Redevelopment Agency of the City of Sunnyvale

Sunnyvale, California

Basic Financial Statements and Independent Auditors' Reports

For the year ended June 30, 2011

Redevelopment Agency of the City of Sunnyvale
Basic Financial Statements
And Independent Auditors' Reports

For The Fiscal Year Ended
June 30, 2011

City of Sunnyvale
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Prepared by the Department of Finance
Grace K. Leung, Director of Finance

Table of Contents
June 30, 2011

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INDEPENDENT AUDITORS' REPORT

Members of the Governing Board of
the Redevelopment Agency of the City of Sunnyvale
Sunnyvale, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Sunnyvale (Agency), a component unit of the City of Sunnyvale, California, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Agency's component unit basic financial statements as listed in the Table of Contents. These component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency at June 30, 2011 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

As disclosed in Note 12, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. These conditions raise substantial doubt about the Agency's ability to continue as a going concern. However, on August 11, 2011, the California Supreme Court issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the partial stay did not include the section of ABx1 26 that suspends all new redevelopment activities. As a result, the accompanying financial statements have been prepared assuming that the Agency will continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2011 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

The accompanying required supplementary information such as the Management's Discussion and Analysis and the respective budgetary comparison information as listed on the table of contents are not required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mare & Associates

November 18, 2011

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Governing Board of
the Redevelopment Agency of the City of Sunnyvale
Sunnyvale, California

We have audited the financial statements of the Redevelopment Agency of the City of Sunnyvale (Agency) as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated November 18, 2011. The report included a special emphasis paragraph concerning proposed redevelopment dissolution. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City of Sunnyvale is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

As part of our audit, we prepared and issued our separate Memorandum on Internal Control dated November 18, 2011, which is an integral part of our audit and should be read in conjunction with this report.

This report is intended solely for the information and use of management, Agency Board, others within the Agency, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

November 18, 2011

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE
CALIFORNIA HEALTH AND SAFETY CODE
AS REQUIRED BY SECTION 33080.1**

Members of the Governing Board of
the Redevelopment Agency of the City of Sunnyvale
Sunnyvale, California

Compliance

We have audited Redevelopment Agency of the City of Sunnyvale (Agency), a component unit of the City of Sunnyvale, California compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Agency has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June, 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Agency Board, others within the Agency, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mann & Associates

November 18, 2011

Management's Discussion and Analysis

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011

This analysis of the Redevelopment Agency (Agency) of the City of Sunnyvale's (City) financial performance provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the accompanying basic component unit financial statements and the accompanying notes to those component unit financial statements**.**

A. FINANCIAL HIGHLIGHTS

- At June 30, 2011, under accrual basis of accounting, the Agency had net deficits (excess of liabilities over assets) of $68.5 million, which is a reduction of deficits of $1.3 million from the previous year.

- The Agency's total bonded debt decreased $1.0 million due to principal retirement. Prior-year recognized Town Center pollution remediation obligations had a net increase of $0.2 million.

- Net tax increment revenues recognized during the year amounted to $9.7 million, which was $2 million more than last year. The Agency relies on tax increment revenue to service its debt. Cash shortages are covered by the City General Fund advances.

- At year end, the Agency's advances from the City General Fund amounted to $62.2 million, a decrease of $2.5 million from last year. The Agency repaid the City $8.8 million using tax increment revenue. The City's parking lease base rental payment (advances) was $1.2 million. Interest accrued on old loans during the fiscal year was $5.1 million, which was added to the advance balance.

- At year end, the Agency's cash balance in the City's cash and investment pool was $1.9 million, coming from advances from the City General Fund. The funds will be used for infrastructure improvements, environmental costs and other anticipated costs.

- As of year end, the Low and Moderate Income Housing Fund (the "L&M Fund") deficit was $14.7 million, increased by $2.1 million from last year. The Agency has to adopt a deficit reduction plan annually to defer payments into the L&M Fund due to preexisting debt obligations.

B. OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

The basic financial statements include only the Redevelopment Agency of the City of Sunnyvale, which is a component unit of the City and is reported in the City's financial statements using the blended method.

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

The government-wide financial statements present the financial picture of the Agency and provide readers with a broad view of the Agency's finances. These statements present governmental activities and include all assets of the Agency (including capital assets) as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

Government-Wide Financial Statements

The statement of net assets and the statement of activities and changes in net assets report information about the Agency as a whole and about its activities. These statements include *all* assets and liabilities of the Agency using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The statement of net assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of activities and changes in net assets presents information showing how the Agency's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The Agency only has governmental activities, which are shown in the statement of net assets and the statement of activities and changes in net assets. All of the Agency's basic services are reported in this category, including Planning and Management, Community Development and Transportation. Property tax, investment income and advances from the City finance these activities.

Fund Financial Statements

The fund financial statements provide detailed information about the Agency's individual funds, not the Agency as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes and other financial resources.

The fund financial statements include statements for the Agency's governmental activities. These statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The Agency does not have any business-type activities.

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Governmental Funds—The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on current financial resources, which emphasize near-term inflows and outflows of spendable resources as well as balances of spendable resources at the end of the fiscal year. This information is essential in evaluating the Agency's near-term financial requirements.

In order to better understand the Agency's long-term and short-term requirements, it is useful to compare the Agency's governmental fund statements with the governmental activities in the government-wide financial statements. Reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances to facilitate this comparison.

All of the Agency's funds were determined to be major funds. These funds include the General Fund, the Low and Moderate Income Housing Special Revenue Fund, and the Debt Service Fund, which are reported in detail in the governmental fund financial statements.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

Net assets are a good indicator of the Agency's financial position. At June 30, 2011 the Agency had net deficits of $68.5 million.

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2011 and 2010.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Condensed Statements of Net Assets
June 30, 2011 and 2010
(Amounts in Thousands)

	2011	2010	Total % Change
Assets:			
Current Assets	$ 3,834	$ 4,683	(18.1)%
Deferred Charge	360	392	(8.2)%
Capital Assets, Net	13,960	13,960	-
Total Assets	18,154	19,035	(4.6)%
Liabilities:			
Current Liabilities	5,904	4,779	23.5 %
Advances from City	62,230	64,671	(3.8)%
Noncurrent Liabilities	18,507	19,330	(4.3)%
Total Liabilities	86,641	88,780	(2.4)%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	(2,645)	(3,656)	(27.7)%
Unrestricted	(65,842)	(66,088)	(0.4)%
Total Net Assets	$ (68,487)	$ (69,744)	(1.8)%

At year end, current assets were lower primarily because of payments for environmental costs and infrastructure improvements. Current liabilities included the Town Center public improvement obligations of $4.5 million as of June 30, 2010, which will become due when the project reaches the Minimum Project Tax Increment Financing milestone, as defined in the 2010 Amended Disposition and Development and Owner Participation Agreement (ADDOPA) between the Agency and the developer. The entire increase of current liability is attributable to the aforementioned obligations.

At June 30, 2011, the Agency reported negative balances in two categories of net assets. Invested in capital assets net of related debt shows a negative balance of $2.6 million, as the debt principal outstanding has decreased.

Unrestricted net assets also show a deficit, primarily due to advances from the City and the accrual of the Town Center public improvement obligations.

The net assets as of June 30, 2010 have been restated. Refer to Note 11 to the Basic Financial Statements for prior period adjustments.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Activities

The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ended June 30, 2011 and 2010.

Redevelopment Agency of the City of Sunnyvale
Condensed Statement of Activities and Changes in Net Assets
For the Fiscal Years Ended June 30, 2011 and 2010
(Amounts in Thousands)

	2011	2010	Total % Change
Revenues	$ 9,680	$ 7,707	25.6 %
Expenses	8,423	8,305	1.4 %
Increase (Decrease) in Net Assets	1,257	(598)	(310.2)%
Net Assets - Beginning, Restated	(69,744)	(69,146)	0.9 %
Net Assets - Ending	$ (68,487)	$ (69,744)	(1.8)%

Functional expenses for the fiscal years ended June 30, 2011 and 2010 were as follows (amounts in thousands):

	2011	2010	Total % Change
Planning and Management	$ 293	$ 295	(0.7)%
Community Development	1,248	2,228	(44.0)%
Environmental Management	872	(892)	N/A
Transportation	-	671	(100.0)%
Total	$ 2,413	$ 2,302	4.8 %

Interest expense for fiscal year 2011 was $6 million, the same as last year, mostly due to accrued interest on advances from the City. Revenues from property tax increment were $2 million higher than last year.

Expenses for Transportation and Community Development were higher in 2010 due to higher activity in capital projects.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

In fiscal year 2008, the Agency first recognized Environmental Management expense of $9 million to comply with Governmental Accounting Standards Board Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. As of year end, the Agency has disbursed $7.1 million to meet such obligations. The new 2010 Amended Disposition and Development and Owner Participation Agreement (ADDOPA) was once expected to reduce the Agency's future share of environmental costs by an estimated amount of $0.9 million. However, by the end of fiscal year 2011, the estimated liability was increased by $0.9 million to consider legal costs.

D. FUND FINANCIAL STATEMENT ANALYSIS

The focus of the Agency's governmental funds is to provide information on the inflows, outflows and balances of current resources. Such information is useful is assessing the Agency's financing requirements.

The Agency's General Fund balance at June 30, 2010, has been restated (refer to Note 11 to the Basic Financial Statements). As of June 30, 2011, the Agency's governmental funds reported a combined ending fund deficit of $64.1 million. This deficit was largely due to the advances from the City and the recognition of the Town Center public improvement obligations.

E. BUDGET

Over the course of the year, the City Council/Agency Board revised the Agency budget as needed. Possible budget amendments fall into the following categories:

- Changes made to the budget as a result of mid-year review.
- New appropriations approved by the City Council/Agency Board.

Existing appropriations for capital improvement projects will not lapse at year end unless completed, closed out, or modified by the City Council/Agency Board.

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

At June 30, 2011, capital assets under governmental activities totaled $13.9 million, which was the carrying value of the Agency's land.

Long-term Obligations

As of June 30, 2011 the Agency had outstanding bonded debt obligations as listed below.

	Amounts in Thousands	
Tax Allocation Bonds	$	5,629
Certificates of Participation		10,975
Total Long-term Bonded Debt	$	17,616

Other than bonded debt obligations, the Agency is also obligated to repay City advances (see Note 4 to the Basic Financial Statements).

Refer to Note 6B to the Basic Financial Statements for Town Center Pollution Remediation Obligations.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Factors

On April 27, 2004, the Agency selected Fourth Quarter Properties, XLVIII, LLC (Fourth Quarter), as the master developer for the City's Town Center redevelopment project. After negotiations, Fourth Quarter agreed to a Disposition and Development and Owner Participation Agreement (DDOPA) for redevelopment of the Town Center Mall property with the Agency. In early 2006, however, Fourth Quarter defaulted on the DDOPA.

On October 2, 2006, Fourth Quarter Properties requested permission from the Agency to transfer the project to RREEF America III (RREEF), a large real estate investment trust, which would develop the property in joint venture with Sand Hill Properties, a local developer. After due diligence review, on December 12, 2006, the Agency gave preliminary approval to transfer the project to RREEF and Sand Hill Properties. On February 6, 2007, the Agency approved the Amended and Restated Disposition, Development and Owner Participation Agreement (ARDDOPA) with Downtown Sunnyvale Mixed Use LLC (the Developer), a joint venture of RREEF and Sand Hill Properties Company.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET, Continued

The ARDDOPA required the Developer, among other things, to demolish the Mall buildings; construct and operate an open-air mixed-use development containing retail, office, and residential uses; build, maintain, repair, and replace public parking structures and public streets; and build and maintain a "Redwood Square" of at least 33,000 square feet. According to the ARDDOPA, an exchange of land in equal amounts between the Developer and the Agency occurred in September 2007; the Agency now owns the land under the public streets and public parking structures.

The Developer commenced demolition and construction in spring of 2007. ARDDOPA milestones from starting demolition and excavation to completion of the structural building shells were all met well in advance of due dates. The ARDDOPA was amended to extend the opening of new retail stores to December, 2009 and March, 2010 in anticipation of the economic recovery.

The construction of the Sunnyvale Town Center redevelopment project had been well underway until February 2009. The Developer stopped all construction work when additional financing for the Town Center Project could not be secured to complete the Project. The Developer invested approximately $220 million of private equity and $108 million in bank loans in the Project. Due to the collapse of the commercial real estate market and losses in its equity capital, The Developer was not able to meet the due date of the loan and subsequent ARDDOPA milestones were missed.

The lender filed for foreclosure in October, 2009. In October, 2009, the Santa Clara County Superior Court appointed Gerald Hunt as Receiver to preserve the value of the Town Center. The Receiver has taken measures to improve and protect the Project.

Between December 2009 and May 2010, the Receiver and the Agency kept negotiating certain modifications to the ARDDOPA. These modifications were considered pre-requisites to obtaining a qualified developer to undertake completion of the Project, given the current economic situation. The negotiations resulted in the 2010 Modification Agreement (MA), dated May 14, 2010 and later documented in the 2010 Amended Disposition and Development and Owner Participation Agreement (ADDOPA) which was dated August 2, 2010.

The MA reduces the Agency's share of total environmental costs starting fiscal year 2010. Refer to Note 5B to the Basic Financial Statements for more details.

Overall, the MA reflects the principle that construction will commence and thereafter be diligently completed as soon as commercially-reasonable financing and leasing commitments have been obtained. There is a one-time penalty of $5 million for failure to meet the construction schedule. The transfer provisions permit the lender to foreclose on its security interest and to transfer the Project to a developer that meets criteria for experience, financial capability and reputation. The MA represents compromise by the Receiver and the Agency and provides the basis for investment in and restarting the Project as soon as possible.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET, Continued

State Structural Budget Deficit

Refer to Note 12 to the Basic Financial Statements concerning events subsequent to June 30, 2011.

Next Year's Budget

The Agency's budget for fiscal year 2012 was adopted on June 28, 2011.

Property tax increment revenue, the Agency's primary source of revenue, is expected to be $9.1 million. The Agency is also to receive base rental revenue (in substance, an advance) from the City General Fund to fund the annual debt service, $1.2 million, for the Parking Facility Certificates of Participation. To comply with the terms of the related bond resolutions, the City is also obligated to pay all taxes, assessments, administrative costs, certain insurance premiums, certain maintenance costs, and all other such costs of the Agency.

Administration of the Agency is budgeted to be $0.4 million, including activities in the Office of the City Attorney and the Department of Finance. Another $1.8 million is budgeted for debt service for the Central Core Redevelopment Project Tax Allocation Bonds (TABS) and the Parking Facility Certificates of Participation (COPs). The Agency is also expected to repay a net amount of $8.5 million to the City General Fund from tax increment revenue received in fiscal year 2012, according to the 1977 and 2003 Loan Repayment Agreements with the City.

The Town Center Site Investigation/Remediation of Hazardous Materials project has a remaining budget (including carryover of unspent amount from prior year) of $1.8 million. Three ongoing special projects (the Special Studies for the Redevelopment Plan Project Area, Downtown development Economic Analysis, and Outside Counsel Services for the Redevelopment Agency) have a total budget of $0.4 million in fiscal year 2012.

The fiscal year 2012 Budget for the Agency also includes the redevelopment of the Sunnyvale Town Center. The ARDDOPA and the successor 2010 ADDOPA require the Agency to give the developer up to $4.5 million per year of tax increment generated by the Project plus 50% of any receipts above this amount, in return for construction by the developer of public streets and parking structure. This requirement is reflected on the Agency Long Term Financial Plan. The City General Fund will make advances for the Agency to pay the Developer. This annual payment shall begin with the fiscal year in which the Minimum Project TIF Date has occurred. The tax increment agreement ends in fiscal year 2026.

Minimum Project TIF Date means the date on which the following have occurred: (i) completion of no less than 150,000 square feet of the retail portion of the Project, as evidenced by final City building permit and inspection, and evidence of execution of leases with retail tenants for said 150,000 square feet providing for tenant's construction of tenant improvements and (ii) completion of the Redwood Plaza area.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET, Continued

As of June 30, 2011, the Agency has accrued a total liability of $4.5 million (called "Town Center Public Improvement Obligations" in the Basic Financial Statements). The Agency's budget for fiscal year 2012 anticipates another $2 million to add to the existing balance of the Town Center obligations. Once the Minimum Project TIF Date has occurred, the City General Fund will need to advance the required funds to the Agency.

H. REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Sunnyvale Finance Department, 650 W. Olive Avenue, Sunnyvale, California 94086.

Government-Wide Financial Statements

Statement of Net Assets
June 30, 2011

		Governmental Activities
Assets:		
Cash and Investments Held by City	$	1,886,896
Receivables		17,677
Deferred Charges		359,652
Restricted Assets:		
Cash and Investments Held by Fiscal Agent		1,930,223
Capital Assets:		
Land and Nondepreciable Assets		13,959,752
Total Assets		18,154,200
Liabilities:		
Accounts Payable and Accrued Liabilities		1,159,930
Town Center Public Improvement Obligations		4,510,795
Interest Payable		232,803
Advance from Other City Funds		62,230,121
Noncurrent Liabilities:		
Due Within One Year		1,560,000
Due in More than One Year		16,947,487
Total Liabilities		86,641,136
Net Assets:		
Invested in Capital Assets, Net of Related Debt		(2,644,634)
Restricted		-
Unrestricted (Deficit)		(65,842,302)
Total Net Assets	$	(68,486,936)

See Accompanying Notes to Basic Financial Statements

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets
	Governmental Activities		
Primary Government:			
Governmental Activities:			
Planning and Management	$ 292,610	$ -	$ (292,610)
Community Development	1,248,118	-	(1,248,118)
Environmental Management	871,189	-	(871,189)
Interest on Long-term Debt	6,010,888	-	(6,010,888)
Total Governmental Activities	8,422,805	-	(8,422,805)
Total Primary Government	8,422,805	-	(8,422,805)
General Revenues:			
Property Taxes			9,675,964
Investment Earnings			4,251
Total General Revenues			9,680,215
Change in Net Assets			1,257,410
Net Assets (Deficit) - Beginning of Year, Restated (Note 11)			(69,744,346)
Net Assets (Deficit) - End of Year			$ (68,486,936)

See Accompanying Notes to Basic Financial Statements

Governmental Fund Financial Statements

General Fund accounts for all financial resources necessary to carry out basic governmental activities of the Agency that are not accounted for in another fund.

Low and Moderate Income Housing Special Revenue Fund accounts for the funds deposited to improve and increase the supply of low and moderate income housing within the City. No funds have been deposited into this Fund due to the Agency's pre-existing debt obligations. Annually the Agency adopts a Housing Fund Deficit Reduction Plan to defer payments into this Fund.

Debt Service Fund accumulates funds for payment of the Central Core Tax Allocation Refunding Bonds, Series 2003, the 1998 Parking Lease Certificates of Participation, and the Advances from the City General Fund. Debt service is financed with incremental property tax revenues and the City's General Fund loan to the Agency in the form of parking lease payments. Since the Agency has pre-existing debt obligations that require tax increment financing, the City General Fund makes advances to the Agency to cover the Agency's cash shortage in projects and operations.

Balance Sheet
Governmental Funds
June 30, 2011

	Major Funds			
	General Fund	**Low and Moderate Income Housing**	**Debt Service**	**Total Governmental Funds**
Assets:				
Cash and Investments Held by Agency	$ 1,886,896	$ -	$ -	$ 1,886,896
Cash and Investments Held by Fiscal Agent	-	-	1,930,223	1,930,223
Receivables	16,946	-	731	17,677
Due from Other Funds	-	14,673,336	-	14,673,336
Total Assets	$ 1,903,842	$ 14,673,336	$ 1,930,954	$ 18,508,132
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	$ 1,159,930	$ -	$ -	$ 1,159,930
Town Center Public Improvement Obligations	4,510,795	-	-	4,510,795
Due to Other Funds	14,673,336	-	-	14,673,336
Advances from Other City Funds	-	-	62,230,121	62,230,121
Total Liabilities	20,344,061	-	62,230,121	82,574,182
Fund Balances:				
Restricted	-	14,673,336	1,930,954	16,604,290
Unassigned	(18,440,219)	-	(62,230,121)	(80,670,340)
Total Fund Balances	(18,440,219)	14,673,336	(60,299,167)	(64,066,050)
Total Liabilities and Fund Balances	$ 1,903,842	$ 14,673,336	$ 1,930,954	$ 18,508,132

See Accompanying Notes to Basic Financial Statements

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets
Year Ended June 30, 2011

Total Fund Balances - Total Governmental Funds	$	(64,066,050)
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. This amount represents capital assets net of accumulated depreciation.		13,959,752
Town Center Pollution Remediation Obligations are not recognized in the fund financial statements on the modified accrual basis of accounting.		(1,903,101)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.		(232,803)
Long-term liabilities applicable to governmental activities are not reported as fund liabilities. All liabilities are reported in the statement of net assets.		
Bonds payable, par		(16,645,000)
Unamortized discount on bonds		40,614
Unamortized deferred charges - bond issuance cost		359,652
Net Assets (Deficit) of Governmental Activities	$	(68,486,936)

See Accompanying Notes to Basic Financial Statements

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	Major Funds	
	General Fund	**Low and Moderate Income Housing**
Revenues:		
Property Taxes	$ 9,675,964	$ -
Investment Earnings	-	-
Total Revenues	9,675,964	-
Expenditures:		
Current:		
Planning and Management	292,610	-
Community Development	1,248,118	-
Environmental Management	682,170	-
Debt Service:		
Principal Retirement	-	-
Interest	-	-
Fiscal Charges	-	-
Total Expenditures	2,222,898	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,453,066	-
Other Financing Sources (Uses):		
Transfers In	-	2,040,290
Transfers Out	(11,481,395)	-
Total Other Financing Sources (Uses)	(11,481,395)	2,040,290
Net Change in Fund Balances	(4,028,329)	2,040,290
Fund Balances (Deficits) - Beginning of Year, Restated (Note 11)	(14,411,890)	12,633,046
Fund Balances (Deficits) - End of Year	$ (18,440,219)	$ 14,673,336

See Accompanying Notes to Basic Financial Statements

Debt Service	Total Governmental Funds
$ -	$ 9,675,964
4,251	4,251
4,251	9,680,215
-	292,610
-	1,248,118
-	682,170
1,015,000	1,015,000
5,981,304	5,981,304
5,705	5,705
7,002,009	9,224,907
(6,997,758)	455,308
9,441,105	11,481,395
-	(11,481,395)
9,441,105	-
2,443,347	455,308
(62,742,514)	(64,521,358)
$ (60,299,167)	$ (64,066,050)

Concluded

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	$	455,308
Amounts reported for governmental activities in the Statement of Activities are different because:		
Repayment of the principal of long-term debt uses financial resources of governmental funds. The repayment has no effect on the statement of activities.		1,015,000
This amount represents Town Center Pollution Remediation Obligations that were expended in the current-year fund financial statements but had been recognized in prior-year government-wide financial statements on the accrual basis.		682,170
Estimated Town Center Pollution Remediation Obligations (on the accrual basis of accounting) were $1,714,082 at last year end. During this year, expenditures of $682,170 recorded on the fund financials were applied to reduce the obligations. The Agency estimates its share of environmental costs will approximate $1,903,101, including legal costs. This amount represents a change in accounting estimate during the year.		(871,189)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued. These amounts are deferred and amortized in the statement of activities.		
This amount represents amortization of discount on bonds.		(3,662)
This amount represents amortization of deferred charge on bonds.		(32,421)
Some expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources. Therefore, they are not reported as expenditures in Governmental Funds. This amount represents the change in accrued interest from prior year.		12,204
Change in Net Assets of Governmental Activities	$	1,257,410

See Accompanying Notes to Basic Financial Statements

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Budgetary Basis
Year Ended June 30, 2011

	Budgeted Amounts						Variance with
	Original		Final		Actual Amounts		Final Budget Positive (Negative)
Budgetary Fund Balance, July 1, 2010	$	3,422,742	$	3,422,742	$	3,422,742	-
Resources (Inflows):							
Property Taxes	$	8,244,897	$	8,750,371	$	9,675,964	$ 925,593
Lease Payment from City of Sunnyvale		1,106,475		1,206,475		1,206,475	-
Easement Payment from City of Sunnyvale		2,424,303		1,861,847		1,237,952	(623,895)
Investment Earnings		35,588		42,751		4,251	(38,500)
Total Revenues		11,811,263		11,861,444		12,124,642	263,198
Charges to Appropriations (Outflows):							
Current:							
Planning and Management		359,457		359,457		292,610	66,847
Community Development		125,000		16,506		10,166	6,340
Environmental Management		-		1,085,272		682,170	403,102
Transportation		2,125,639		1,861,847		1,237,952	623,895
Debt Service:							
Repayment - City Advances		7,638,412		6,868,730		8,830,951	(1,962,221)
Principal Retirement (Bonded Debt)		1,015,000		1,015,000		1,015,000	-
Interest		697,961		797,961		797,961	-
Fiscal Charges		-		-		5,705	(5,705)
Total Charges to Appropriations		11,961,469		12,004,773		12,872,515	(867,742)
Excess (Deficiency) of Resources Over (Under) Charges to Appropriations		(150,206)		(143,329)		(747,873)	(604,544)
Ending Fund Balances, June 30, 2011	$	3,272,536	$	3,279,413	$	2,674,869	$ (604,544)

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference, timing difference, and perspective difference.

Explanation of differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflow of Resources:		
Actual amounts (budgetary basis) of "total resources"	$	12,124,642
Differences - Budget to GAAP		
Lease payments from City are City advances to be repaid in the future		(1,206,475)
Easement payments are advances to be repaid in the future		(1,237,952)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$	9,680,215
Uses/Outflows of Resources		
Actual amounts (budgetary basis) of "total charges to appropriations"	$	12,872,515
Differences - Budget to GAAP		
Repayment of City advances is a balance sheet transaction on GAAP basis		(8,830,951)
Interest on City advances should be accrued on GAAP basis		5,183,343
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$	9,224,907

See Accompanying Notes to Basic Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

The component unit financial statements of the Redevelopment Agency (Agency) of the City of Sunnyvale (City), California, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

A. Reporting Entity

Redevelopment Agency of the City of Sunnyvale

The Agency was established under the provisions of the community redevelopment laws of the State of California by a resolution of the City Council adopted on November 19, 1957. In this resolution, the City Council declared itself to be the governing members of the Agency.

Because City Council members serve as the governing members of the Agency, management activities of the Agency are conducted by City staff, and the Agency is dependent upon the City for fiscal operations including preparation of the annual financial report, the Agency is considered a component unit of the City and blended into the City's Comprehensive Annual Financial Report.

B. Basis of Accounting and Measurement Focus

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Agency resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Agency government-wide financial statements include a statement of net assets and a statement of activities and changes in net assets. These statements present summaries of governmental activities for the Agency. The Agency has no business-type activities.

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

The government-wide financial statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying statement of net assets. The statement of activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as revenues for the Agency are general revenues such as property tax increment and interest revenues. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of net assets have been eliminated. In the statement of activities and changes in net assets, interfund transfers have been eliminated.

The Agency applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) to the governmental activities.

Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The Agency has presented all governmental funds as major funds because the Agency believes the financial position and activities of those funds are significant to the Agency as a whole.

All governmental funds are accounted for on a spending or *"current financial resources"* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (60 days after year end for property tax and non-grant revenues, and 90 days for grant revenues) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are property tax increment and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach.

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency's policy is to apply restricted net assets first.

D. Cash, Deposits and Investments

The Agency pools unrestricted cash resources of its various funds with the City to facilitate cash management. No interest earnings from the City's cash and investment pool are apportioned to the Agency since the Agency, because of debt obligations, relies on the City to supplement its cash needs. Interest income from cash and investments with fiscal agents is credited directly to the related fund of the Agency.

E. Property Tax Increment Revenue

California State Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless an additional amount has been approved by voters. Assessed value is calculated at 100 percent of market value as defined by Article XIII A and may be increased by no more than two percent per year unless there is new construction on the property or the property is sold or transferred. The California Legislature has determined the method of distribution of receipts from the one percent tax levy among the counties, cities, school districts, and other districts.

Santa Clara County assesses properties and bills and collects property taxes for the City. Secured and unsecured taxes are levied on the preceding January 1. Secured tax is due in two installments on November 1 and February 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payments. If delinquent taxes are paid prior to June 30, the County receives the 10% penalty. For delinquencies paid after June 30, the City receives the penalty revenue. Unsecured tax is due as of the January 1 lien date and becomes delinquent if unpaid on August 31. A 10% penalty attaches to delinquent unsecured tax. If unsecured tax remains unpaid on October 31, an additional 1.5% attaches to it on the first day of each month until paid. The term "unsecured" refers to taxes on property not secured by liens on real property. The City has elected not to participate in the "Teeter Plan" offered by the County, thereby retaining the right to any interest and penalties collected on the related delinquent taxes.

Property tax increment is defined as property tax revenue generated within the redevelopment project area boundary in excess of the last equalized tax roll prior to the effective date of redevelopment plan adoption. The last equalized tax roll is known as the "frozen base." Property tax revenue generated from property valuations up to the frozen base goes pro rata to all taxing agencies such as schools, the County and the City. All property tax revenue generated above the frozen base goes to the Redevelopment Agency in order to repay investments made by the Agency to redevelop the project area.

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Property tax increment revenues are recorded when they become measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period.

F. Interfund Balances

Outstanding balances between the Agency's funds are reported as due to and due from other funds.

G. Advances from Other City Funds

Outstanding balances owed to the City by the Agency are reported as advances from other City funds.

H. Capital Assets

The Agency's capital assets, which include land only at the end of fiscal year 2011, are reported in the governmental activities in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost was not available.

I. Long-term Debt

Government-Wide Financial Statements

Long-term debt and other financed obligations are reported as liabilities in the governmental activities.

Fund Financial Statements

The fund financial statements do not present long-term debt which is shown in the reconciliation of the governmental funds balance sheet to the government-wide statement of net assets.

J. Net Assets and Fund Balances

Government-Wide Financial Statements

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Restricted– This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount includes all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets.

Fund Financial Statements

In the fund financial statements, the components of fund balances reflect policies and procedures established by actions of the City Council and its designated officials.

The following fund balance classifications are applicable to the Agency's year-end financial positions:

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, and contributors), laws and regulations of other governments, or through enabling legislation.

The *unassigned* fund balance represents net resources that have not been restricted to specific purposes.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenditures and expenses. Actual results could be different from these estimates and assumptions.

2. CASH AND INVESTMENTS

The Agency pools its cash with the City. Since City staff invests all City funds, including those of the RDA, the RDA adopts the City's Investment Policy. At June 30, 2011, the Agency had the following cash and investment balances:

Cash and Investments Held by the Agency	$ 1,886,896
Cash and Investments Held by Fiscal Agent	1,930,223
Total Cash and Investments	$ 3,817,119

Refer to the City's Comprehensive Annual Financial Report for detailed disclosure on cash and investments.

3. ADVANCES FROM CITY GENERAL FUND

The Redevelopment Agency (as lessor) entered into a lease agreement with the City (as lessee) on May 1, 1977, for a two-level parking structure at the Sunnyvale Town Center Mall (In 2005, the leased asset, a two-level parking structure, was demolished and two surface parking lots with improvements were substituted as the leased assets for the 1998 Parking Facility Certificates of Participation). The lease, as amended, requires the City to pay to the Agency base rental payments ranging from $1,131,103 to $1,281,250 annually, payable on October 1 and April 1 of each year until October 1, 2022. In addition to base rental payments, the City is also obligated to pay all taxes, assessments, administrative costs, certain insurance premiums, certain maintenance costs, and all other such costs in order to maintain the existence of the parking structure or to comply with the terms of the related bond resolutions. During the fiscal year ended June 30, 2011, the City made $1,206,475 in base rental payments to the Agency. The Agency uses these funds to make the annual debt service payments on the 1998 Parking Facility, Series A, Certificates of Participation.

According to the terms of the First Amended Repayment Contract signed in 1977, the Agency made the commitment to repay the City for costs advanced on its behalf and base rentals plus 8% interest on the unpaid balance. The funds needed to repay the City are generated from tax increment revenues. The Agency’s first obligation is to pay the Central Core bonded debt service. The remaining tax increment revenues determine each year's repayment to the General Fund.

During the fiscal year ended June 30, 2002, the City's General Fund advanced an additional $1,500,000 to the Agency to fund downtown public improvements. This advance bears interest at 6% and repayment is deferred until all other City advances to the Agency are paid off.

Total interest accrued on unpaid City advances for the fiscal year amounted to $5,183,343 which includes $5,031,290 accrued at 8% on unpaid City advances based on the first amended repayment contract and $152,053 accrued at 6% on the $1.5 million advance for the downtown improvement.

At June 30, 2011, outstanding project loan balance under the 1977 Repayment Agreement was $29,809,742; outstanding administrative loan balance was $29,734,108; outstanding loan balance for downtown public improvements was $2,686,271. The total loan balance was $62,230,121.

The following is a summary of transactions during the fiscal year ended June 30, 2011:

Advances from Other City Funds, July 1, 2010	$ 64,671,255
Additional Advances from City for:	
Base Rental Payments	1,206,475
Operations, Projects and Debt Services	238,527
Repayments to City from:	
Tax Increment Revenue after Central Core Debt Service	(9,069,478)
Interest Accrued on Unpaid City Advances	5,183,342
Advances from Other City Funds, June 30, 2011	$ 62,230,121

4. CAPITAL ASSETS

Government-Wide Financial Statements

At June 30, 2011, the Agency's capital assets consisted of the following:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Land	$ 13,959,752	$ -	$ -	$ 13,959,752
Total Capital Assets	$ 13,959,752	$ -	$ -	$ 13,959,752

Funds Financial Statements

The fund financial statements do not present general government capital assets that are shown in the reconciliation of the governmental funds balance sheet to the government-wide statement of net assets.

1. LONG-TERM DEBT

The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2011:

Description	Beginning Balance July 1, 2010	Additions	Reductions	Bond Amortization	Ending Balance June 30, 2011	Amounts Due Within One Year	Amount Due in More than One Year
Governmental Activities:							
Bonds Payable:							
Certificates of Participation:							
1998 Parking Facility Series A	$ 11,620,000	-	$ (645,000)	-	$ 10,975,000	$ 675,000	$ 10,300,000
Tax Allocation Bonds							
Central Core Series 2003	5,995,724	-	(370,000)	3,662	5,629,386	385,000	5,244,386
Town Center Pollution Remediation Obligations	1,714,082	871,189	(682,170)	-	1,903,101	500,000	1,403,101
Total Governmental Activities	$ 19,329,806	$ 871,189	$ (1,697,170)	$ 3,662	$ 18,507,487	$ 1,560,000	$ 16,947,487

5. LONG-TERM DEBT, Continued

A. Bonds Payable

Tax Allocation Bonds

$7,960,000 Central Core Redevelopment Project Tax Allocation Refunding Bonds, Series 2003

Due in original annual installments of $230,000-$585,000 through August 1, 2022, interest at 2.00-4.50%, repayments made from incremental property taxes are recorded in the Redevelopment Agency Special Revenue Fund. The bonds are presented net of unamortized discount of $40,615. The bonds also had deferred charges of $606,763, which were recorded as an asset and amortized over the life of the bonds on a straight-line basis. The balance of the deferred charges at June 30, 2011 was $359,652.

The debt service requirements for the bonds at June 30, 2011 were as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 385,000	$ 224,776	$ 609,776
2013	395,000	211,704	606,704
2014	405,000	197,451	602,451
2015	425,000	181,876	606,876
2016	435,000	164,941	599,941
2017-2021	2,480,000	532,247	3,012,247
2022-2023	1,145,000	52,087	1,197,087
	5,670,000	1,565,082	7,235,082
Less Unamortized Discount	(40,614)	-	(40,614)
Total	$ 5,629,386	$ 1,565,082	$ 7,194,468

5. LONG-TERM DEBT, Continued

Certificates of Participation

$17,525,000 1998 Parking Facility, Series A, Certificates of Participation

Due in original annual installments of $315,000-$1,250,000 through October 1, 2022, interest at 3.65%-5.00%, repayments are made from base rental payments from the City General Fund.

The debt service requirements for the Certificates of Participation at June 30, 2011 were as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 675,000	$ 530,118	$ 1,205,118
2013	710,000	496,522	1,206,522
2014	745,000	460,689	1,205,689
2015	780,000	422,750	1,202,750
2016	820,000	382,750	1,202,750
2017-2021	4,845,000	1,235,625	6,080,625
2022-2023	2,400,000	122,500	2,522,500
Total	$ 10,975,000	$ 3,650,954	$ 14,625,954

B. Town Center Pollution Remediation Obligations

Pursuant to the Amended and Restated Disposition and Development and Owner Participation Agreement (ARDDOPA) and the successor 2010 Amended Disposition and Development and Owner Participation Agreement (ADDOPA), the Redevelopment Agency (Agency) and Downtown Sunnyvale Mixed Use, LLC (Developer) and successor in interest (the Receiver) agreed to cooperate and share the costs in the investigation of, and response to, environmental conditions associated with the Town Center Project (Project) under the oversight of an appropriate regulatory agency. The Agency and the Developer also agreed to cooperate in any efforts by either party to seek and obtain suitable liability protection, immunities and/or other assurances from the oversight agency regarding those environmental conditions pursuant to the Polanco Redevelopment Act, enacted by the State to encourage redevelopment of sites impacted by the presence of hazardous substances and to provide incentives in the form of state immunities if completed.

During the period of due diligence by the Developer, it became known that soil and groundwater contamination does exist and emanate from the Project area. The contaminants, predominantly PCB, include hazardous materials thought to be released by former Downtown dry cleaning establishments, auto repair enterprises, gas stations, and other uses that use, store, or dispose of hazardous materials and wastes.

5. LONG-TERM DEBT, Continued

On July 17, 2007, the Agency adopted a resolution approving and authorizing an agreement with the San Francisco Bay Regional Water Quality Control Board as the oversight agency to facilitate investigation of, and response to, environmental conditions associated with the Project.

The ARDDOPA provides tiered cost sharing with the Developer; the Agency must pay 50% of the first $2 million, 65% of the next $1 million, 75% of the next $1 million and 85% of cost above $4 million. The Agency's estimate was that, by fiscal year 2010 at the completion of the Project, Agency's share of the pollution remediation outlays may reach $9 million in total. These costs include expenses incurred for legal and environmental consulting, reimbursements to the oversight agency, and costs related to remediation implementation and post-remediation monitoring.

The Developer halted construction in early 2009 after failing to secure further funding to complete the Project. The Project was about forty percent completed at the time. Meanwhile, a dispute existed between the Agency and the Developer with respect to the amount and respective obligations related to certain environmental costs under the ARDDOPA. The amount in dispute was $4,836,844, requested by the Developer for reimbursing costs incurred during the period from April 2008 to March 2009.

Despite the problems with this Project, a newly constructed modern Target store (a separate project, with street infrastructure to be installed by the Town Center Project Developer) was scheduled to open on the date of November 15, 2009. In order to effectuate the planned store opening, the Target site improvement work had to be completed by October 8, 2009.

On July 17, 2009, the Agency's obligations to the Developer with respect to the aforementioned disputed amount were discharged and replaced by a new *Infrastructure Improvement Agreement*. The Agency wired $1,107,118 immediately to reimburse the Developer for prior environmental costs; that amount was accrued to fiscal year 2009 in the fund financial statements. The Agency also committed $3,729,726, to be paid to the contractor only upon completion of certain site improvements that were the obligation of the Developer under the terms of the IIA, representing the Agency's share of environmental costs otherwise owed. At year end, the balance of the committed funds was $72,641.

In September 2009, after the Developer's default on a $108 million loan in June, 2009, the lender Wachovia/Wells Fargo Bank began foreclosure proceedings on the Town Center development project (the Project). In an October 5 court action, the Santa Clara County Superior Court appointed Gerald Hunt and Quattro Realty Group as the Receiver of the Project. The Receiver's responsibilities include devising a plan to protect and preserve the value of the Project site. During this time, Wachovia/Wells Fargo Bank has the power to authorize funds for improvements needed to secure the site.

The Receiver and the Agency negotiated modifications to the ARDDOPA and those modifications have resulted in the 2010 Modification Agreement (MA), dated May 14, 2010. The Agency's share of total environmental costs, beginning 2010, has been changed to 50% from the previous 85% in the top tier. This change was documented in the 2010 ADDOPA, dated August 2, 2010.

5. LONG-TERM DEBT, Continued

The Agency's total estimated pollution remediation obligation has been revised to be $9,000,000, measured at the current value of expected outlays. This amount includes Agency's estimated share of total environmental costs with the Developer and Agency's own personnel and legal costs. The shared environmental costs include commercially reasonable costs incurred by the Developer and the Agency, including mainly oversight fees charged by the environmental oversight agency, hazardous waste generator fees or taxes imposed by statute, hazardous waste transportation and disposal costs, related environmental fees charged by attorneys and consultants, costs to install, operate, and maintain soil, soil vapor and groundwater remedial systems, and costs related to the closure of remedial facilities.

During fiscal year 2011, the Agency's Special Revenue Fund reported environmental expenditures of $682,170, incurred according to the aforementioned IIA to discharge the Agency from certain prior pollution remediation obligations. From fiscal years 2008 through 2011, the Agency's cumulative environmental expenditures amounted to $7,096,899. At the end of fiscal year 2011, the Agency estimated remaining future environmental outlays at $1,903,101.

Although a great deal of work has already been accomplished to characterize the extent of the pollutants and to treat PCB, the work is subject to the approval by the Regional Water Quality Board, and subsequent proof of effective remediation.

The estimated pollution remediation obligations may change with new information, price increases or reductions, technology, or changes in applicable laws and regulations.

The remediation project is budgeted under the Redevelopment Agency General Fund. The City General Fund may need to advance additional funds to the Agency since the Agency has committed tax increment to preexisting obligations and will need the City General Fund resources to fund the remediation project.

6. SELF-INSURANCE AND CONTINGENT LIABILITIES

The Agency is covered under the City's self-insurance plan and various insurance policies. The City has $40,000,000 in excess general liability coverage, subject to $500,000 self-insured retention (SIR) for each occurrence, through the California Joint Powers Risk Management Authority (CJPRMA), a risk-sharing pool. The City's excess workers' compensation coverage is provided through the California State Association of Counties Excess Insurance Authority (CSAC-EIA), with statutory limits subject to a $500,000 self-insured retention. Employer's liability limit is $5,000,000. The excess workers' compensation coverage is structured in layers as described below:

- $500,000 - $1,000,000. Coverage provided by CSAC-EIA (20% quota share) and American Safety Casualty Insurance Company (80% quota share)

- $1,000,001 - $5,000,000. Coverage provided by CSAC-EIA.

- $5,000,001 - $50,000,000. Coverage provided by ACE American Insurance Company

- $50,000,001 - Statutory. Coverage provided by National Union Fire Insurance Co. of Pittsburgh, PA (Chartis)

7. INTERFUND TRANSFERS

A transfer is a legally authorized transfer between funds in which one fund is responsible for the initial receipt of funds and another fund is responsible for the actual disbursement. During the year, the Agency's General Fund transferred out $9,441,105 to the Debt Service Fund, using tax increment revenue generated to service debt obligations related to Central Core Tax Allocation Bonds and the City's advances to the Agency.

California Redevelopment Law also requires the Agency to deposit 20% of gross tax increment revenue into the Low and Moderate Income Housing Fund (the "L&M Fund"). The Agency has been deferring payments into the L& M Fund due to pre-existing debt obligations. The deferral of payments has been accounted for by interfund transfers from the Agency General Fund to the L&M Fund. The related asset and liability accounts are "Due from Other Funds" and "Due to Other Funds."

In fiscal year 2011, gross tax increment amounted to $10,201,449. The county of Santa Clara deducted $108,756 for administration fee and $416,729 for the Supplemental Educational Revenue Augmentation Fund (SERAF). The amount of the 20% Housing set-aside calculated for interfund transfer was $2,040,290, based on the gross tax increment amount.

In summary, the Agency General Fund transferred out $11,481,395; the L&M Fund had a transfer-in of $2,040,290 (not in cash form) and the Debt Service Fund received a cash transfer-in of $9,441,105.

8. CLASSIFICATION OF NET ASSETS

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested In Capital Assets, Net of Related Debt – This category represents the net carrying value of all capital assets, reduced by the outstanding balances of long-term debt that are attributable to the acquisition, construction or improvement of these assets.

Restricted– This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted– This category represents the "residual" component of net assets. It consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

	Major Funds			Total Governmental Funds
	General Fund	Low and Moderate Income Housing	Debt Service	
Fund Balances:				
Restricted for:				
Debt Service Reserve	$ -	$ -	$ 1,930,954	$ 1,930,954
Low and Moderate Income Housing	-	14,673,336	-	14,673,336
Total Restricted	-	14,673,336	1,930,954	16,604,290
Unassigned	(18,440,219)	-	(62,230,121)	(80,670,340)
Total	$ (18,440,219)	$ 14,673,336	$ (60,299,167)	$ (64,066,050)

Fund Balance Classifications:

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, or contributors), laws and regulations of other governments, or agreement reached with third parties.

For the Agency's General Fund and Debt Service Fund, the *unassigned* fund balance represents the residual classification, representing fund balance that has not been identified with specific purposes.

When both restricted resources and other resources can be used for the same purpose, the Agency budget considers restricted resources to be spent first.

9. DEFICIT NET ASSETS AND FUND BALANCES

Government-Wide Financial Statements

The governmental activities in the government-wide financial statements had deficit net assets of $(68,486,936). These deficit net assets are primarily due to liabilities incurred from advances made by the City for Central Core redevelopment project improvements. These advances were used to either acquire or improve capital assets located within the redevelopment project area. Additionally, the accrual of the estimated outlay for pollution remediation obligations and the Town Center public improvement obligations also contributed to the deficit.

Fund Financial Statements

The following funds had deficit fund balances as of June 30, 2011:

General Fund	$	(18,440,219)
Debt Service Fund		(60,299,167)

The deficit fund balances in the Agency's General Fund have been caused by the following obligations: (1) the State-mandated 20% of tax increment revenues set aside for low and moderate income housing (**Note 10**); (2) Town Center pollution remediation obligations (**Note 5B**); and (3) Town Center public improvement obligations (**Note 10**). These deficit fund balances will be funded by future property tax increment.

The Low and Moderate Income Housing Special Revenue Fund (the "L&M Fund") is presented in the Basic Financial Statements to comply with the requirements specified by California State Controller, although no funds have been deposited into the Fund. If we were to comply with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, then the L&M Fund would be consolidated into the Agency General Fund and the resulting deficit fund balance in the consolidated General Fund would be a negative $3,766,883. The cumulative L&M Fund deficit of $14,673,336 will be funded by future tax increment revenue after the Agency's pre-existing debt has been paid off.

Long-term advances from the City to the Agency have contributed to the deficit fund balance in the Agency's Debt Service Fund. The deficit is expected to be funded by future property tax increment.

10. PLEDGED REVENUES

Tax Increment Revenues Pledged

The amount of $9,675,964, received as net tax increment revenue after paying the County administrative charges of $108,756 and the Supplemental Educational Revenue Augmentation Fund (SERAF) of $416,729, was reported in the Redevelopment Agency General Fund this year. All future tax increment revenues are pledged for purposes as stated below.

Under California law, the Redevelopment Agency has the power to utilize tax increment financing to borrow funds for land acquisition and public infrastructure improvements in the redevelopment project area. In 1977 the Redevelopment Agency issued $16,800,000 of tax allocation bonds for the above purposes. Those bonds were twice refinanced. The current outstanding issue, Central Core Redevelopment Project Tax Allocation Refunding Bonds, Series 2003, has remaining principal and interest of $7,235,082. The annual debt service, ranging from $609,766 in fiscal year 2012 to $598,163 in the final fiscal year 2023, is fully covered by current tax increment.

Also in 1977, the Agency sold lease revenue bonds totaling $22,300,000 to construct a parking structure in the project area. Those bonds were twice refinanced. The current outstanding issue, Parking Facility Certificates of Participation, 1998 Series A, has remaining principal and interest of $14,625,954. The annual debt service, ranging from $1,205,118 in fiscal year 2012 to $1,281,250 in the final fiscal year 2023, is fully covered by advances from the City General Fund in the form of base rental payments. Under the 1977 First Amended Repayment Contract, the Agency is to repay the City General Fund for these advances (the “1977 Loan”) after paying for debt service of the Tax Allocation Bonds. Since 1986, the City General Fund has also provided additional loans (the “1986 Loan”) to the Agency’s for certain administrative costs and project expenditures. The Agency has not been able to produce sufficient tax increment revenues to significantly reduce the balance of City General Fund advances.

In 1986, the State Legislature imposed a new statutory obligation on the Agency to set aside an amount equal to 20% of the gross tax increment revenues generated each year in the project area. Due to preexisting debt obligations, the Agency has to adopt annually a Housing Fund Deficit Reduction Plan, to defer payments into the Agency’s Low and Moderate Income Housing Fund until future years after the final maturity of pre-existing obligations giving rise to such deficit. State law allows the Agency to continue collecting tax increment after the redevelopment project time and tax increment limits are reached so that the housing deficit can be eliminated.

Since the inception of the Redevelopment Project, the State has enacted several laws that placed revenue restrictions on redevelopment agencies. These include capping the time period for collection of tax increment for the redevelopment project area. For Sunnyvale’s project area, the termination date was extended to November 2028 in fiscal year 2006 per SB1096 for compensation of the Agency’s payments made to the County Supplemental Educational Revenue Augmentation Fund (ERAF) in fiscal year 2005 and fiscal year 2006.

10. PLEDGED REVENUES, Continued

More important was the establishment of revenue limits for redevelopment agencies. The revenue limit/increment cap for the Sunnyvale Redevelopment Agency as originally established was $118 million. In fiscal year 2006 the Agency amended its Redevelopment Plan to increase the tax increment cap to $600 million.

It should be noted that when tax increment received by the Agency reaches the original $118 million cap, certain pass through payments to other taxing agencies will be required. At June 30, 2011, cumulative tax increment received amounted to $93,265,832.

As part of the Amended Disposition, Development, and Owner Participation Agreement (ADDOPA) on August 2, 2010, the Agency has agreed to return to the Developer up to $4.5 million per year through 2026 of tax increment plus 50% of any receipts above this amount, in return for construction by the developer of public streets and underground parking. The mechanism for making the payments will be through General Fund advances to the Agency, as specified in the Easement Agreement, dated September 28, 2007, and the Loan and Repayment Agreement, dated December 18, 2003. At year end, estimated liability to the Developer was $4,510,795; however, no payment is due since the Minimum Project TIF (Tax Increment Financing) Date has not been achieved. Minimum Project TIF Date means the date on which the following have occurred: (1) Completion of no less than 150,000 square feet of the retail portion of the Project, as evidenced by final City building permit and inspection, and evidence of execution of leases with retail tenants for said 150,000 square providing for tenant’s construction of tenant improvements and (2) completion of the Redwood Plaza Area.

11. PRIOR PERIOD ADJUSTMENTS

According to the Loan and Repayment Agreement between the Agency and the City, dated December 18, 2003, the City may advance funds to the Agency for the costs of building public improvements such as streets, sidewalks and utilities within the Town Center.

Concurrent with the execution of the Amended and Restated Disposition and Development and Owner Participation Agreement (ARDDOPA) on February 6, 2007, the City and Redevelopment Agency entered into a Payment Agreement, granting the City an easement over the public parking parcels owned by the Agency. In consideration for the easement, the City agrees to make certain annual payments (advances) to the Agency. The Agency will then use such funds to pay annual installments to the Developer, in consideration for Developer constructing and operating required public improvements. The first annual payment to the Developer is due when the Minimum Project TIF (Tax Increment Financing) Date has occurred. Since the Town Center Redevelopment Project has not achieved such a milestone, no payment is due to the Developer as yet. Between fiscal years 2007 to 2010, based on the interim project tax increment data, the City General Fund accrued expenses and recognized estimated liabilities of $3,272,844 to the Developer. Such liabilities should have been reported under the Agency General Fund instead of the City General Fund.

11. PRIOR PERIOD ADJUSTMENTS, Continued

On the fund financial statements, the Agency General Fund balance as of June 30, 2010, originally stated at a negative amount of $11,139,046, has been restated to a negative amount of $14,411,890.

On the government-wide financial statements, the net assets as of June 30, 2010, originally stated at a negative amount of $66,471,502, has been restated to a negative amount $69,744,346.

12. SUBSEQUENT EVENTS

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by the City opting into an “alternative voluntary redevelopment program” requiring specified substantial annual contributions to local schools and special districts. Concurrently with these two measures, the State passed various budget and trailer bills that are related and collectively constitute the Redevelopment Restructuring Acts. If all sponsoring communities were to opt-in to the voluntary program, these contributions amount to an estimated $1.7 billion for fiscal year 2012 and an estimated $400 million in each succeeding year. If the City fails to make the voluntary program payment, the Agency would become subject to the dissolution provisions of ABx1 26.

On July 18, 2011, the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of ABx1 26 and 27 to the California Supreme Court on numerous grounds, including that the acts violate certain provisions of the California Constitution. On August 11, 2011, as modified on August 17, 2011, the California Supreme Court agreed to hear the case and issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the stay did not include the section of ABx1 26 that suspends all new redevelopment activities. It is anticipated that the Court will render its decision before January 15, 2012, the date the first voluntary program payment is due.

The suspension provisions of ABx1 26 prohibit all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26. During the suspension period, an agency is required to prepare an Enforceable Obligation Payment Schedule no later than August 29, 2011, that allows it to continue to pay certain obligations. The Agency adopted its Enforceable Obligation Payment Schedule (EOPS) on August 23, 2011. The EOPS lists the Agency’s debt obligations, which include the 2003 Tax Allocation Bonds, the 1998 Parking Facility Refunding Certificates of Participation, the 1977 and 2003 Loan Repayment obligations (**Note 3**), the Amended Disposition, Development, and Owner Participation Agreement (ADDOPA) obligations (**Notes 5B** and **10**), the Low and Moderate Housing Fund obligations (**Note 10**), costs of administration and operation of the Agency, and costs of special projects (economic analysis, plan amendment and implementation, mid-term review, and outside legal counsel services).

12. SUBSEQUENT EVENTS, Continued

In addition, the suspension provisions require the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the State Controller is required to order the asset returned to the redevelopment agency. The State Controller's Office has not yet provided any information about the timing or the process for this statewide asset transfer review.

The Agency is currently subject to the suspension provisions as described above. These facts indicate that there is more than a remote possibility the Agency may not continue as a going concern beyond October 1, 2011. The continuation of the Agency beyond October 1, 2011 will initially depend upon whether the Supreme Court rules in favor of the petitioners. There are three possible consequences to the Agency from a decision of the Supreme Court, when it is rendered:

1. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid, the City will be required to make annual payments to the County Auditor-Controller and the Agency will no longer be subject to the suspension provisions. On September 13, 2011, the City, as the sponsoring community, approved the Continuation Ordinance to keep the Agency in existence and to participate in the Voluntary Program. On September 20, 2011, Sunnyvale City Council adopted a resolution, authorizing the execution of the Agency Transfer Payment Agreement with the City of Sunnyvale pursuant to Part 1.9 of the Redevelopment Law. It is anticipated that the City's annual remittances will be reimbursed by the Agency from tax increment revenues of the Central Core Project Areas. The State Department of Finance calculated the City's Voluntary Program payment for fiscal year 2012 to be $3,650,428, which City staff has reviewed and verified with the source document.

2. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid and the City decides not to participate in the alternative voluntary redevelopment program, or if the Supreme Court determines that ABx1 26 is valid, but ABx1 27 is not valid, the Agency will continue to be subject to the suspension provisions and will then be dissolved in accordance with certain provisions of ABx1 26. Prior to dissolution, any transfers of Agency assets subsequent to January 1, 2011 to the City that were not obligated to third parties or encumbered may be subject to the State Controller's review discussed above and required to be returned to the Agency. Upon dissolution, all assets and obligations of the Agency would be transferred to a successor agency.

3. If the Supreme Court determines that both ABx1 26 and ABx1 27 are invalid, the Agency would no longer be subject to the suspension provisions and would continue in existence under California Redevelopment Law as it existed prior to the enactment of ABx1 26 and ABx1 27.

As of November 18, 2011, the Supreme Court has not ruled on the case and the Agency is subject to the suspension provisions as discussed above.

13. EXCESS SURPLUS CALCULATION-LOW AND MODERATE INCOME HOUSING FUND

As of June 30, 2011, the Agency had zero cash balance in the Low and Moderate Income Housing Fund due to pre-existing debt obligations. The following schedule is presented to comply with the State Law:

REDEVELOPMENT AGENCY OF THE CITY OF SUNNYVALE
EXCESS SURPLUS CALCULATION

Low and Moderate Income Housing Funds
Central Core Redevelopment Project Area

	Fiscal Year Ended June 30, 2011	
Opening Fund Balance -- July 1, 2010		$ -
Less Unavailable Amounts:		
Not Applicable	-	
		-
Available Low and Moderate Income Housing Funds		-
Limitation (greater of $1,000,000 or four years set-aside)		
Set-Aside for last four years - fiscal years ended:		
June 30, 2010	-	
June 30, 2009	-	
June 30, 2008	-	
June 30, 2007	-	
Total	-	
Base limitation	$1,000,000	
Greater amount		$ 1,000,000
Computed Excess Surplus - July 1, 2010		None

Excess surplus is defined in Health and Safety Code Section 33334.12(b) as any unexpended and unencumbered amount in an Agency's Low and Moderate Income Housing Fund that exceeds the greater of $1,000,000 or the aggregate amount deposited into the Low and Moderate Income Housing Fund during the preceding four fiscal years, as of the beginning of the fiscal year.

If excess surplus exists, the Agency must lawfully spend the excess or transfer it to a housing authority or other public agency in the following fiscal year, expend or encumber in the next two fiscal years or face sanctions. Essentially, agencies have a three-year window to expend, encumber, or transfer the excess surplus.

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