October 2013 survey resulted in a salary increase just under the anticipated increase of 2%.

Another personnel-related expenditure where controlling growth continues to be extremely important is pensions. As Council is aware, pension costs have increased significantly over the past several years, and due to a number of factors, rates are expected to continue to climb in the future. The City has been proactive in addressing the rising costs, paying higher rates than PERS requires to pay down the unfunded liability faster and incorporate known changes early such as improved mortality assumptions and adjustments to the smoothing methodology. However, there are continuing pressures. PERS has indicated that they may be taking a more conservative

investment approach which may possibly lower their discount rate further. If implemented, this would have a significant impact on the City's employer rates. For example, if the discount rate is reduced from 7.5 percent to 7.25 percent, the City's pension costs would increase by approximately \$3 million annually, a 10 percent increase. Additionally, PERS' new direct smoothing methodology will cause more rate volatility. The current budget begins to build a reserve to address this, but this will be a vulnerability going forward.

Due to these pressures, it is critical that the City continue to make progress in controlling its salary and pension costs. Budgetary assumptions must hold and we must continue to work towards having employees contribute their entire employee share, as budgeted. In the 20-year financial plans developed for the FY 2013/14 Budget, 8% (Miscellaneous) and 9% (Safety) contributions are anticipated to be phased in between the end of the current contract for each respective bargaining unit and January 1, 2018. For context, for each additional percent of pay contributed by employees to the pension expense, the City saves approximately \$575,000 annually for Miscellaneous employees and \$325,000 for Safety employees.

The RDA dissolution will continue to have a financial impact on the City. The City is currently in litigation with the State's Department of Finance and Santa Clara County over approximately \$14 million in loan repayments the former RDA made to the City prior to dissolution. The cases are scheduled to be heard in April of 2014. The worst case scenario has been incorporated into the General Fund Financial Plan with the \$14 million set aside in the event that the City is not successful in its lawsuit. The next challenge for the dissolution process will be the disposition of the assets that belong to the former RDA. These are critical properties in the downtown that will require transfer or sale. The City has begun the process of evaluating its options and will be moving forward on the disposition once the current lawsuits are settled.

One of the strengths of the City's budget process is its ability to proactively deal with a myriad of issues and challenges, only a few of which are detailed above. FY 2014/15 is the first year of the two year operating budget cycle and staff is currently engaged in the development of the operating budget with a detailed view of all operating programs. Given the challenges and pressures ahead, overall direction is to stay the course, consistent with the FY 2013/14 City Manager's Budget Message.

### **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 provides additional financial information not subject to audit.

**FY 2012/13 Audit**

The City's independent audit was performed by the firm of Macias Gini & O'Connell (MGO) who rendered an unmodified opinion on the City's CAFR. Receiving an unmodified opinion is the optimal result from the independent audit. In addition to the opinion on the CAFR, the independent auditors also issue a Report to the City Council that states items they are required to send to Council, as well as identifies any material weaknesses or significant issues found during the audit.

While no material weaknesses were found, the auditors did identify one significant deficiency related to the City's water system finances. In mid FY 2012/13, the Santa Clara Valley Water District (District) back billed the City for \$1,143,716 for water taken during FY 2011/12. The under billing resulted from a faulty turnout meter owned and operated by the District. The City settled with the District after a lengthy dispute, however the auditors have asked that the City review operational processes for ways to identify these types of issues earlier. Due to the complexity of the City's water operation, and the changing water demand environment, this would have been difficult to detect. However, the City does and will continue to monitor its water sales vs. purchases, and has asked the District to begin a regular calibration and testing program on its wholesale supply meters and provide those records to the City in a timely manner.

The report from the auditor 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.

The most significant upcoming statement is in how the accounting for pensions is done. It is important to note that, in understanding this change in accounting, the underlying facts of the City's pension costs have not changed. The change does not affect how the City budgets for pension expense, nor does it change the credit worthiness of the City.

The new standard requires that the City's Net Pension Liability be recognized on the basic government financial statements starting in FY 2014/15. It is currently presented in the Notes to the Financial Statements section of the CAFR. The computation of the Net Pension Liability will be the difference between the market value of pension fund assets and benefit obligations as of a specific date. As the underlying facts won't change for the City's pension costs, this number is simply a reporting change but will appear to create volatility on the City's financial statements. Staff will discuss this change in detail as it is implemented.

**Sunnyvale Financing Authority Financial Report**

The Sunnyvale Financing Authority's (Authority) main function is the issuance of debt and the subsequent debt service. The Authority currently has two outstanding debt issuances, the 2009 Government Center Certificates of Participation and the Solid Waste Revenue Bonds, Series 2007. Because the Sunnyvale Financing 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 D.

**FISCAL IMPACT**

The fiscal impact of each fund's results is discussed in detail in the body of the report. As noted previously, the General Fund finished FY 2012/13 approximately \$744,000 more favorable than expected.

Staff recommends City Council approval of Budget Modification No. 21 to address the Columbia Neighborhood Center (CNC) expansion project cost overrun. In partnership with the Sunnyvale School District, the City completed the Columbia Neighborhood Center (CNC) Expansion Project. While the project costs were shared equally with the School District, the design and construction was managed and completed by the School District. The City's final share totaled \$2.1 million, which exceeded the original budget by approximately \$317,000. This overage was estimated in the FY 2013/14 Budget to be absorbed by the General Fund as a result of operating savings. This budget modification will be a one-time hit to the General Fund Budget Stabilization Fund but can be absorbed given the more favorable position of the Fund. It should be noted that the majority of the City's share of this project was funded by Community Development Block Grant funds.

**Budget Modification No. 21  
FY 2013/14**

	<b><u>Current</u></b>	<b><u>Increase/ (Decrease)</u></b>	<b><u>Revised</u></b>
<b>Community Development Block Grant Fund</b>			
<u>Expenditures</u>			
Project 822911: Columbia Neighborhood Center Facility Expansion	(\$26,441) <sup>1</sup>	\$317,441	\$291,000
<b>General Fund</b>			
<u>Reserves</u>			
Budget Stabilization Fund	\$46,786,932	(\$317,441)	\$46,469,491

1. FY 2012/13 budget was exceeded, leaving a negative starting position for FY 2013/14

**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.

**ALTERNATIVES**

1. Council receive and file the budgetary Year-End Financial Report, the audited Comprehensive Annual Financial Report, the Report to the City Council issued by the independent auditors, and the Sunnyvale Financing Authority Financial Report and Approve Budget Modification No. 21.
2. Other action as determined by Council

**RECOMMENDATION**

Staff recommends Alternative 1, Council receive and file the Budgetary Year-End Financial Report, the audited Comprehensive Annual Financial Report, the Report to the City Council issued by the independent auditors, and the Sunnyvale Financing Authority Financial Report and Approve Budget Modification No. 21.

Reviewed by:

Grace K. Leung Director of Finance  
Prepared by: Timothy J. Kirby, Assistant Director of Finance

Approved by:

Gary M. Luebbers  
City Manager

**Attachments**

- A. Schedule of Appropriations by Fund
- B. Auditor's Report to the City Council
- C. Comprehensive Annual Financial Report\*
- D. Sunnyvale Financing Authority Financing Report\*

\*Attachment C & D available at City Website:  
<http://sunnyvale.ca.gov/Departments/Finance.aspx>

Fund 35 - General Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Equipment</b>			
020000 General Equipment	\$ 164,835	\$ -	\$ 164,835
020802 Recreation Equipment	123,915	122,767	1,148
020901 Public Safety Equipment	214,837	123,075	91,762
<b>Total Equipment</b>	<b>503,587</b>	<b>245,842</b>	<b>257,745</b>
<b>Operating Programs</b>			
City Attorney			
750 Comprehensive Legal Services	1,494,884	1,495,120	(235)
<b>Total City Attorney</b>	<b>1,494,884</b>	<b>1,495,120</b>	<b>(235)</b>
City Manager			
723 Office of the City Manager	3,786,747	3,566,952	219,795
<b>Total City Manager</b>	<b>3,786,747</b>	<b>3,566,952</b>	<b>219,795</b>
Community Development			
233 Building Safety	2,773,552	2,784,045	(10,493)
234 Planning	2,283,068	2,302,418	(19,350)
237 Department Management	403,739	402,806	933
<b>Total Community Development</b>	<b>5,460,359</b>	<b>5,489,268</b>	<b>(28,910)</b>
Finance			
703 Budget Management	827,255	661,130	166,125
704 Purchasing	1,241,202	1,242,760	(1,558)
705 Financial Management and Analysis	872,991	784,097	88,895
706 Accounting and Financial Services	1,679,110	1,699,202	(20,092)
707 Treasury Services	1,058,557	1,059,560	(1,003)
708 Utility Billing	2,158,808	2,172,762	(13,954)
<b>Total Finance</b>	<b>7,837,923</b>	<b>7,619,510</b>	<b>218,413</b>
Human Resources			
754 Human Resources	3,425,064	3,202,499	222,565
<b>Total Human Resources</b>	<b>3,425,064</b>	<b>3,202,499</b>	<b>222,565</b>
Library and Community Services			
527 Youth and Family Services	338,679	342,604	(3,925)
620 Library	7,988,288	7,889,730	98,558
626 Arts and Recreation Programs	8,161,265	7,490,186	671,079
<b>Total Library and Community Services</b>	<b>16,488,233</b>	<b>15,722,520</b>	<b>765,713</b>
Public Safety			
471 Police Services	26,116,503	25,063,019	1,053,484
472 Fire Services	27,422,804	27,402,755	20,049
473 Community Safety Services	3,518,552	3,962,674	(444,122)
474 Personnel & Training	1,561,186	1,794,011	(232,825)
475 Investigation Services	4,782,367	5,090,231	(307,864)
476 Communication Services	3,080,019	3,532,092	(452,073)
477 Public Safety Administrative Services	5,292,852	5,009,425	283,428
478 Records Management & Property Services	1,937,342	2,031,421	(94,079)
<b>Total Public Safety</b>	<b>73,711,626</b>	<b>73,885,628</b>	<b>(174,002)</b>

Fund 35 - General Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Public Works</b>			
119 Transportation and Traffic Services	1,938,545	1,944,222	(5,677)
120 Pavement, Traffic Signs/Markings, Street Sweeping, etc.	2,798,608	2,634,445	164,163
121 Street Lights	1,050,525	991,968	58,557
219 Street Tree Services	1,423,921	1,341,196	82,724
222 Concrete Maintenance	384,167	295,694	88,474
267 Neighborhood Parks and Open Space Manage	8,533,273	8,672,475	(139,202)
308 Public Works Administration	695,324	692,137	3,187
309 Capital Project Management and Environmental Sustainability	0	(0)	0
310 Land Development - Engineering Services	1,137,804	1,244,767	(106,963)
Total Public Works	17,962,167	17,816,905	145,263
<b>Total Operating Programs</b>	<b>130,167,003</b>	<b>128,798,401</b>	<b>1,368,601</b>
<b>Non-Departmental</b>			
Recurring Expenditures:			
Transfers Out:			
7900 Capital Projects Fund-General Assets	1,047,182	803,407	243,775
7900 Community Recreation Fund - Golf Courses	300,000	300,000	-
7900 Employee Benefits - Retirement	550,000	550,000	-
7900 Employee Benefits - Insurance and Other	1,000,000	1,000,000	-
7900 General Services Fund - Proj Mgmt Serv	499,106	486,331	12,774
7900 General Services Fund Tech & Communication Services	27,885	27,885	-
7900 Infrastructure Fund - General Assets	5,752,937	2,405,963	3,346,975
7900 Liability and Property Insurance Fund	908,806	908,806	-
7900 Youth and Neighborhood Services Fund	514,476	384,791	129,685
Total Transfers Out	10,600,392	6,867,183	3,733,209
7900 Lease Payments to RDA for Parking Structure	1,206,523	1,212,403	(5,880)
Total Lease Payments	1,206,523	1,212,403	(5,880)
Total Recurring Non-Departmental Expenditures	11,806,915	8,079,586	3,727,329
RSA Administrative Cost True-up	-	9,941	(9,941)
Total Non-Recurring Non-Departmental Expenditures	-	9,941	(9,941)
<b>Total Non-Departmental</b>	<b>11,806,915</b>	<b>8,089,527</b>	<b>3,717,388</b>
<b>Projects</b>			
802150 Utility Undergrounding Cost Sharing	159,355	0	159,355
803700 Leadership Sunnyvale [GF]	6,000	6,000	-
805150 Library Foundation Program Grant	242,362	0	242,362
820570 Minor Building Modifications	626	626	-
820610 Downtown Area Maintenance	44	44	0
821010 City Owned Properties - Downtown	12,240	15,450	(3,210)
824351 The Health Trust - Meals on Wheels (GF)	7,129	7,130	(1)
825700 General Plan Updates	67,810	290	67,520
825970 Downtown Underground Parking Insurance	3,956	3,956	0
826280 FY 12-13 #16 Recruitment and Training for Sworn Officers	2,496,025	1,556,990	939,035
826554 Onizuka/BRAC Project - Final Planning Phase	16,903	16,903	-
826620 Town Center Construction - Public Works Services	190,925	0	190,925
827700 Electronic Records Management System	94,250	4,431	89,819
827720 Catholic Charities - Long Term Care Ombudsman Program [GF]	8,913	8,913	-
827740 Cupertino Community Services [GF]	0	0	-
827780 First United Methodist Church - Sr. Nutrition Program [GF]	8,196	8,196	-
827790 Senior Adult Legal Assistance (SALA) [GF]	7,129	7,130	(1)
827810 Friends for Youth - Mentoring [GF]	8,913	8,913	-
827820 Live Oak Adult Day Services [GF]	9,804	9,804	-

City of Sunnyvale  
Year-end Appropriations Report  
Fiscal Year Ending June 30, 2013

Attachment A

Fund 35 - General Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
827970 History Museum Utility Reimbursement	4,000	2,666	1,334
828440 Catholic Charities: Day Break III	10,696	10,696	-
828461 Santa Clara Family Health Foundation: Healthy Kids (GF)	16,044	16,044	-
828472 West Valley Community Services: Haven to Home Case Mgmt	8,022	8,022	-
828481 Abilities United: Aquatic and Occupational Therapy	8,913	8,913	-
828681 Active Start Program	3,961	3,961	-
828690 Land Use & Transportation Study	228,918	183,158	45,760
828840 Project Readiness Initiative Program	7,047	7,047	-
828880 Community Events Grant Funding	22,925	22,925	-
828890 Neighborhood Grants	1,975	1,975	-
828920 Backup Generator for Communication Tower at Corporation Yard	(1,044)	0	(1,044)
829210 Raynor Center Assessment	30,700	18,860	11,840
829220 Generations Community Wellness Centers	6,239	6,239	-
829240 Tobacco Use and Smoking Prevention	5,217	5,217	-
829250 Emergency Management Preparedness Grant - EMPG FY11	8,708	7,039	1,669
829280 Families Read Together	91	91	-
829310 California Environmental Reporting System (CERS) Grant	31,184	0	31,184
829340 2010 State Homeland Security Grant for Training	45,015	45,016	(0)
829360 FY 2011/2012 OTS Sobriety Checkpoints	33,542	15,317	18,225
829380 California Reads	1,870	1,870	-
829390 LSTA: Lawyers in the Library	2,028	2,028	-
829500 Santa Clara County Funded EMS Enhancement Projects	10,480	10,480	-
829510 Emergency Medical Dispatch First Responder Incentive Funding	112,202	32,291	79,911
829620 Downtown Association	10,000	10,000	-
829630 Council Set Aside	30,925	15,124	15,801
829640 Care Management Enhancement	15,609	15,609	-
829660 Communities Putting Prevention to Work - Obesity Prevention	29,839	29,839	-
829670 Lawrence Station Area Plan - Phase II	450,000	195,284	254,716
829680 FY 2011/2012 Emergency Management Performance Grant (EMPG)	27,018	1,683	25,335
829690 Comprehensive School Traffic Study	100,000	5,950	94,050
829700 Priority Study Issue (DPW 12-05: Downtown Parking Maintenan	25,000	23,023	1,977
829710 Satterberg Foundation Grant: eReaders	6,000	4,197	1,803
829750 Fire Prevention Construction-Related Permitting	590,760	150,819	439,941
829760 Building Permitting	343,000	136,621	206,379
829780 2012 Urban Shield	75,011	75,011	(0)
829790 FFY 2010 SHSGP Grant for Equipment - Gas Mask Canisters	24,384	24,384	(0)
829800 FFY 2010 SHSGP Grant for Equipment - MCV Radio System	55,000	57,844	(2,844)
829810 Peery Park Specific Plan and Environmental Impact Report	600,000	0	600,000
829830 Raynor Sale Consulting Services	148,500	53,364	95,136
829850 FY 2012/13 Avoid the 13 DUI Enforcement	16,670	4,863	11,807
829860 Traffic Safe Communities Network Bike Party Enforcement	4,455	2,966	1,489
829870 Library Materials Vending Machine	35,162	35,162	-
829880 Silicon Valley Regional Communication System (SVRCS) Phase I	3,972,856	1,846,536	2,126,320
829890 2012/2013 OTS Sobriety Checkpoints	15,000	7,500	7,500
829930 FY 2012/13 Safe Summer Activities	30,486	30,486	-
829940 FFY 2011 SHSGP Training - LEIU Conference	8,210	9,310	(1,100)
829950 BIA Litigation	63,870	37,009	26,860
829960 LSTA: Learning Together	5,000	2,065	2,935
829970 LSTA Printing Old & New	13,500	10,207	3,293
830040 Onizuka Site Transition Plan	50,000	9,960	40,040
830670 FY2012/13 Emergency Management Performance Grant (EMPG)	38,780	0	38,780
<b>Total Projects</b>	<b>10,724,351</b>	<b>4,859,450</b>	<b>5,864,902</b>
<b>Total Appropriations</b>	<b>153,201,856</b>	<b>141,993,219</b>	<b>11,208,636</b>
Project and Equipment Carryovers	-	6,129,700	(6,129,700)
Deferred Transfers Out	-	3,590,751	(3,590,751)

**Fund 35 - General Fund**

<u>Description</u>	<u>Current Budget</u>	<u>Actual Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
Total	<u>153,201,856</u>	<u>151,713,670</u>	<u>1,488,185</u>

Fund 70 - Housing Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Operating Programs</b>			
Community Development			
235 Housing and CDBG Program	\$ 671,713	\$ 588,550	\$ 83,163
Total Community Development	<u>671,713</u>	<u>588,550</u>	<u>83,163</u>
<b>Total Operating Programs</b>	<b><u>671,713</u></b>	<b><u>588,550</u></b>	<b><u>83,163</u></b>
<b>Non-Departmental</b>			
7900 General Fund	72,808	72,808	0
Total Recurring Non-Departmental Expenditures	<u>72,808</u>	<u>72,808</u>	<u>0</u>
<b>Total Non-Departmental</b>	<b><u>72,808</u></b>	<b><u>72,808</u></b>	<b><u>0</u></b>
<b>Projects</b>			
826530 County-Wide Homeless Count	8,238	8,238	-
823750 BMR Compliance Enforcement	10,203	9,288	915
825930 Maintain City-Owned Properties - Downtown/Charles Street	1,767	1,767	(0)
826520 Pre-Development Costs on Affordable Housing Sites	5,386	-	5,386
828100 First-Time Homebuyer Loans (81-120% AMI)	336,075	173,450	162,625
828110 Housing Trust Fund (HTFSCC) Contribution	300,000	300,000	-
829470 MidPen Housing Pre-Development Cost Reimbursement	34,645	34,645	-
829480 Charities Housing Pre-Development Cost Reimbursement	33,148	33,148	-
829530 Armory Affordable Housing Site - Charities Housing	4,050,000	-	4,050,000
829540 Armory Affordable Housing Site - MidPen Housing	4,050,000	-	4,050,000
829580 Homestead Park (Final Phase)	5,000,000	-	5,000,000
829980 Habitat for Humanity - Sale of City-Owned Homes (HMF)	880,000	-	880,000
<b>Total Projects</b>	<b><u>14,709,461</u></b>	<b><u>560,535</u></b>	<b><u>14,148,926</u></b>
<b>Total Appropriations</b>	<b><u>15,453,983</u></b>	<b><u>1,221,894</u></b>	<b><u>14,232,089</u></b>
Project Carryovers	-	14,148,926	(14,148,926)
<b>Total</b>	<b><u>15,453,983</u></b>	<b><u>15,370,820</u></b>	<b><u>83,163</u></b>

Fund 71 - HOME Grant Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Operating Programs</b>			
Community Development			
235 Housing and CDBG Program	\$ 103,213	\$ 104,110	\$ (897)
Total Community Development	<u>103,213</u>	<u>104,110</u>	<u>(897)</u>
<b>Total Operating Programs</b>	<b><u>103,213</u></b>	<b><u>104,110</u></b>	<b><u>(897)</u></b>
<b>Non-Departmental</b>			
7900 General Fund	7,341	7,269	72
<b>Total Non-Departmental</b>	<b><u>7,341</u></b>	<b><u>7,269</u></b>	<b><u>72</u></b>
<b>Projects</b>			
828120 First-Time Homebuyer Loans (up to 80% AMI)	150,000	50,315	99,685
828530 Aster Park Rehabilitation	-	-	-
828700 Momentum for Mental Health: Rehab (HOME)	295,403	295,403	-
828750 Tenant Based Rental Assistance (HOME)	590,411	168,780	421,631
829550 MidPen Housing: Garland Plaza Rehab	1,500,000	1,350,003	149,997
<b>Total Projects</b>	<b><u>2,535,813</u></b>	<b><u>1,864,501</u></b>	<b><u>671,312</u></b>
<b>Total Appropriations</b>	<b><u>2,646,368</u></b>	<b><u>1,975,881</u></b>	<b><u>670,487</u></b>
Project Carryovers	-	671,312	(671,312)
<b>Total</b>	<b><u>2,646,368</u></b>	<b><u>2,647,193</u></b>	<b><u>(825)</u></b>

Fund 110 - Community Development Block Grant Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Operating Programs</b>			
Community Development			
235 Housing and CDBG Program	\$ 466,615	\$ 403,165	\$ 63,451
Total Community Development	<u>466,615</u>	<u>403,165</u>	<u>63,451</u>
<b>Total Operating Programs</b>	<b><u>466,615</u></b>	<b><u>403,165</u></b>	<b><u>63,451</u></b>
<b>Non-Departmental</b>			
7900 General Fund	35,463	26,826	8,637
7900 HOME Fund	53,000	53,000	0
7900 CDBG - Revolving Loan Fund	150,000	-	150,000
<b>Total Non-Departmental</b>	<b><u>238,463</u></b>	<b><u>79,826</u></b>	<b><u>158,637</u></b>
<b>Projects</b>			
800852 YWCA Silicon Valley	18,718	18,718	-
803501 CDBG Housing Rehabilitation Revolving Loan Fund	180,000	34,167	145,833
803601 Sunnyvale Community Services [CDBG]	75,000	75,000	-
812701 Home Access, Paint, Emergency Repair, and Energy-Efficiency	119,000	52,971	66,029
822911 Columbia Neighborhood Center Facility Expansion	242,402	268,843	(26,441)
825920 Bill Wilson Center [CDBG]	23,174	23,174	-
827200 Outreach and Transportation Assistance for Seniors	31,197	31,196	1
827212 EHC Life Builders: Winter Shelter at Sunnyvale Armory	22,283	22,283	-
827221 Family & Children's Services-Columbia Center	21,391	20,391	1,000
828450 MayView Community Health Center	17,826	17,826	-
828830 Homestead Park	116,413	116,413	-
829490 First United Methodist Church [CDBG]	7,848	7,848	-
829560 Sunnyvale Workforce Development Program-DST	219,967	219,967	-
<b>Total Projects</b>	<b><u>1,095,218</u></b>	<b><u>908,796</u></b>	<b><u>186,422</u></b>
<b>Total Appropriations</b>	<b><u>1,800,297</u></b>	<b><u>1,391,786</u></b>	<b><u>408,511</u></b>
Project Carryovers	-	186,422	(186,422)
<b>Total</b>	<b><u>1,800,297</u></b>	<b><u>1,578,209</u></b>	<b><u>222,088</u></b>

Fund 141 - Park Dedication Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Non-Departmental</b>			
7900 General Fund - General Assets	\$ 125,000	\$ 98,140	\$ 26,860
7900 Capital Projects Fund - General Assets	8,917,303	1,330,946	7,586,357
7900 Infrastructure Fund - General Assets	2,789,696	701,584	\$ 2,088,112
7900 Infrastructure Fund - Community Recreation Assets	624,183	84,071	\$ 540,112
7900 Infrastructure Fund - Project Management Services	737,343	548,236	\$ 189,107
<b>Total Non-Departmental</b>	<b>13,193,526</b>	<b>2,762,976</b>	<b>10,430,549</b>
<b>Projects</b>			
821001 Maintenance of City Owned Properties - Adjacent to Parks	25,500	16,251	9,249
<b>Total Projects</b>	<b>25,500</b>	<b>16,251</b>	<b>9,249</b>
<b>Total Appropriations</b>	<b>13,219,026</b>	<b>2,779,228</b>	<b>10,439,798</b>
Project Carryovers	-	9,249	(9,249)
Deferred Transfers Out	-	10,241,443	(10,241,443)
<b>Total</b>	<b>13,219,026</b>	<b>13,029,920</b>	<b>189,106</b>

Fund 175 - Asset Forfeiture Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Operating Programs</b>			
Public Safety			
471 Police Services	\$ 2,200	\$ 1,780	\$ 420
Total Public Safety	<u>2,200</u>	<u>1,780</u>	<u>420</u>
<b>Total Operating Programs</b>	<b><u>2,200</u></b>	<b><u>1,780</u></b>	<b><u>420</u></b>
<b>Non-Departmental</b>			
7900 General Fund - General	98,123	88,692	9,431
<b>Total Non-Departmental</b>	<b><u>98,123</u></b>	<b><u>88,692</u></b>	<b><u>9,431</u></b>
<b>Projects</b>			
819840 Police Services Equipment Acquisition	86,201	18,006	68,195
828150 Police Services Equipment - Cell Phones	44,830	44,830	-
<b>Total Projects</b>	<b><u>131,030</u></b>	<b><u>62,836</u></b>	<b><u>68,195</u></b>
<b>Total Appropriations</b>	<b><u>231,353</u></b>	<b><u>153,308</u></b>	<b><u>78,046</u></b>
Project Carryovers	-	68,195	(68,195)
<b>Total</b>	<b><u>231,353</u></b>	<b><u>221,503</u></b>	<b><u>9,851</u></b>

Fund 190 - Police Services Augmentation Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Projects</b>			
829410 2011 Justice Assistance Grant (JAG)	\$ 15,335	\$ 15,335	\$ -
829420 COPS/SLES Grant Spending Plan	503,773	458,870	44,903
829770 2012 Justice Assistance Grant (JAG)	13,347	13,347	-
<b>Total Projects</b>	<b>532,455</b>	<b>487,552</b>	<b>44,903</b>
<b>Total Appropriations</b>	<b>532,455</b>	<b>487,552</b>	<b>44,903</b>
Project Carryovers	-	44,903	(44,903)
<b>Total</b>	<b>532,455</b>	<b>532,455</b>	<b>-</b>

Fund 210 - Employment Development Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Operating Programs</b>			
Employment Development			
510 Employment Development	\$ 7,634,501	\$ 7,210,861	\$ 423,641
Total Employment Development	<u>7,634,501</u>	<u>7,210,861</u>	<u>423,641</u>
<b>Total Operating Programs</b>	<b><u>7,634,501</u></b>	<b><u>7,210,861</u></b>	<b><u>423,641</u></b>
<b>Non-Departmental</b>			
7900 General Fund - General	301,898	314,416	(12,518)
<b>Total Non-Departmental</b>	<b><u>301,898</u></b>	<b><u>314,416</u></b>	<b><u>(12,518)</u></b>
<b>Total Appropriations</b>	<b><u>7,936,399</u></b>	<b><u>7,525,277</u></b>	<b><u>411,122</u></b>
<b>Total</b>	<b><u>7,936,399</u></b>	<b><u>7,525,277</u></b>	<b><u>411,122</u></b>

Fund 245 - Parking District Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Operating Programs</b>			
Public Works			
256 Downtown Parking Lot Maintenance	\$ 61,947	\$ 48,917	\$ 13,030
267 Neighborhood Parks and Open Space Management	89,360	73,715	15,645
310 Land Development - Engineering Services	4,091	1,923	2,168
Total Public Works	<u>155,398</u>	<u>124,555</u>	<u>30,843</u>
<b>Total Operating Programs</b>	<b><u>155,398</u></b>	<b><u>124,555</u></b>	<b><u>30,843</u></b>
<b>Non-Departmental</b>			
7900 General Fund - General	12,768	12,768	-
<b>Total Non-Departmental</b>	<b><u>12,768</u></b>	<b><u>12,768</u></b>	<b><u>-</u></b>
<b>Projects</b>			
824700 Downtown Parking Maintenance Assessment	1,700	1,700	-
827570 Downtown Parking District Major Maintenance	169,260	18,610	150,650
<b>Total Projects</b>	<b><u>170,960</u></b>	<b><u>20,310</u></b>	<b><u>150,650</u></b>
<b>Total Appropriations</b>	<b><u>339,126</u></b>	<b><u>157,633</u></b>	<b><u>181,493</u></b>
Project Carryovers	-	150,650	(150,650)
<b>Total</b>	<b><u>339,126</u></b>	<b><u>308,283</u></b>	<b><u>30,843</u></b>

Fund 255 - CFD 3 Estates at Sunnyvale

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Operating Program</b>			
Public Works			
361 Storm Water Collection System	\$ -	\$ 21,907	\$ (21,907)
Total Public Works	<u>-</u>	<u>21,907</u>	<u>(21,907)</u>
<b>Total Operating Programs</b>	<u>-</u>	<u>21,907</u>	<u>(21,907)</u>
<b>Projects</b>			
830030 Formation of Community Facilities District No. 3	49,445	-	49,445
<b>Total Non-Departmental</b>	<u>49,445</u>	<u>-</u>	<u>49,445</u>
<b>Total Appropriations</b>	<u>49,445</u>	<u>21,907</u>	<u>27,538</u>
Project Carryovers	-	49,445	(49,445)
Deferred Transfers Out	-	-	-
<b>Total</b>	<u>49,445</u>	<u>71,352</u>	<u>(21,907)</u>

Fund 280 - Gas Tax Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Operating Program</b>			
Public Works			
Pavement, Traffic Signs and Markings, Street Sweeping, 120 Street Lights, and Roadside Easements	\$ 2,025,000	\$ 1,906,136	\$ 118,864
Total Public Works	2,025,000	1,906,136	118,864
<b>Total Operating Programs</b>	<b>2,025,000</b>	<b>1,906,136</b>	<b>118,864</b>
<b>Non-Departmental</b>			
7900 General Services Fund - Project Management Service	201,749	177,585	24,164
7900 Capital Projects Fund - Gas Tax Funded	1,357,866	148,290	1,209,576
7900 Infrastructure Fund - General Assets	3,325,085	628,535	2,696,550
<b>Total Non-Departmental</b>	<b>4,884,700</b>	<b>954,410</b>	<b>3,930,290</b>
<b>Projects</b>			
802500 City Share of Development Costs - Streets	10,200	-	10,200
827690 Evaluation of Bridges and Levees	200,000	-	200,000
829900 Contribution to PMP/GIS Integration Project	15,600	15,600	-
<b>Total Projects</b>	<b>225,800</b>	<b>15,600</b>	<b>210,200</b>
<b>Total Appropriations</b>	<b>7,135,500</b>	<b>2,876,146</b>	<b>4,259,354</b>
Project Carryovers	-	210,200	(210,200)
Deferred Transfers Out	-	3,906,124	(3,906,124)
<b>Total</b>	<b>7,135,500</b>	<b>6,992,470</b>	<b>143,030</b>

Fund 285 - Transportation Development Act (TDA) Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Non-Departmental</b>			
7900 Capital Projects Fund - General Assets	\$ 285,182	\$ 58,397	\$ 226,785
<b>Total Non-Departmental</b>	<b>285,182</b>	<b>58,397</b>	<b>226,785</b>
<b>Total Appropriations</b>	<b>285,182</b>	<b>58,397</b>	<b>226,785</b>
Deferred Transfers Out	-	226,785	(226,785)
<b>Total</b>	<b>285,182</b>	<b>285,182</b>	<b>-</b>

Fund 290 - VRF Local Road Improvement Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Non-Departmental</b>			
7900 Infrastructure Fund - General Assets	\$ 723,000	\$ 723,000	\$ -
<b>Total Non-Departmental</b>	723,000	723,000	-
<b>Total Appropriations</b>	723,000	723,000	-
<b>Total</b>	723,000	723,000	-

Fund 295 - Youth and Neighborhood Services Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Operating Programs</b>			
Library and Community Services			
527 Youth and Family Services	\$ 746,557	\$ 572,841	\$ 173,716
Total City Manager	<u>746,557</u>	<u>572,841</u>	<u>173,716</u>
<b>Total Operating Programs</b>	<u><b>746,557</b></u>	<u><b>572,841</b></u>	<u><b>173,716</b></u>
<b>Total Appropriations</b>	<u><u><b>746,557</b></u></u>	<u><u><b>572,841</b></u></u>	<u><u><b>173,716</b></u></u>
<b>Total</b>	<u><u><b>746,557</b></u></u>	<u><u><b>572,841</b></u></u>	<u><u><b>173,716</b></u></u>

Fund 315 - Redevelopment Agency Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Operating Programs</b>			
Finance			
705 Financial Management and Analysis	\$ 158,785	\$ 220,747	\$ (61,962)
Total Finance	<u>158,785</u>	<u>220,747</u>	<u>(61,962)</u>
Office of the City Manager			
723 Office of the City Manager	-	5,053	(5,053)
Total Finance	<u>-</u>	<u>5,053</u>	<u>(5,053)</u>
City Attorney			
750 Comprehensive Legal Services	146,033	70,616	75,417
Total City Attorney	<u>146,033</u>	<u>70,616</u>	<u>75,417</u>
<b>Total Operating Programs</b>	<b><u>304,818</u></b>	<b><u>296,416</u></b>	<b><u>8,402</u></b>
<b>Non-Departmental</b>			
7900 General Fund - General	1,228,680	993,846	234,834
7900 1992 RDA Central Core Project Bonds	606,704	606,057	647
7900 ADDOPA liability	-	2,047,983	(2,047,983)
<b>Total Non-Departmental</b>	<b><u>1,835,384</u></b>	<b><u>3,647,886</u></b>	<b><u>(1,812,502)</u></b>
<b>Projects</b>			
814952 Redevelopment Dissolution	25,035	-	25,035
Project Management for Town Center Development			
824571 Agreement	40,551	-	40,551
Town Center Investigation/Remediation of Hazmat			
826701 (ADDOPA)	405,230	437,874	(32,644)
<b>Total Projects</b>	<b><u>470,815</u></b>	<b><u>437,874</u></b>	<b><u>32,941</u></b>
<b>Total Appropriations</b>	<b><u>2,611,017</u></b>	<b><u>4,382,176</u></b>	<b><u>(1,771,159)</u></b>
Project Carryovers	-	65,585	(65,585)
Deferred Transfers Out	-	-	-
<b>Total</b>	<b><u>2,611,017</u></b>	<b><u>4,447,761</u></b>	<b><u>(1,836,744)</u></b>

Fund 330 - Governmental Funds - City Debt Service

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Debt Service</b>			
011551 2009 Government Center COP Debt Service	\$ 1,063,279	\$ 656,547	\$ 406,732
<b>Total Debt Service</b>	<b>1,063,279</b>	<b>656,547</b>	<b>406,732</b>
<b>Total Appropriations</b>	<b>1,063,279</b>	<b>656,547</b>	<b>406,732</b>
<b>Total</b>	<b>1,063,279</b>	<b>656,547</b>	<b>406,732</b>

Fund 335 - Redevelopment Agency Debt Service Fund

<u>Description</u>	<u>Current Budget</u>	<u>Actual Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Debt Service</b>			
011900 2003 Central Core Tax Allocation Bonds	\$ 609,654	\$ 608,679	\$ 975
010510 1998 Parking Lease COPs	1,213,483	-	1,213,483
<b>Total Debt Service</b>	<b><u>1,823,137</u></b>	<b><u>608,679</u></b>	<b><u>1,214,458</u></b>

Fund 385 - Capital Projects Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Non-Departmental</b>			
7900 General Fund - General	\$ 11,975	\$ 11,975	\$ -
7900 Capital Projects Fund - Gas Tax Funded	157,204	-	157,204
7900 Capital Projects Fund - General Assets	1,210,442	409,709	800,733
7900 Capital Project Fund-Traffic Impact Fees	2,000,000	-	2,000,000
7900 General Services Fund - Project Management Services	16,458	10,310	6,148
7900 Infrastructure Fund - General Assets	1,585,493	1,585,493	-
<b>Total Non-Departmental</b>	<b>4,981,572</b>	<b>2,017,487</b>	<b>2,964,085</b>
<b>Projects</b>			
Subfund 100 - General Assets			
808352 Seven Seas Park Development	8,190,255	1,326,643	6,863,612
825610 Fair Oaks Avenue Overhead Bridge	3,816,648	563,008	3,253,640
826570 Tasman/Fair Oaks Area Streetscape and Sense of Place	231,169	231,169	(0)
826730 Underground Overhead Utilities	175,992	13,625	162,367
826780 Downtown-Related Construction Mitigation	20,628	4,671	15,957
828161 Residential and School Area Sidewalks	783,412	583,971	199,441
828590 Mary Avenue Street Space Allocation Study	37,973	37,974	(1)
828600 Borregas Avenue Bicycle Lanes	-	-	-
828610 Concrete Reconstruction	876,057	812,761	63,296
828620 Light Emitting Diode (LED) Streetlight Retrofit	245,425	241,449	3,976
828670 Downtown Streetscape Improvements	114,652	114,652	-
828900 Hendy Avenue Complete Street Project	2,490,282	85,404	2,404,878
828910 Sunnyvale Avenue/Old San Francisco Road Left Turn Project	786,700	285,302	501,398
829200 Stevens Creek Trail Feasibility Study	149,705	102,258	47,447
829270 Remington Drive/Bernardo Ave Traffic Signal	689,914	53,698	636,216
829300 West Channel Trail Conceptual Design Study	95,000	3,800	91,200
829320 Downtown Streetscape Improvements Phase II	711,224	8,726	702,498
829370 Safe Routes to School and Neighborhood Guided Bike Routes	200,000	1,233	198,767
829440 Land Acquisition Due Dilligence	13,715	4,303	9,412
829570 Orchard Gardens Park Expansion	201,450	-	201,450
829590 Duane Avenue Bicycle Lanes	94,203	-	94,203
829720 Mathilda Avenue Bicycle Lanes	100,000	-	100,000
829730 Wildwood Avenue Bicycle Lanes	30,000	-	30,000
829910 Mathilda Avenue/Maude Avenue Safety Improvements	343,600	50	343,550
829920 Sunnyvale-Saratoga Road/Fremont Avenue Safety Improvements	308,600	50	308,550
829990 Citywide Traffic Signal Communications Repairs	35,000	-	35,000
830000 Adaptive Traffic Control Timing Optimization	40,000	-	40,000
830010 ITS Citywide Enhancements	132,000	5,508	126,492
830020 Fair Oaks Avenue Signal Interconnection	150,000	-	150,000
Total Subfund 100 - General Assets	21,063,604	4,480,253	16,583,351
Project Carryovers	-	16,583,351	(16,583,351)
Total Subfund 100 - General Assets	21,063,604	21,063,604	(0)
Subfund 600 - Gas Tax			
822710 Mathilda Avenue Railroad Overpass Improvements	4,122,246	1,132,488	2,989,758
826850 Calabazas Creek Bridge at Old Mt. View-Alviso Rd	4,597,523	12,690	4,584,832
829040 School Transportation Demand Management Project	64,780	15,998	48,782
Total Subfund 600 - Gas Tax	8,784,549	1,161,176	7,623,373
Project Carryovers	-	7,623,373	(7,623,373)
Total Subfund 600 - Gas Tax	8,784,549	8,784,549	0

Fund 385 - Capital Projects Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Subfund 950 - Traffic Mitigation Projects			
816000 Future Traffic Signal Construction/Modification	713,661	179,452	534,209
827630 Safe Routes to Schools City-wide Projects	-	-	-
Total Subfund 950 - Traffic Mitigation Projects	<u>713,661</u>	<u>179,452</u>	<u>534,209</u>
Project Carryovers	-	534,209	(534,209)
Total Subfund 950 - Traffic Mitigation Projects	<u>713,661</u>	<u>713,661</u>	<u>0</u>
Subfund 960 - Transportation Impact Fees			
826890 Mathilda/SR 237/US 101 Interchange Improvements Study Report	4,000,000	-	4,000,000
825530 Computerized Transportation Model Update	51,300	51,300	-
829840 Lawrence Expressway Grade Separation Study	125,000	125,000	-
Total Subfund 960 - Transportation Impact	<u>4,176,300</u>	<u>176,300</u>	<u>4,000,000</u>
Project Carryovers	-	4,000,000	(4,000,000)
Total Subfund 960 - Transportation Impact	<u>4,176,300</u>	<u>4,176,300</u>	<u>-</u>
<b>Total Projects</b>	<b><u>34,738,114</u></b>	<b><u>5,997,181</u></b>	<b><u>28,740,933</u></b>
<b>Total Appropriations</b>	<b><u>39,719,686</u></b>	<b><u>8,014,668</u></b>	<b><u>31,705,018</u></b>
Total Project Carryovers	-	28,740,933	(28,740,933)
Total Deferred Transfers Out	-	2,957,939	(2,957,939)
<b>Total</b>	<b><u>39,719,686</u></b>	<b><u>39,713,540</u></b>	<b><u>6,146</u></b>

Fund 460 - Water Supply and Distribution Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Debt Service</b>			
011703 Water Bonds 2001 Series A	\$ -	\$ 1,943	(1,943)
011705 2010 Water Revenue Bonds	1,881,500	1,881,500	-
011603 Government Center COP	78,682	48,230	30,452
<b>Total Debt Service</b>	<b>1,960,182</b>	<b>1,931,673</b>	<b>28,509</b>
<b>Operating Programs</b>			
Environmental Services			
360 Water Resources	26,106,688	27,597,109	(1,490,421)
366 Regulatory Programs	17,798	1,685	16,113
7900 Loan Repayment to General Fund	351,700	351,700	-
Total Environmental Services	<u>26,476,186</u>	<u>27,950,494</u>	<u>(1,474,308)</u>
<b>Total Operating Programs</b>	<b>26,476,186</b>	<b>27,950,494</b>	<b>(1,474,308)</b>
<b>Non-Departmental</b>			
7900 General Services Fund - Project Management Services	451,899	668,062	(216,163)
7900 General Fund - General	2,626,609	2,531,146	95,463
7900 Infrastructure Fund - General Assets	8,025	8,025	-
7900 Liability and Property Insurance Fund	129,516	129,516	-
<b>Total Non-Departmental</b>	<u>3,216,049</u>	<u>3,336,749</u>	<u>(120,700)</u>
<b>Projects</b>			
815203 Replacement of Water/Sewer Sprv. Control System	616,840	536,430	80,410
819771 Utility Maintenance Management System	73,580	10,359	63,221
825241 Equip. Replacement at 6 Hetch-Hetchy Connections	132,797	88,089	44,708
825271 Well House Emergency Generator - Ortega Well	91,800	87,173	4,627
825301 Pressure Reducing Valve Replace. & Reloc.- SCADA	257,187	96,320	160,868
825451 City-wide Water Line Replacement	7,913,193	5,841,899	2,071,294
825501 Wright Ave Water Plant Mechanical Reconstruction	1,237,769	1,039,806	197,963
827180 Automation of Water Meter Reading	44,639	10,015	34,624
828970 Raynor Well Rehabilitation	362,820	125,471	237,349
829060 Rehabilitation of Cathodic Protection on RW System	34,870	58,883	(24,013)
829450 Recycled Water Inter-connect Santa Clara	31,212	31,212	0
829460 Recycled Water System Master Plan	200,570	169,767	30,803
829820 Potable Water System Design Study	171,512	139,735	31,777
<b>Total Projects</b>	<u>11,168,789</u>	<u>8,235,158</u>	<u>2,933,631</u>
<b>Total Appropriations</b>	<u>42,821,206</u>	<u>41,454,074</u>	<u>1,367,132</u>
Project Carryovers	-	2,957,643	(2,957,643)
Total Deferred Transfers Out	-	95,463	(95,463)
<b>Total</b>	<u>42,821,206</u>	<u>44,507,180</u>	<u>(1,685,974)</u>

**Fund 465 - Wastewater Management Fund**

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Debt Service</b>			
011704 Wastewater Bonds 2001 Series A	\$ -	\$ 1,943	\$ (1,943)
011706 2010 Wastewater Revenue Bonds	2,862,125	2,862,125	-
011604 Government Center COP	53,067	33,109	19,958
<b>Total Debt Service</b>	<b>2,915,192</b>	<b>2,897,177</b>	<b>18,015</b>
<b>Operating Programs</b>			
Environmental Services			
361 Storm Water Collection System	425,847	471,576	(45,729)
362 Sanitary Sewer Collection System	2,061,028	1,985,455	75,573
365 Wastewater Management	10,003,934	10,173,556	(169,622)
366 Regulatory Programs	2,101,784	1,691,667	410,117
799 Non-Programmatic	2,464,198	2,464,198	-
Total Environmental Services	17,056,791	16,786,452	270,339
City Attorney			
750 Comprehensive Legal Services	30,288	1,494	28,794
Total City Attorney	30,288	1,494	28,794
<b>Total Operating Programs</b>	<b>17,087,079</b>	<b>16,787,946</b>	<b>299,133</b>
<b>Non-Departmental</b>			
7900 Liability and Property Insurance Fund	307,287	307,287	-
7900 General Fund	2,439,072	2,343,609	95,463
7900 Utilities Fund - Water	134,434	116,568	17,866
7900 Utilities Fund - Refuse	14,688	2,533	12,155
7900 Capital Projects Fund - General Assets	154,803	18,857	135,946
7900 Infrastructure Fund - General Assets	29,449	3,439	26,010
7900 General Services Fund - Project Management Services	464,848	599,411	(134,563)
7900 Gas Tax	50,000	-	50,000
<b>Total Non-Departmental</b>	<b>3,594,581</b>	<b>3,391,704</b>	<b>202,877</b>
<b>Equipment</b>			
20201 Wastewater Equipment	445,572	279,762	165,810
<b>Total Equipment</b>	<b>445,572</b>	<b>279,762</b>	<b>165,810</b>
<b>Projects</b>			
805253 Sewer Pipes, Manholes, and Laterals Emergency Replacement	16,300	16,300	-
822762 Storm Pump Station Number 2 Rehabilitation	369,428	242,922	126,506
824301 Rehabilitation of Digesters	789,248	447,111	342,137
824341 Wastewater Cost of Service Study	26,048	810	25,238
824771 Primary Process Design and Construction	1,000,000	29,541	970,459
825141 Air Flootation Tanks Rehabilitation	1,624,169	1,196,151	428,018
825321 Replacement/Rehabilitation of Sanitary Manholes	240,964	240,964	-
825331 Replacement/Rehabilitation of Sewer Pipes	4,836,596	2,339,594	2,497,002
825521 Pond Sediment Removal	1,450,862	1,355,339	95,523
825751 Sewer Lift Stations Rebuild	494,157	68,461	425,696
825961 SCVURPPP Contracting and Fiscal Agent	20,607	20,607	0
827020 Emergency Bypass Pumping	613,503	-	613,503
827050 Sanitary Sewer Collection System Master Plan	662,795	301,383	361,412
827060 Sulfur Dioxide (SO2) Equipment Replacement	4,569	4,569	0
827090 Construction of a New Water Pollution Control Plant	750,000	136,600	613,400
828960 Mode 1 Study	50,477	25,640	24,836
829080 Storm System Trash Capture Devices	488,800	29,034	459,766
829430 WPCP Chlorine Conversion	400,000	131,087	268,913
<b>Total Projects</b>	<b>13,838,522</b>	<b>6,586,115</b>	<b>7,252,407</b>

Fund 465 - Wastewater Management Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Total Appropriations</b>	<b><u>37,880,946</u></b>	<b><u>29,942,704</u></b>	<b><u>7,938,242</u></b>
Project Carryovers	-	7,252,407	(7,252,407)
Deferred Transfers Out	-	337,440	(337,440)
<b>Total</b>	<b><u>37,880,946</u></b>	<b><u>37,532,551</u></b>	<b><u>348,395</u></b>

Fund 485 - Solid Waste Management Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Debt Service</b>			
011605 2001 Government Center COP Dbt Srv Fund	\$ 78,555	\$ 49,012	\$ 29,543
011803 SV Share of Solid Waste Revenue	1,627,630	1,577,952	49,678
<b>Total Debt Service</b>	<b>1,706,185</b>	<b>1,626,964</b>	<b>79,221</b>
<b>Operating Programs</b>			
Environmental Services			
363 Solid Waste Management	31,016,690	32,168,227	(1,151,537)
366 Regulatory Programs	11,580	2,655	8,925
799 Non-Programmatic	4,022,421	4,022,422	(1)
Total Environmental Services	35,050,691	36,193,304	(1,142,613)
City Attorney			
750 Comprehensive Legal Services	1,040	2,080	(1,040)
Total City Attorney	1,040	2,080	(1,040)
<b>Total Operating Programs</b>	<b>35,051,731</b>	<b>36,195,384</b>	<b>(1,143,653)</b>
Non-Departmental			
7900 General Services Fund - Project Management Services	44,728	31,155	13,573
7900 General Fund - General	2,199,291	2,199,291	-
7900 Liability and Property Insurance Fund	6,996	6,996	-
<b>Total Non-Departmental</b>	<b>2,251,015</b>	<b>2,237,442</b>	<b>13,573</b>
Projects			
801351 Sunnyvale Contribution to SMaRT Station Equipment Rep. Fund	110,560	110,560	-
821181 Contribution to SMaRT Station Operations Contract RFP	88,186	-	88,186
824251 Landfill Gas System Response to New Regulations	2,736	2,736	-
824261 Solid Waste Cost of Service Study	45,900	-	45,900
825911 Landfill Gas Flare and Blowers Replacement	810,953	64,328	746,625
828980 CEQA for Single-Use Bag Ordinance	29,377	5,066	24,311
829610 CalRecycle Grant for Baylands Park	5,552	5,552	-
<b>Total Projects</b>	<b>1,093,264</b>	<b>188,242</b>	<b>905,022</b>
<b>Total Appropriations</b>	<b>40,102,195</b>	<b>40,248,032</b>	<b>(145,837)</b>
Project Carryovers	-	905,022	(905,022)
Deferred Transfers Out	-	-	-
<b>Total</b>	<b>40,102,195</b>	<b>41,153,054</b>	<b>(1,050,859)</b>

Fund 490 - SMaRT Station Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Debt Service</b>			
11801 Solid Waste Bonds Series 2003	\$ 1,945,300	\$ 1,950,000	\$ (4,700)
11805 Solid Waste Bonds Series 2007	760,981	765,631	(4,650)
<b>Total Debt Service</b>	<b>2,706,281</b>	<b>2,715,631</b>	<b>(9,350)</b>
<b>Operating Programs</b>			
Environmental Services			
364 SMaRT Station	24,922,836	25,819,019	(896,183)
Total Environmental Services	24,922,836	25,819,019	(896,183)
750 Comprehensive Legal Services	5,817	6,140	(323)
Total City Attorney	5,817	6,140	(323)
<b>Total Operating Programs</b>	<b>24,928,653</b>	<b>25,825,159</b>	<b>(896,506)</b>
<b>Projects</b>			
811250 SMaRT Station Equipment Replacement	2,102,273	365,103	1,737,170
821170 SMaRT Station Operations Contract RFP	172,236	-	172,236
<b>Total Projects</b>	<b>2,274,509</b>	<b>365,103</b>	<b>1,909,406</b>
<b>Total Appropriations</b>	<b>29,909,443</b>	<b>28,905,893</b>	<b>1,003,550</b>
Project Carryovers	-	1,909,406	(1,909,406)
<b>Total</b>	<b>29,909,443</b>	<b>30,815,299</b>	<b>(905,856)</b>

Fund 525 - Golf and Tennis Operations Fund

<u>Description</u>	<u>Current Budget</u>	<u>Actual Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Operating Programs</b>			
Community Services			
647 Golf Course Operations	\$ 3,637,786	\$ 3,443,212	\$ 194,574
Total Community Services	<u>3,637,786</u>	<u>3,443,212</u>	<u>194,574</u>
<b>Total Operating Programs</b>	<b><u>3,637,786</u></b>	<b><u>3,443,212</u></b>	<b><u>194,574</u></b>
<b>Non-Departmental</b>			
7900 Liability and Property Insurance Fund	4,895	4,895	-
7900 General Fund	384,560	384,560	-
<b>Total Non-Departmental</b>	<b><u>389,455</u></b>	<b><u>389,455</u></b>	<b><u>-</u></b>
<b>Total Appropriations</b>	<b><u>4,027,241</u></b>	<b><u>3,832,667</u></b>	<b><u>194,574</u></b>
<b>Total</b>	<b><u>4,027,241</u></b>	<b><u>3,832,667</u></b>	<b><u>194,574</u></b>

Fund 595 - General Services Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Equipment</b>			
20600 Furniture	\$ 247,852	\$ 58,593	\$ 189,259
20700 Fleet Equipment	1,899,280	1,730,548	168,732
21300 Equipment Building Maintenance	74,600	-	74,600
21600 Information Processing Hardware	2,745,417	1,034,799	1,710,618
21601 Information Processing Software/ HR/Payroll System	1,192,172	442,920	749,252
21603 Communications and Office Equipment	353,513	7,462	346,051
21604 Telecommunications Equipment	4,920	-	4,920
21605 Office Equipment	21,536	6,394	15,142
21610 KSUN Equipment	54,533	15,295	39,238
21612 Payroll HRIS	57,976	4,800	53,176
<b>Total Equipment</b>	<b>6,651,799</b>	<b>3,300,811</b>	<b>3,350,988</b>
<b>Operating Programs</b>			
Finance			
706 Accounting and Financial Services	73,848	49,678	24,170
<b>Total Finance</b>	<b>73,848</b>	<b>49,678</b>	<b>24,170</b>
Information Technology			
746 Software Application Services and Support	2,476,848	2,270,105	206,742
747 IT Infrastructure Services and Support	2,191,795	2,420,197	(228,402)
749 Information Technology Department Management and Support Services	1,399,610	1,138,011	261,599
<b>Total Information Technology</b>	<b>6,068,253</b>	<b>5,828,313</b>	<b>239,940</b>
City Manager			
748 Print, Copy, Binder and Mail Services and Support	570,032	541,339	28,693
<b>Total City Manager</b>	<b>570,032</b>	<b>541,339</b>	<b>28,693</b>
Public Works			
309 Capital Project Management and Environmental Sustainability	2,551,090	2,511,628	39,463
709 Facilities Services	3,943,613	3,792,567	151,046
763 Provision of Vehicles and Motorized Equipment	3,155,199	3,177,715	(22,516)
<b>Total Public Works</b>	<b>9,649,902</b>	<b>9,481,910</b>	<b>167,993</b>
799 Non-Programmatic	943,143	943,143	-
<b>Total Operating Programs</b>	<b>17,305,178</b>	<b>16,844,383</b>	<b>460,795</b>
<b>Non-Departmental</b>			
7900 Sunnyvale Office Center	100,750	100,750	-
7900 General Fund	2,547,866	412,830	2,135,036
7900 Infrastructure Fund - General Assets	87,296	73,510	13,786
7900 2009 Government Center COP	850,623	521,407	329,216
<b>Total Non-Departmental</b>	<b>3,586,535</b>	<b>1,108,497</b>	<b>2,478,038</b>

Fund 595 - General Services Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Projects</b>			
824980 Sunnyvale Office Center Site Improvements	4,853	4,853	0
825400 Update of Standard Specifications	12,938	12,938	-
825900 Information Technology Investment Account	42,940	42,940	-
<b>Total Projects</b>	<b>60,731</b>	<b>60,731</b>	<b>0</b>
<b>Total Appropriations</b>	<b>27,604,243</b>	<b>21,314,422</b>	<b>6,289,821</b>
Equipment Carryovers	-	1,933,767	(1,933,767)
Deferred Transfers Out	-	2,148,822	(2,148,822)
<b>Total</b>	<b>27,604,243</b>	<b>25,397,011</b>	<b>2,207,232</b>

Fund 610 - Infrastructure Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Non-Departmental</b>			
7900 General Services Fund - Project Management Services	\$ 65,168	\$ 53,154	\$ 12,013
7900 Capital Projects Fund - General Assets	561,712	64,577	497,135
<b>Total Non-Departmental</b>	<b>626,880</b>	<b>117,731</b>	<b>509,148</b>
<b>Projects</b>			
Subfund 100 - General Assets			
818100 Public Safety Buildings - Roofs	245,534	708	244,826
818550 Park Buildings - Rehabilitation	1,211,607	97,032	1,114,575
818600 Senior Center Buildings - Rehabilitation	48,533	48,533	-
818700 Corporation Yard Buildings - Rehabilitation	89,985	104,546	(14,561)
819610 Public Safety Buildings - HVAC	20,000	20,000	-
820120 Repaint Street Light Poles	133,118	-	133,118
820130 Routine Resurfacing of City Owned Parking Lots	(1)	26,214	(26,215)
820180 Traffic Signal Controller Replacement	200,148	70,141	130,006
820190 Traffic Signal Hardware & Wiring	995,586	29,713	965,872
820200 Traffic Signal Light Emitting Diode (LED) Array Replacements	90,900	78,359	12,541
820270 Playground Equipment Replacement	582,264	305,076	277,187
820280 Park Furniture and Fixtures Replacement	61,200	67,291	(6,091)
820370 Golf Course Parking Lot Repairs	7,776	7,776	-
821330 Park Buildings - Roof Repair and Replacement	40,423	40,423	-
825290 Pavement Rehabilitation	4,680,216	743,500	3,936,716
825340 Street Lights Conduit Replacement	182,335	182,335	-
825730 Pedestrian Lighted Crosswalk Maintenance and Replacement	75,400	29,576	45,824
825740 Battery Backup System for Traffic Signals Maintenance	81,276	48,868	32,408
825850 Swim Pools Infrastructure	37,430	56,752	(19,322)
828030 Annual Slurry Seal of City Streets	211,303	211,303	-
828290 Repair/Replace Parks Parking Lot Drainage & Surfacing	105,060	-	105,060
829110 Facility Safety Upgrades for Fall Protection	25,889	25,889	-
829130 Community Center Exterior Lighting Upgrades	29,982	29,982	-
829150 Swim Buildings Infrastructure	43,478	43,478	-
829190 Community Center Comprehensive Infrastructure	800,000	12,493	787,507
829230 Roadway Infrastructure Investment	2,460,758	2,460,757	0
829400 Sidewalk, Curb and Gutter Replacement	491,780	20,966	470,814
829520 Theatre Stage Lighting	356,000	14,322	341,678
829740 Street Tree Trimming	475,000	158,775	316,225
Total Subfund 100 - General Assets	13,782,979	4,934,810	8,848,170
Project Carryovers	-	8,848,170	(8,848,170)
Total Subfund 100 - General Assets	13,782,979	13,782,979	-
Subfund 500 - Golf and Tennis			
827160 Tennis Center Court Rehabilitation	23,460	-	23,460
828390 Sunken Gardens Golf Course Clubhouse Paving	66,300	11,589	54,711
828400 Golf Buildings Renovations	280,500	19,045	261,455
828410 Golf Buildings HVAC	23,947	23,947	-
829160 Golf Course Tree Trimming and Removal	222,200	21,714	200,486

Fund 610 - Infrastructure Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
Total Subfund 500 - Golf and Tennis	616,407	76,295	540,112
Project Carryovers	-	540,112	(540,112)
Total Subfund 500 - Golf and Tennis	<u>616,407</u>	<u>616,407</u>	<u>-</u>
<b>Total Projects</b>	<b><u>14,399,387</u></b>	<b><u>5,011,105</u></b>	<b><u>9,388,282</u></b>
<b>Total Appropriations</b>	<b><u>15,026,266</u></b>	<b><u>5,128,836</u></b>	<b><u>9,897,430</u></b>
Total Project Carryovers	-	9,388,282	(9,388,282)
Total Deferred Transfers Out	-	497,135	(497,135)
<b>Total</b>	<b><u>15,026,266</u></b>	<b><u>15,014,253</u></b>	<b><u>12,013</u></b>

Fund 640 - Employee Benefits Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Operating Programs</b>			
Human Resources			
781 Employee Leave Benefits - Leave Earned	\$ 12,861,389	\$ 12,282,974	\$ 578,415
784 Retirement, Insurances, and Taxes	53,262,976	52,265,500	997,476
785 Workers' Compensation Program	3,374,719	3,069,377	305,342
Total Human Resources	69,499,084	67,617,851	1,881,233
<b>Total Operating Programs</b>	<b>69,499,084</b>	<b>67,617,851</b>	<b>1,881,233</b>
<b>Total Appropriations</b>	<b>69,499,084</b>	<b>67,617,851</b>	<b>1,881,233</b>
<b>Total</b>	<b>69,499,084</b>	<b>67,617,851</b>	<b>1,881,233</b>

Fund 645 - Liability and Property Insurance Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Operating Programs</b>			
City Attorney			
750 Comprehensive Legal Services	\$ 505,710	\$ 460,604	\$ 45,106
Total City Attorney	<u>505,710</u>	<u>460,604</u>	<u>45,106</u>
Human Resources			
754 Human Resources	116,008	132,857	(16,850)
787 City Liability and Property Insurance and Claim Costs	1,008,971	564,341	444,630
Total Human Resources	<u>1,124,979</u>	<u>697,198</u>	<u>427,780</u>
<b>Total Operating Programs</b>	<b><u>1,630,689</u></b>	<b><u>1,157,803</u></b>	<b><u>472,886</u></b>
<b>Total Appropriations</b>	<b><u>1,630,689</u></b>	<b><u>1,157,803</u></b>	<b><u>472,886</u></b>
<b>Total</b>	<b><u>1,630,689</u></b>	<b><u>1,157,803</u></b>	<b><u>472,886</u></b>

Fund 727 - Fremont Pool Permanent Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Non-Departmental</b>			
7900 General Fund - General	\$ 6,406	\$ 5,617	\$ 789
7900 Comm Rec Fund - Leisure Services	-	79	(79)
<b>Total Non-Departmental</b>	<b>6,406</b>	<b>5,696</b>	<b>709</b>
<b>Total Appropriations</b>	<b>6,406</b>	<b>5,696</b>	<b>709</b>
<b>Total</b>	<b>6,406</b>	<b>5,696</b>	<b>709</b>

Fund 730 - Swirsky Youth Opportunity Fund

Description	Current Budget	Actual Expenditures	Variance Favorable (Unfavorable)
<b>Non-Departmental</b>			
7900 General Fund - General	\$ 3,864	\$ -	\$ 3,864
7900 Comm Rec Fund - Leisure Services		3,079	(3,079)
<b>Total Non-Departmental</b>	<b>3,864</b>	<b>3,079</b>	<b>785</b>
<b>Total Appropriations</b>	<b>3,864</b>	<b>3,079</b>	<b>785</b>
<b>Total</b>	<b>3,864</b>	<b>3,079</b>	<b>785</b>

**CITY OF SUNNYVALE**

Report to the City Council

For the Year Ended June 30, 2013

**CITY OF SUNNYVALE  
Report to the City Council  
For the Year Ended June 30, 2013**

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Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Honorable Mayor and the Members of  
the City Council of the City of Sunnyvale  
Sunnyvale, California

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sunnyvale, California (City) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for 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 City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weakness.

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 by those charged with governance. We did identify a deficiency in internal control, described in the Current Year Recommendations section as item 2013-01 that we consider to be a significant deficiency.

In addition, we provided a comment on the upcoming implementation of the new accounting and financial reporting standards for pension plans.

The City's written response to the comments identified in our audit is described in the Current Year Recommendations section. We did not audit the City's response and, accordingly, we express no opinion on it. In addition, we would be pleased to discuss the comment in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing this comment.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and U.S. Office Management and Budget (OMB) Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 28, 2013. Professional standards also require that we communicate to you other information related to our audit as discussed in the Required Communications section.

We would like to thank City management and staff for the courtesy and cooperation extended to us during the course of our engagement.

This communication is intended solely for the information and use of the Mayor and City Council, the Finance Committee, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Macias Gini & Connell LLP*

Walnut Creek, California  
December 3, 2013

**CITY OF SUNNYVALE**  
**Report to the City Council**  
**For the Year Ended June 30, 2013**

**REQUIRED COMMUNICATIONS**

**Significant Audit Results**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the City's basic financial statements. The City implemented five new Governmental Accounting Standards Board (GASB) pronouncements, consisting of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*; and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period, except for the restatement of net position described in Note 20.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- *Fair value of investments.* The City's investments are generally carried at fair value, which is defined as the amount that the City could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller and is generally measured by quoted market prices.
- *Estimated allowance for losses on notes and loans receivable.* The allowance for losses on notes and loans receivable was based on management's estimate regarding the likelihood of collectability.
- *Useful life estimates for capital assets.* The estimated useful lives of capital assets were based on management's estimate of the economic lives of capital assets.
- *Accrued landfill postclosure care costs.* The City has estimated the postclosure care costs of the Sunnyvale Landfill based on what it would cost to perform all currently mandated closure and postclosure care. Actual postclosure care costs may be higher due to inflation variances, changes in technology, or changes in State or federal regulations.
- *Actuarial data of the pension plan and other postemployment benefits plans.* The actuarial data for the pension and other postemployment benefits plans, including the funded status and required contributions of the plans, are based on actuarial calculations performed by the City's independent actuaries, which incorporate actuarial methods and assumptions.

**CITY OF SUNNYVALE**  
**Report to the City Council**  
**For the Year Ended June 30, 2013**

**REQUIRED COMMUNICATIONS (Continued)**

- *Claims loss reserve.* The City is exposed to a variety of risks of loss due to general liability, workers' compensation and other claims, and records an estimate of these losses based on actuarial studies performed by third-party actuaries. These studies are prepared based on the City's prior claims history, which is used as a basis for extrapolating losses for known and incurred but not reported claims. Actual loss experience may vary from these estimates.

We evaluated the key factors and assumptions used to develop the accounting estimates described above in determining that they are reasonable in relation to the City's basic financial statements taken as a whole.

Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosure of the City's Retirement Plan in Note 15, the Other Postemployment Benefits in Note 16 and the Redevelopment Successor Agency Trust in Note 21.

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties Encountered in Performing the Audit***

We encountered no difficulties in dealing with management in performing and completing our audit.

***Corrected and 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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management are material, either individually or in aggregate, to each opinion unit's financial statements taken as a whole.

***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated December 3, 2013.

**CITY OF SUNNYVALE**  
**Report to the City Council**  
**For the Year Ended June 30, 2013**

**REQUIRED COMMUNICATIONS (Continued)**

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**CITY OF SUNNYVALE**  
**Report to the City Council**  
**For the Year Ended June 30, 2013**

**CURRENT YEAR RECOMMENDATIONS**

**Item 2013-01: Significant Deficiency**  
**Improve Internal Control Over Financial Reporting**

The U.S. Office of Management and Budget defines internal control as the steps an entity takes to provide reasonable assurance that the entity's objectives are achieved through 1) effective and efficient operations, 2) reliable financial reporting, and 3) compliance with laws and regulations. Over the years, the City has established an internal control assessment process, documented its controls for significant accounts and transactions, and evaluated the effectiveness of its internal control over financial reporting.

Internal controls should be continuously assessed and evaluated in order to adapt to the City's changes in its controls over initiating, recording, processing, and reconciling account balances, classes of transactions and disclosure and related assertions included in the financial statements; controls related to the initiation and processing of routine and non-routine transactions; and controls related to the selection and application of appropriate accounting policies.

During the fiscal year 2013 audit, the City identified a billing error in which a vendor has under-billed the City for water purchases for the year ended June 30, 2012. The City entered into a settlement with the vendor in which the City agreed to pay \$1,110,506 for the under-billed amount. The City recorded a prior period adjustment and adjusted the June 30, 2012 net position and liabilities balances for the Water Supply and Distribution major enterprise fund.

*Recommendation*

We recommend that the City continue to re-evaluate its internal control over financial reporting and monitor the effect of these changes to ensure that the procedures are designed appropriately and are operating effectively.

*Management Response*

The City's agreement with the Santa Clara Valley Water District (SCVWD), the agency that made the billing error, requires that SCVWD provide accurate metering and billing of water. In this instance, the SCVWD did not notify the City of a meter reading error that affected FY 2011/12 billings until January of 2013. Given that the City's potable water system is interconnected, is served from three different sources, and distributes water to almost 29,000 individual customers, it is difficult to detect, in a timely manner, when meter readings from one of a specific wholesale supplier's multiple turnout meters may be incorrect. Compounding this issue are fluctuations in customer demand, which has been trending steeply downward due to the recession, as well as improvements in the plumbing code.

The City's Finance Department currently tracks its water sales and compares those to the purchased amounts reported by the City's wholesalers on their water bills. This practice will be enhanced to provide these reports directly to water distribution operations staff so that they can be compared to what the City's distribution system is reporting and thereby detect anomalies earlier. Additionally, the City has requested that the SCVWD review its meter testing and calibration practices, increase the frequency of testing and calibration, and provide the City with these records to verify its compliance with the contract between the City and the SCVWD.

**CITY OF SUNNYVALE**  
**Report to the City Council**  
**For the Year Ended June 30, 2013**

**CURRENT YEAR RECOMMENDATIONS (Continued)**

**Item 2013-02: Other Comment #2**  
*New Pension Accounting Standards*

In June 2012, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. This statement primarily relates to reporting by governments that provide pensions to their employees and is effective for fiscal years beginning after June 15, 2014. Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments to projected benefit payments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA/Aa-or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

The City will be subject to the provisions of this statement beginning with the fiscal year ending June 30, 2015. GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are administered through trusts or similar arrangements meeting certain criteria. GASB Statement No. 68 changes the existing framework for accounting and financial reporting of pension costs and obligations of defined benefit pension plans and enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans.

*Recommendation*

It is likely that these new accounting and reporting standards will dramatically change the City's financial statements and disclosures and may result in the recognition of net pension liability. We recommend consulting with the actuary to develop a better understanding of and to quantify the impact of these new accounting and reporting standards on the City's current financial statements.

*Management Response*

The City is in the process of analyzing its accounting practices to determine the potential impact on the City's financial statements for this GASB statement.

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