



NEW ISSUE – BOOK ENTRY ONLY

RATING: S&P: “AA+”
See “RATING.”

In the opinion of Jones Hall LLP, as Bond Counsel, subject, however, to certain qualifications described in this Official Statement, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS.”



\$40,000,000*
SUNNYVALE FINANCING AUTHORITY
SOLID WASTE REVENUE BONDS, SERIES 2025

Dated: Date of Delivery**Due: November 1, as shown on inside cover**

Authority for Issuance. The bonds captioned above (the “Bonds”) are being issued by the Sunnyvale Financing Authority (the “Authority”) under an Indenture of Trust, dated as of November 1, 2025, by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

Use of Proceeds. The Bonds are being issued to (i) provide funds to replace materials recovery facility equipment and make related improvements to the Sunnyvale Materials Recovery Transfer Station® (“SMaRT Station”) (as further described herein, the “NextGen Project”), and (ii) pay the costs of issuing the Bonds.

Security for the Bonds. The Bonds are payable from and secured by all “Revenues” (as defined herein) received by the Authority, which consist primarily of installment payments (the “Installment Payments”) to be made by the City of Sunnyvale (the “City” or “Sunnyvale”) under an Installment Sale Agreement, dated as of November 1, 2025 (the “Installment Sale Agreement”), by and between the City and the Authority. The City’s obligation to make the Installment Payments is a special limited obligation of the City, secured by and payable from a pledge of the “Net Revenues” of its solid waste system (the “Solid Waste System”), defined generally as all charges received for, and all other income and revenues derived by the City from, the ownership or operation of the Solid Waste System, less certain maintenance and operation costs. The Installment Payments are also payable from payments made by the City of Mountain View under a memorandum of understanding with the City.

Bond Terms; Book-Entry Only. The Bonds will bear interest at the rates shown below, payable semiannually on May 1 and November 1 of each year, commencing May 1, 2026, and will be issued in fully registered form in the denomination of \$5,000 or any integral multiple of \$5,000. The Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Purchasers of the Bonds will not receive certificates representing their interests in the Bonds.

Redemption. Prior to their maturity, the Bonds are subject to optional redemption, as described in this Official Statement. See “THE BONDS – Redemption.”

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM REVENUES DERIVED UNDER THE INDENTURE AS DESCRIBED HEREIN. NEITHER THE BONDS NOR THE OBLIGATION TO PAY PRINCIPAL OF OR INTEREST ON THE BONDS CONSTITUTES A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS. IN NO EVENT WILL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS DESCRIBED IN THIS OFFICIAL STATEMENT.

This cover page contains certain information for quick reference only. It is not a summary of this issue of Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the purchase of the Bonds.

Maturity Schedule
(see inside cover)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Jones Hall LLP, as Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney and by Jones Hall LLP, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California. It is anticipated that the Bonds will be delivered in definitive form through the facilities of DTC on or about November 18, 2025.

STIFEL

The date of this Official Statement is _____, 2025

* Preliminary, subject to change.

MATURITY SCHEDULE

\$40,000,000*
SUNNYVALE FINANCING AUTHORITY
SOLID WASTE REVENUE BONDS, SERIES 2025

<u>Maturity</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u> <u>(Base)</u>
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\$ _____ % Term Bonds Due November 1, 20__; Price: _____ to Yield: _____%
CUSIP† _____*

\$ _____ % Term Bonds Due November 1, 20__; Price: _____ to Yield: _____%
CUSIP† _____*

_____* Preliminary, subject to change

† CUSIP Global Services (CGS) is managed on behalf of American Bankers Association by FactSet Research Systems Inc.
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substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the
Trustee or the Underwriter take any responsibility for the accuracy of the CUSIP data

SUNNYVALE FINANCING AUTHORITY

MEMBERS OF THE CITY COUNCIL AND BOARD OF DIRECTORS OF THE AUTHORITY

Larry Klein, *Mayor/Chair*
Linda Sell, *Vice Mayor/Vice Chair*
Alysa Cisneros, *Councilmember/Director*
Richard Mehlinger, *Councilmember/Director*
Murali Srinivasan, *Councilmember/Director*
Charlsie Chang, *Councilmember/Director*
Eileen Le, *Councilmember/Director*

CITY /AUTHORITY OFFICIALS

Tim Kirby, *City Manager/Executive Director*
Matt Paulin, *Finance Director/Treasurer*
Ramana Chinnakotla, *Director of Environmental Services*
David Carnahan, *City Clerk/Secretary*
Rebecca Moon, *City Attorney/General Counsel*

BOND COUNSEL AND DISCLOSURE COUNSEL

Jones Hall LLP
San Mateo, California

MUNICIPAL ADVISOR

Ross Financial
San Francisco, California

TRUSTEE

U.S. Bank Trust Company, National Association
Los Angeles, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or any other person has been authorized to give any information or make any representation with respect to the Bonds, other than as contained in this Official Statement, and, if given or made, any such information or representation must not be relied upon as having been authorized by the Authority or the City.

This Official Statement does not constitute an offer of any securities other than those described on the cover page or an offer to sell or a solicitation of an offer to buy, nor may there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

The information set forth in this Official Statement has been furnished by the Authority and the City and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date of this Official Statement.

The Underwriter has submitted the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Summaries and references to statutes and documents in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such statute or document.

This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or be used, as a whole or in part, for any other purpose.

In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agent and others at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in that act. The Bonds have not been registered or qualified under the securities laws of any state.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions "THE SMART STATION" and "THE SOLID WASTE SYSTEM." The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority and the City do not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

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OFFICIAL STATEMENT

\$40,000,000*
SUNNYVALE FINANCING AUTHORITY
SOLID WASTE REVENUE BONDS, SERIES 2025

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information concerning the sale and delivery of the bonds captioned above (the “Bonds”) being issued by the Sunnyvale Financing Authority (the “Authority”). Capitalized terms used but not defined herein have the meanings set forth in the Indenture. See “APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Authority for Issuance

The Bonds are being issued pursuant to (i) the laws of the State of California (the “State”), including Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the “Bond Law”) (ii) an Indenture of Trust, dated as of November 1, 2025 (the “Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), and (iii) resolutions adopted by the Board of Directors (the “Board”) of the Authority on October 21, 2025 (the “Authority Resolution”), and by the City Council (the “City Council”) of the City of Sunnyvale (the “City” or “Sunnyvale”) on October 21, 2025 (the “City Resolution”).

The Authority

The Authority was created by a Joint Exercise of Powers Agreement, dated September 29, 1992 (the “JPA Agreement”), between the City and the Redevelopment Agency of the City of Sunnyvale (the “Former Agency”); the Successor Agency to the Redevelopment Agency of the City of Sunnyvale succeeded the Former Agency in 2012. Pursuant to an Amended and Restated Joint Exercise of Powers Agreement, dated October 23, 2025, the Sunnyvale Industrial Development Authority, which is governed by the City Council of the City, replaced the Successor Agency as a member of the Authority.

The JPA Agreement was entered into pursuant to the Joint Exercise of Powers Act, Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California. The Authority was created to facilitate the financing of public improvements and facilities within the City. The Authority is administered by a governing board composed of the Mayor and the members of the City Council, and City staff members serve as staff to the Authority. The Authority has no independent staff.

The City

The City was incorporated on December 24, 1912 and its charter first became effective on May 18, 1949. The City is located 44 miles south of San Francisco on the San Francisco Bay peninsula, 10 miles northwest of San José. The City is home to Silicon Valley high-tech

* Preliminary; subject to change.

industry leaders (such as Apple, Google and LinkedIn, among others) in fields ranging from advanced satellite construction to pioneering biotechnology; from semiconductor research, design and manufacturing to leading edge telecommunications systems. See “APPENDIX A – GENERAL INFORMATION ABOUT THE CITY OF SUNNYVALE AND SANTA CLARA COUNTY.”

Financing Purpose

The proceeds of the sale of the Bonds will be used to (i) provide funds to replace materials recovery facility equipment and make related improvements to the Sunnyvale Materials Recovery Transfer Station (the “SMaRT Station”) (as further described herein, the “NextGen Project”), and (ii) pay certain costs incurred in connection with issuing the Bonds. See “FINANCING PLAN.”

Security for the Bonds

The Bonds are payable from and secured by a first pledge of and lien on “Revenues” (as defined in this Official Statement), consisting primarily of installment payments (the “Installment Payments”) to be made by the City under an Installment Sale Agreement, dated as of November 1, 2025 (the “Installment Sale Agreement”), by and between the City and the Authority.

The City’s obligation to make the Installment Payments is a special limited obligation of the City, secured by and payable from a pledge of the “Net Revenues” of the solid waste refuse collection and disposal system of the City (the “Solid Waste System”), defined generally as all charges received for, and all other income and revenues derived by the City from, the ownership or operation of the Solid Waste System, less certain maintenance and operation costs. See “SECURITY FOR THE BONDS.”

The Installment Payments are also payable from payments made by the City of Mountain View pursuant to a memorandum of understanding entitled “New Memorandum of Understanding Among the Cities of Mountain View and Sunnyvale Relating to the Operation of a Materials Recovery and Transfer Station” executed on December 22, 2021 between the City and the City of Mountain View, as amended (the “Memorandum of Understanding”). The Memorandum of Understanding will expire on December 31, 2036.

No Reserve Fund

No debt service reserve fund or account will be established by the Authority or the City in connection with the issuance of the Bonds.

Rate Covenants

Under the Installment Sale Agreement, the City covenants to:

(a) fix, prescribe, revise and collect Charges for the Solid Waste System during each Fiscal Year which are at least sufficient to produce Gross Revenues (including any transfers from a rate stabilization reserve account into the Solid Waste Management Fund) which, together with Mountain View Debt Service Payments (hereinafter defined) and Participant Debt Service Payments (hereinafter defined), are sufficient to pay 100% of the following amounts in the following order: (i) all Maintenance and Operation Costs estimated by the City to become due and payable in such Fiscal Year; (ii) the Installment Payments and Debt Service on any

Parity Debt to become due and payable in such Fiscal Year (iii) all other payments required for compliance with the Installment Sale Agreement and any Parity Debt Instruments; and (iv) all payments required to meet any other obligations of the City which are charges, liens or encumbrances upon or payable from the Gross Revenues; and

(b) fix, prescribe, revise and collect Charges for the Solid Waste System during each Fiscal Year which are sufficient to yield Net Revenues based on Maintenance and Operation Costs estimated by the City to become due and payable in such Fiscal Year (including any transfers from a rate stabilization reserve account into the Solid Waste Management Fund), which, together with Mountain View Debt Service Payments and Participant Debt Service Payments, are at least equal to 120% of the Installment Payments and the Debt Service on any Parity Debt to become due and payable in such Fiscal Year.

For additional details, see "SECURITY FOR THE BONDS – Rate Covenants; Collection of Rates and Charges."

No Existing Parity Debt; Future Parity Debt

Currently, the Solid Waste System has no outstanding bonds or other obligations payable on a senior or parity basis with the Installment Payments securing the Bonds. However, the City may incur parity debt obligations in the future, subject to certain conditions. See "SECURITY FOR THE BONDS – Parity Debt."

The Official Statement

This Official Statement contains brief descriptions of, among other things, the Authority, the City, the Solid Waste System, the SMaRT Station, the Memorandum of Understanding, the Bonds, the Installment Sale Agreement and the Indenture. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the Bonds are qualified in their entirety by reference to the form of Bond included in the Indenture. Copies of these documents may be obtained from the Trustee or the Authority.

FINANCING PLAN

General

The proceeds of the sale of the Bonds will be used for the following purposes: (i) to provide funds to replace materials recovery facility equipment and make related improvements to the SMaRT Station (the “NextGen Project”) and (ii) to pay certain costs incurred in connection with issuing the Bonds. For additional details on the NextGen project, see “THE SMART STATION - The NextGen Project”.

Sources and Uses

The estimated sources and uses of funds relating to the Bonds are as follows:

Sources:

Principal Amount of Bonds	\$
Plus/Less [Net] Original Issue Premium/Discount	
<i>TOTAL SOURCES</i>	<u>\$</u>

Uses:

Deposit to Project Fund	\$
Costs of Issuance ⁽¹⁾	
<i>TOTAL USES</i>	<u>\$</u>

(1) Represents funds to be used to pay Costs of Issuance, which include rating agency fees, bond counsel, disclosure counsel, Trustee fees, municipal advisor fees, Underwriter’s discount and other costs of issuing the Bonds.

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to (i) the laws of the State, including the Bond Law, (ii) the Indenture, (iii) the Authority Resolution (which was adopted by the Board of the Authority on October 21, 2025) and (iv) the City Resolution (which was adopted by the City Council on October 21, 2025).

Bond Terms

Dated Date and Maturities. The Bonds will be dated their date of delivery. Subject to the redemption provisions outlined below, the Bonds will mature on the dates and in the amounts set forth on the inside front cover page of this Official Statement.

Interest and Principal. Each Bond will bear interest at the rates set forth on the inside cover page of this Official Statement, payable semiannually on May 1 and November 1 of each year, beginning on May 1, 2026 (each, an “Interest Payment Date”). Each Bond will bear interest from the Interest Payment Date next preceding its date of authentication, unless (a) it is authenticated after a Record Date (where the term “Record Date” means the fifteenth day of the calendar month immediately preceding each Interest Payment Date, whether or not such day is a Business Day) and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (b) unless it is authenticated on or before the first Record Date, in which event it will bear interest from the Closing Date; *provided, however*, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The holder of \$1,000,000 or more in aggregate principal amount of Bonds may request, by written request including such holder’s wire instructions to be filed at least five days before the applicable Record Date, that the Trustee pay the interest thereon by wire transfer in immediately available funds to an account in the United States.

Book-Entry Only System. The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”) and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple of \$5,000, under the book-entry system maintained by DTC. While the Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds as described in this Official Statement. See “APPENDIX F – BOOK-ENTRY ONLY SYSTEM.”

Redemption

Optional Redemption.^{*} The Bonds are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after November 1,

^{*} Preliminary; subject to change.

2035^{*}, from any available source of funds, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption.^{*} The Bonds are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on November 1 in the respective years as set forth in the following table; *provided, however*, that if some but not all of the Bonds have been optionally redeemed as described above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Authority to the Trustee).

Sinking Fund
Redemption Date
(November 1)

Principal Amount
To Be Redeemed

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a single maturity, the Trustee shall select the Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

Notice of Redemption. The Trustee shall mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Information Services. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds are to be redeemed, the CUSIP numbers and (in the event that not all Bonds are called for redemption) the Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of

^{*} Preliminary; subject to change.

the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

Right to Rescind. The Authority has the right to rescind any notice of the optional redemption of Bonds under the Indenture by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Partial Redemption. Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered

Effect of Redemption. Notice of redemption having been duly given as set forth in the Indenture, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Debt Service Schedule

The following table sets forth the annual debt service on the Bonds (assuming no early redemptions).

Debt Service Schedule			
<u>Nov. 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
TOTAL			

Source: Underwriter.

SECURITY FOR THE BONDS

This section provides summaries of the security for the Bonds and certain provisions of the Indenture, the Installment Sale Agreement and the Installment Payments. See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a more complete summary of the Indenture, the Installment Sale Agreement and the Installment Payments. Capitalized terms used but not defined in this section have the meanings given in APPENDIX C.

Revenues; Pledge of Revenues

Pledge of Revenues and Funds. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and all amounts held in the Bond Fund or the Redemption Fund are pledged to secure the payment of the principal of and interest and premium (if any) on the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

Assignment of Rights to Trustee. Under the Indenture, the Authority irrevocably transfers, assigns and sets over to the Trustee, without recourse to the Authority, certain of its rights in the Installment Sale Agreement, including but not limited to all of the Authority's rights to receive and collect all of the Installment Payments. The Trustee is entitled to collect and receive all of the Installment Payments, and any Installment Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and shall, subject to the provisions of the Indenture, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Installment Sale Agreement.

Definition of Revenues Securing Bonds. "Revenues" are defined in the Indenture as:

(a) all of the Installment Payments (which are defined in the Indenture as all payments required to be paid by the City on any date under the Installment Sale Agreement, including any amounts payable upon delinquent installments and including any prepayment thereof under the Installment Sale Agreement), and

(b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

Application of Revenues. See " - Application of Bond Fund by Trustee" below for a summary of the provisions of the Indenture governing use of the Revenues to pay debt service on the Bonds.

Installment Payments; Pledge of Net Revenues

Definition of Net Revenues Securing Installment Payments. Under the Installment Sale Agreement, the City has pledged the Net Revenues of the Solid Waste System as security for the Installment Payments payable by the City to the Authority.

The term “Net Revenues” is defined, for any period of computation, as the amount of the “Gross Revenues” received from the Solid Waste System during such period less the amount of certain “Maintenance and Operation Costs” of the Solid Waste System becoming payable during such period, defined as follows:

- The term “Gross Revenues” is defined, for any period of computation, as all gross charges received for, and all other gross income and revenues derived by the City from, the ownership or operation of the Solid Waste System or otherwise arising from the Solid Waste System during such period, including but not limited to (a) all Charges received by the City for use of the Solid Waste System, and (b) all receipts derived from the investment of the Solid Waste Management Fund held by the City. In addition, for purposes of calculating Gross Revenues, (a) to the extent that the City appropriates funds into a rate stabilization reserve account for the Solid Waste System, a deduction will be made from Gross Revenues in the Fiscal Year during which the transfer occurred, and (b) to the extent that the City appropriates funds from a rate stabilization reserve account for the Solid Waste System into the Solid Waste Fund, the City may count the funds so transferred as Gross Revenues in the Fiscal Year in which the transfer occurs. Gross Revenues do not include Mountain View Debt Service Payments or Participant Debt Service Payments.

- The term “Maintenance and Operation Costs” is defined as (i) the reasonable and necessary costs spent or incurred by the City for maintaining and operating the Solid Waste System, calculated in accordance with sound accounting principles, and all reasonable and necessary expenses of management and repair and other expenses to maintain and preserve the Solid Waste System in good repair and working order, and including all Personnel Costs, insurance, taxes (if any), expenses, compensation and indemnification of the Trustee, and fees of auditors, accountants, attorneys or engineers, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Installment Sale Agreement or any Parity Debt Instrument and (ii) the Net SMaRT Station Payments; but excluding depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles or other bookkeeping entries of a similar nature, and General Fund Administration.

- The term “Personnel Costs” is defined as the costs of salaries, wages and the necessary contribution to retirement of Solid Waste System employees.

- The term “Net SMaRT Station Payments” is defined as (i) reasonable and necessary costs spent or incurred by the City for maintaining and operating the SMaRT Station, calculated in accordance with sound accounting principles, and all reasonable and necessary expenses of management and repair and other expenses to maintain and preserve the SMaRT Station in good repair and working order, net of (ii) SMaRT Station Revenues.

- The term “SMaRT Station Revenues” is defined as all gross charges and revenues derived by the City from the ownership or operation of the SMaRT Station, including operating payments made to the City under the Memorandum of Understanding, payments from other public entities and solid waste haulers whose inhabitants or customers are served by the SMaRT Station pursuant to contracts with the City, and payments from members of the general public.

SMaRT Station Revenues do not include Mountain View Debt Service Payments or Participant Debt Service Payments.

- The term “General Fund Administration” is defined as annual overhead reimbursement transfers from the Solid Waste Management Fund to the City’s General Fund, which are accounted for as General Fund Administration in the financial statements for the Solid Waste System.

- The term “Mountain View Debt Service Payments” is defined as payments scheduled to be made by Mountain View to pay (i) the Installment Payments under the Memorandum of Understanding and (ii) Debt Service on any Parity Debt.

- The term “Participant Debt Service Payments” is defined as payments scheduled to be made by a Participant to pay Debt Service on any Parity Debt.

- The term “Participant” is defined as a public entity other than the City of Mountain View whose inhabitants or customers are served by the SMaRT Station and agrees in a contract with the City to pay Debt Service on any Parity Debt.

- The term “Debt Service” is defined as, during any period of computation, the amount obtained for such period by totaling the following amounts (i) the scheduled Installment Payments, except to the extent payable solely from any security deposit under the Installment Sale Agreement, (ii) the principal amount of all Parity Debt scheduled to be paid or redeemed by operation of mandatory sinking fund redemption payments in such period, except to the extent payable solely from a security deposit under the applicable Parity Debt Instrument; and (iii) the interest which would be due during such period on the aggregate principal amount of all Parity Debt in such period if the Parity Debt is paid or redeemed as scheduled, except to the extent payable solely from a security deposit under the applicable Parity Debt Instrument.

Application of Gross Revenues

The City is required under the Installment Sale Agreement to deposit all Gross Revenues of the Solid Waste System as received in the Solid Waste Management Fund. The City will apply, transfer, use and withdraw those funds in the following order of priority:

- (1) all Maintenance and Operation Costs;

- (2) the Installment Payments and all Debt Service on any Parity Debt, except to the extent that any such Installment Payments or Parity Debt are scheduled to be paid with Mountain View Debt Service Payments or Participant Debt Service Payments;

- (3) amounts required to remedy any deficiency in any reserve fund established for Parity Debt;

- (4) any other payments required to comply with the provisions of the Installment Sale Agreement and any Parity Debt Instrument, including the Additional Payments; and

(5) any other lawful purposes of the Gross Revenues, including (A) the payment of any subordinate obligations or any unsecured obligations, (B) the acquisition and construction of improvements to the Solid Waste System or the SMaRT Station, (C) the prepayment of any obligations of the City relating to the Solid Waste System, (D) the administrative costs of the City attributable to the Solid Waste System, including General Fund Administration, and (E) deposits into a rate stabilization reserve account for the Solid Waste System or the SMaRT Station.

In addition, the City is required to deposit all SMaRT Station Revenues, Mountain View Debt Service Payments and Participant Debt Service Payments, when and as received, in the SMaRT Station Fund (as defined herein), and to apply such funds in accordance with the Memorandum of Understanding or other applicable contracts entered into by the City.

Payment of the Installment Payments and the Debt Service on any Parity Debt will be made from Net Revenues without preference or priority among the Installment Payments and such Parity Debt. If the amount of Net Revenues is at any time insufficient to enable the City to pay when due the Installment Payments and the Debt Service on any Parity Debt, such payments will be made from Net Revenues on a pro rata basis based on the scheduled payment, without taking into account Mountain View Debt Service Payments, Participant Debt Service Payments or amounts in a debt service reserve account.

Application of Bond Fund by Trustee

Under the Indenture, all Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Installment Sale Agreement to be deposited in the Redemption Fund shall be promptly deposited in such funds. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the Bonds and (ii) any applicable fees and expenses to the Trustee shall be withdrawn by the Trustee and remitted to the City.

On or before each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority:

Deposit to Interest Account. The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

Deposit to Principal Account. The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, including the principal amount of Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date under the Indenture.

Rate Covenants; Collection of Rates and Charges

Gross Revenues Sum Sufficiency Rate Covenant. Under the Installment Sale Agreement, the City will be obligated to fix, prescribe, revise and collect Charges for the Solid

Waste System during each Fiscal Year which are at least sufficient to produce Gross Revenues (including any transfers from a rate stabilization reserve account into the Solid Waste Management Fund) which, together with Mountain View Debt Service Payments and Participant Debt Service Payments, are sufficient to pay 100% of the following amounts in the following order:

- I. all Maintenance and Operation Costs estimated by the City to become due and payable in such Fiscal Year;
- II. the Installment Payments and any Debt Service on Parity Debt to become due and payable in such Fiscal Year;
- III. all other payments required for compliance with the Installment Sale Agreement and any Parity Debt Instruments; and
- IV. all payments required to meet any other obligations of the City which are charges, liens or encumbrances upon or payable from the Gross Revenues.

Net Revenues Rate Covenant. In addition, the City will be obligated to fix, prescribe, revise and collect Charges for the Solid Waste System during each Fiscal Year which are sufficient to yield Net Revenues based on Maintenance and Operation Costs estimated by the City to become due and payable in such Fiscal Year (including any transfers from a rate stabilization reserve account into the Solid Waste Management Fund) which, together with Mountain View Debt Service Payments and Participant Debt Service Payments, are at least equal to 120% of the Installment Payments and the Debt Service on any Parity Debt to become due and payable in such Fiscal Year.

Enforcement of Memorandum of Understanding

Under the Installment Sale Agreement, the City will be obligated to take all steps necessary to comply with, and to enforce the obligations of Mountain View under the Memorandum of Understanding.

Parity Debt

No Senior Obligations Payable from Gross Revenues or Net Revenues. The City may not issue or incur any additional bonds or other obligations during the term of the Installment Sale Agreement having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments. Nothing in the Installment Sale Agreement limits or affects the ability of the City to issue or incur (a) Parity Debt as described below, or (b) obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues in favor of the Installment Payments.

Test for Issuing Parity Debt. In addition to the Installment Payments, the City may issue or incur other bonds, loans, installment sale agreements or indebtedness ("Parity Debt") payable from Net Revenues to provide financing for or of benefit to the Solid Waste System or the SMaRT Station, in such principal amount as shall be determined by the City. The City may issue or incur Parity Debt upon execution of a Parity Debt Instrument and upon compliance with the following conditions precedent:

(a) ***Compliance with Covenants.*** The City must be in compliance with all covenants set forth in the Installment Sale Agreement.

(b) ***Debt Service Coverage.*** The Net Revenues (excluding any transfers from a rate stabilization reserve account to the Solid Waste Management Fund),

calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any 12-month period selected by the City occurring during the 18 months prior to the approval by the City Council of the Parity Debt Instrument pursuant to which such Parity Debt is incurred, as shown by the books of the City, plus, at the option of the City, any or all of the items described in clauses (i) and (ii) of this paragraph, shall at least equal 120% of the result of the following equation: Maximum Annual Debt Service immediately subsequent to the issuance of such Parity Debt minus the Mountain View Debt Service Payments and Participant Debt Service Payments for the Fiscal Year in which the Maximum Annual Debt Service occurs. For purposes of calculating Net Revenues to demonstrate compliance with the preceding sentence, any or all of the following items may be added to Net Revenues:

(i) An allowance for Net Revenues from any additions to or improvements or extensions of the Solid Waste System to be made with the proceeds of such Parity Debt, and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of such Fiscal Year or such 12-month period, were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown in the written report of an Independent Consultant engaged by the City; and

(ii) An allowance for earnings arising from any increase in the Charges which has become effective prior to the incurring of such additional indebtedness but which, during all or any part of such Fiscal Year or such 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in Charges had been in effect during the whole of such Fiscal Year or such 12-month period, all as shown in the written report of an Independent Consultant engaged by the City.

(c) **Parity Debt Instrument.** The Parity Debt Instrument providing for the issuance of Parity Debt must provide that:

(i) The proceeds of such Parity Debt shall be applied to the acquisition, construction, improvement, financing or refinancing of facilities, equipment or improvements of the Solid Waste System or the SMaRT Station, or otherwise for facilities, improvements or property which the City determines are of benefit to the Solid Waste System or the SMaRT Station, or for the purpose of refunding the Installment Payments or any Parity Debt in whole or in part, including all costs (including costs of issuing such Parity Debt, capitalized interest on such Parity Debt during any period which the City deems necessary or advisable, and a reserve account for such Parity Debt) relating thereto;

(ii) Interest on such Parity Debt will be payable on an Interest Payment Date; and

(iii) The principal of such Parity Debt will be payable on November 1 in any year in which principal is payable.

For purposes of illustration but not limitation, Parity Debt secured by a pledge of Net Revenues on a parity basis with the Installment Payments could be issued in the following forms:

(i) the City could enter into an installment payment agreement to finance improvements to the SMaRT Station secured by a pledge of Net Revenues and additional payments made by Mountain View under the Memorandum of Understanding;

(ii) the City could enter into an installment payment agreement to finance improvements to the SMaRT Station secured by a pledge of Net Revenues and additional payments made by Mountain View under a different agreement with the City;

(iii) the City could enter into an installment payment agreement to finance improvements to the SMaRT Station secured by a pledge of Net Revenues and Participant Debt Service Payments;

(iii) the City could enter into an installment payment agreement to finance improvements to the Solid Waste System or the SMaRT Station secured by a pledge of Net Revenues only.

Net Revenues will be applied to pay the Installment Payments and Debt Service on any Parity Debt as described in the final paragraph of “- Application of Gross Revenues” above.

Insurance; Condemnation Awards

Insurance. The City will at all times maintain such insurance on the Solid Waste System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. All amounts collected from insurance against accident to or destruction of any portion of the Solid Waste System shall be deposited in an Insurance and Condemnation Fund established and held by the City and applied as follows:

(i) If the City has determined that it needs to use the insurance proceeds to make additions, betterments, extensions or improvements to the Solid Waste System in order for the City to comply with the covenant in the Installment Sale Agreement to operate the Solid Waste System in an efficient and economical manner and to operate, maintain and preserve the Solid Waste System in good repair and working order (the “Operation Covenant”), the City shall use such insurance proceeds to make such additions, betterments, extensions or improvements. If the amount of such insurance proceeds shall exceed the costs of such additions, betterments, extensions or improvements that are required for the City to comply with the Operation Covenant, the excess shall be applied to any lawful purpose of the Solid Waste System, including (A) the payment of Installment Payments and payments on any Parity Debt, (B) the prepayment or discharge of Installment Payments and payments on any Parity Debt and (C) the payment of capital costs of improvements to the Solid Waste System or the SMaRT Station.

(ii) If the City has determined that it does not need to use the insurance proceeds to make additions, betterments, extensions or improvements to the Solid Waste System in order for the City to comply with the Operation Covenant, the City shall use

such award for any lawful purpose of the Solid Waste System, including (i) the payment of Installment Payments and payments on any Parity Debt, (ii) the prepayment or discharge of Installment Payments and payments on any Parity Debt and (iii) the payment of capital costs of improvements to the Solid Waste System or the SMaRT Station.

(iii) Notwithstanding the foregoing, to the extent the insurance proceeds relate to improvements financed by the Bonds, until such time as the Bonds have been redeemed or paid at maturity, (A) any use of such related insurance proceeds shall comply with the tax covenants set forth in the Installment Sale Agreement, (B) such related insurance proceeds may not pay debt service on or prepay, discharge or redeem any Parity Debt, (C) if such related insurance proceeds will be used to pay debt service on or prepay, discharge or redeem the Installment Payments and the Bonds, they cannot be invested at a yield that is greater than the arbitrage yield of the Bonds and (iv) if the Bonds are refunded by tax-exempt refunding bonds ("Refunding Bonds"), such related insurance proceeds in the Insurance and Condemnation Fund shall be transferred to an insurance and condemnation fund established for the Refunding Bonds and used for purposes not inconsistent with the tax covenants set forth in the Installment Sale Agreement.

Condemnation Awards. If all or any part of the Solid Waste System shall be taken by eminent domain proceedings, any amounts received as awards shall be deposited in an Insurance and Condemnation Fund established and held by the City and applied as follows:

(i) If the City has determined that it needs to use the award to make additions, betterments, extensions or improvements to the Solid Waste System in order for the City to comply with the Operation Covenant, the City shall use such award to make such additions, betterments, extensions or improvements. If the amount of such award shall exceed the costs of such additions, betterments, extensions or improvements that are required for the City to comply with the Operation Covenant, the excess shall be applied to any lawful purpose of the Solid Waste System, including (A) the payment of Installment Payments and payments on any Parity Debt, (B) the prepayment or discharge of Installment Payments and payments on any Parity Debt and (C) the payment of capital costs of improvements to the Solid Waste System or the SMaRT Station.

(ii) If the City has determined that it does not need to use the award to make additions, betterments, extensions or improvements to the Solid Waste System in order for the City to comply with the Operation Covenant, the City shall use such award for any lawful purpose of the Solid Waste System, including (A) the payment of Installment Payments and payments on any Parity Debt, (B) the prepayment or discharge of Installment Payments and payments on any Parity Debt and (C) the payment of capital costs of improvements to the Solid Waste System or the SMaRT Station.

(iii) Notwithstanding the foregoing, to the extent the award relates to improvements financed by the Bonds, until such time as the Bonds have been redeemed or paid at maturity, (A) any use of such related award shall comply with the tax covenants set forth in the Installment Sale Agreement, (B) such related award may not pay debt service on or prepay, discharge or redeem any Parity Debt, (C) if such related award will be used to pay debt service on or prepay, discharge or redeem the Installment Payments and the Bonds, they cannot be invested at a yield that is greater than the arbitrage yield of the Bonds and (D) if the Bonds are refunded by tax-exempt refunding bonds ("Refunding Bonds"), such related award in the Insurance and Condemnation Fund shall be transferred to an insurance and condemnation fund established for the Refunding

Bonds and used for purposes not inconsistent with the tax covenants set forth in the Installment Sale Agreement.

THE CITY UTILITY ENTERPRISES

Enterprise Management

The City maintains four separate utility enterprises: the Solid Waste System, the SMaRT Station, the Water System, and the Wastewater System (collectively, the “Utility Enterprises”).

The operation of the Utility Enterprises is administered and managed by Ramana Chinnakotla, Director of Environmental Services. Mr. Chinnakotla has over 30 years of experience and has worked for cities in California, Texas, and India. He has extensive experience in municipal governance, public works infrastructure, environmental management, and sustainability. Prior to joining the City six years ago, he served as the Public Works Director for the City of Redwood City and as the Infrastructure Director for Sri City, a private city in India. Ramana is a member of the California Association of Sanitation Agencies and has graduate degrees from the University of Massachusetts and Southern Methodist University.

The Environmental Services Department is a full-service department, including Administration, Solid Waste Management, Water System Operations, Sewer Collection and Treatment, and Stormwater Control.

Utility Funds

Each of the City’s utilities is operated as an independent enterprise, and all expenses and revenues for each service are accounted for in separate utility funds (the “Utility Funds”). The SMaRT Station enterprise is accounted for in two separate funds which collectively constitute a single Utility Fund. State law requires that all fees collected by each utility be used within that utility and cannot be used for unrelated services. The Utility Funds are:

- (i) the Water Supply and Distribution Fund,
- (ii) the Wastewater Management Fund,
- (iii) the Solid Waste Management Fund, and
- (iv) the SMaRT Station Operating Fund and the SMaRT Station Equipment Replacement Fund (collectively, the “SMaRT Station Fund”).

Although each Utility Fund now constitutes an independent enterprise, the accounting, budgeting and rate-setting procedures are common to the operation of each Utility Fund. Common elements of each Utility Fund are described below.

Budgeting and Planning Process

The City’s Budget and Long-Term Financial Plan provides a framework for a unique budget document that presents both the immediate short-term action plans and the long-term trends for the City. In this way, the budget provides a comprehensive view of the City’s current financial picture, staff assumptions for long-term trends, and the way the City works to achieve and maintain financial stability using those assumptions. The following elements contained in this document are integral to understanding the budget:

- Twenty-Year Financial Plan
- Departmental Overviews
- Performance Based Operating Budget
- Projects Budget

The City's Fiscal Year 2023-24 Adopted Budget received the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA), an award the City has received for 38 consecutive years.

Resource Allocation Plan. The Fiscal Sub-Element of the General Plan requires the City Manager to annually propose a balanced budget not only for the budget year, but also for each year in the Resource Allocation Plan, a 20-year financial plan. Each year, as part of the budget process, the City's Finance Department reviews the financial condition of all aspects of the City's operations, including the Utility Enterprises. This process includes a review of rate stabilization reserves, debt service reserves, contingency reserves, and other available fund balances, as well as state and federal environmental requirements, anticipated capital infrastructure requirements, and operational costs. It also involves a detailed inspection of significant expenditure areas. The result of this analysis is the Resource Allocation Plan.

The long-term nature of the City's financial planning system allows decision-makers to better understand the true effect of policy decisions. Because the City's practice has been to prepare a fully balanced Resource Allocation Plan each year, it effectively requires that decisions made today ensure the availability of resources to provide quality services in the future. The Resource Allocation Plan is designed to prevent drastic swings in service levels during the upturns and downturns of economic cycles, with the aim of maintaining utility rates at a consistent level.

Contingency Reserve and Rate Stabilization Reserves. The Resource Allocation Plan also includes a contingency reserve fund and a rate stabilization reserve for each of the Solid Waste Management Fund, the Water Supply and Distribution Fund, and the Wastewater Management Fund. These reserves are designed to ensure the adequacy of resources to cover operating and capital expenditures in each year and to pay for unanticipated expenditures, while minimizing the need for rate increases.

The contingency reserve is established at an amount equal to a fixed percentage of the projected operating expenses (including the cost of purchased water in the case of the Water System) of the associated System for that year, as follows:

Solid Waste Management Fund:	10%
Water Supply and Distribution Fund:	25%
Wastewater Management Fund:	25%

Unexpended monies in the contingency reserve fund are carried over to the subsequent Fiscal Year and increased as needed.

The rate stabilization reserve in each of the Solid Waste Management Fund, Water Supply and Distribution Fund and Wastewater Management Fund represents the projected resources in excess of those needed to fund that Utility Enterprise's anticipated operating costs, capital expenditures, deposits to the contingency reserve fund, and other expenditures in each year. Monies in the rate stabilization reserve may be used for any purpose of the Utility

Enterprise. The rate stabilization reserve enables each Utility Enterprise to maintain a generally consistent pattern of rate increases over a rolling 20-year period, rather than experience volatile swings in rates that may occur due to unanticipated cost increases or decreases in a particular year.

Operating Budget Process. The City practices two-year budgeting for its operating programs, recognizing the tremendous effort required to develop budgets, particularly with the City's sophisticated performance-based budget system. Service levels remain relatively constant from year to year.

Fiscal Year 2025-26 is the second year of a two-year operating budget cycle. All operating programs were reviewed for two Fiscal Years as part of the Fiscal Year 2024-25 budget cycle, and all the components of the operating budget for the utility programs were analyzed and updated to reflect current conditions. Significant cost components, including purchased water, chemicals, landfill charges, and staff salaries, were updated with current information, and utility rates were adjusted accordingly.

Project Budget Process. Under the City's budgeting procedures, the term "project" refers to activities that are not accounted for as "operating" activities. Beginning in Fiscal Year 1999/00, the City segregated each project into one of four categories: Capital, Special and Infrastructure, which affect the Utility Funds, and Outside Group Funding (which does not affect the Utility Funds and is not discussed below).

- "Capital Projects" are major expenditures related to the construction, improvement, or acquisition of capital assets. This category encompasses feasibility studies, preliminary plans, and other projects related to design, construction, capital improvement, or acquisition. Examples of capital projects include the construction of a traffic signal, adding a room to an existing facility (a capital improvement), or purchasing a piece of property (an acquisition).

- "Infrastructure Projects" are related to capital projects. This category includes the renovation or replacement of capital assets. After a capital project is complete, the City has an asset that must be maintained through the operating budget until the asset reaches a point where maintenance costs exceed the costs of renovation and replacement. An Infrastructure Project is developed to provide future funds when replacement or renovation is required. An example would be the replacement of major components of the SMaRT Station.

- "Special Projects" are one-time operating projects that are undertaken as "projects" to avoid fiscal impacts on unit costs in operating programs. This category includes studies and other projects that are not related to capital improvements or the renovation, replacement or acquisition of a capital asset. For example, the preparation of a new sub-element of the General Plan would be a special project.

Utility Rate Setting

Utility rates are based entirely on the City's costs for operating and maintaining the Water System, Sewer System, Solid Waste System, and SMaRT Station, as well as financing capital improvements to these systems and maintaining various reserves. Each of the City's Utility Enterprises is operated as an independent enterprise, and all expenses and revenues for each Utility Enterprise are accounted for separately. No tax revenues are used to cover the costs of utility services, and no revenues from one Utility Enterprise are used to support any

other Utility Enterprises or City programs or services not related to the particular Utility Enterprise.

The Resource Allocation Plan process culminates in rate recommendations made to the City Council, which are projected to generate the revenues necessary to meet planned operating and capital expenditures for each Utility Enterprise, along with a contingency reserve for each fund. The City's practice of long-term planning and the use of a rate stabilization fund have resulted in stable utility rates by spreading the effects of anticipated operational and infrastructure costs over 20 years. The rate stabilization fund enables each of the utility funds to maintain a consistent pattern of rate adjustments over the entire 20 years, rather than experiencing volatile rates that could occur due to unanticipated increases or decreases in costs in a particular year.

Billing and Collection Procedures

Billing Procedure. The City issues a combined bill to each of its customers for fees and charges related to water, wastewater, and solid waste management services, as applicable. The majority of the City's customers are billed every two months, except for industrial customers, who are billed monthly.

Collection of Solid Waste Charges. The City initiates the process of collecting delinquent billings if no payment is received 30 days after the billing date. After this period, the bill is considered delinquent, and a 5% penalty is applied. At 35 days of non-payment, any customer with a balance of \$10 or more is sent a reminder notice stating that utility service could be terminated within the next 50 days. The notice lists the fees for the delivery of the final demand (or 48-hour notice of service interruption) and the fees to restore interrupted service.

At 70 days of delinquency, if no disputes have been lodged or alternate payment arrangements have been made, the delinquent customer is delivered a 10-day notification of water service interruption via FedEx. At 85 days of delinquency, if the delinquent customer also receives water service from the City, the City will shut off the delinquent customer's water. (Approximately 94% of the City's utility service customers receive water service.) To have service restored, the customer must pay the delinquent balance and a restoration fee. Delinquent accounts for customers who do not receive water service from the City are forwarded to a collection agency contracted by the City for further collection activity.

The City has historically collected approximately 99% of its utility charges each year.

Accounting Policies

Accounting Policies. The accounting policies of the City conform to generally accepted accounting principles as applied to governmental agencies. The City's annual financial reports are prepared in accordance with the Governmental Accounting Standards Board ("GASB") Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." Statement No. 34 provides guidelines to auditors, state and local governments, and special purpose governments such as school districts and public utilities, on requirements for financial reporting for all governmental agencies in the United States.

Basis of Accounting and Measurement Focus. The accounts of the City 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, which comprise its

assets, liabilities, fund equity, revenues, and expenditures or expenses, as applicable. City 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.

The government-wide financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. 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.

Financial Statements

Attached as APPENDIX B are the audited financial statements of the City (the “Financial Statements”) for Fiscal Year 2023-24 which include financial statements for the SMaRT Station Fund, the Solid Waste Management Fund, and the other Utility Funds, prepared by the City Department of Finance and audited by Maze and Associates, Pleasant Hill, California (the “Auditor”).

The Auditor’s letter concludes that the Financial Statements present fairly, in all material respects, the financial position of the City as of June 30, 2024, and the results of its operations and the cash flows of its proprietary fund types for the Fiscal Year then ended in conformity with generally accepted accounting principles.

The Financial Statements should be read in their entirety. *The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not been engaged to and has not performed any post-audit review of the financial condition or operations of the City or related to the Financial Statements. In addition, the Auditor has not reviewed or performed any procedures relating to this Official Statement.*

See “APPENDIX B – SUNNYVALE AUDITED FINANCIAL STATEMENTS – Note 1” for a more complete summary of the City’s accounting policies.

THE SMaRT STATION®

History

In the early 1990s, the City collaborated with the City of Mountain View and the City of Palo Alto to develop the SMaRT Station to process solid waste for subsequent transfer for long term disposal. A memorandum of understanding dated as of June 9, 1992 (the “Original MOU”), was executed by and among the City, Mountain View and Palo Alto. Prior to that, solid waste collected in the City was disposed of at the City’s former landfill and at Mountain View’s former landfill. The City continues to pay around \$1.3 million annually for costs associated with the closure of its former landfill.

The City began construction of the SMaRT Station in 1992, and on October 1, 1993, the City’s landfill and Mountain View landfill closed, and the SMaRT Station began to receive refuse for transfer from all three cities. Palo Alto brought the majority of its refuse to the SMaRT Station but continued to dispose a portion of its waste at the Palo Alto landfill.

While the City and its municipal neighbors pursued long-term disposal capacity, recycling programs began to play an increasingly large role in the City’s approach to solid waste management. Responding to resident interest in recycling, the City began curbside collection of newspaper, cans and glass bottles from single-family homes in 1982. In succeeding years this program has expanded to collect additional materials (motor oil, oil filters, plastic bottles, and cardboard).

In 1994, recovery of recyclable materials from refuse began at the SMaRT Station. In 1996, the City and Specialty Solid Waste and Recycling (“Specialty”) began separate collection of yard trimmings. In 1997, the curbside recycling program was extended to residents of multi-family dwellings. Currently, the City provides its residential customers with 5 separate bins in three carts to source separate recyclable, paper and cardboard, recyclable bottles and cans, food scraps, yard trimmings and other trash. As a result of these efforts, the City’s solid waste diversion, as measured by the California Department of Resources Recycling and Recovery (CalRecycle), has increased from 18% in 1990 to 51% in 2025. The SMaRT Station plays a central role in this effort by sorting recyclables from garbage, processing source-separated curbside recyclables and yard trimmings for market and providing a recycling drop-off center for the community.

Description of SMaRT Station Facility

The SMaRT Station is a 110,000 square foot solid waste transfer station on 10 acres of City-owned land adjacent to the City’s Landfill.

Solid waste processing starts on the tipping floor, where the following materials are separated from the remaining waste stream: white goods, bulky commercial wastes, batteries, tires, bulk ferrous metals, wood, carpet, mattresses, and yard trimmings. Additionally, certain construction and demolition wastes, such as asphalt, concrete, drywall, and metals are separated for recycling. Effective floor sorting aids in the overall efficiency of the materials recovery process.

Floor sorting identifies and removes banned, hazardous, and universal wastes that may not be delivered to any Class III landfill (in accordance with current and expected future regulations). Hazardous wastes discovered while performing load checks or otherwise

discovered during processing are removed from the waste manually. These materials are transported to the proper storage area to arrange for proper recycling or disposal.

After visual inspection and removal of any targeted floor-sort materials, the remaining material is moved by wheel loaders to one of the two walking floor conveyors that feed the solid waste processing lines.

Recyclable materials are recovered from solid waste using elevated sort lines and a combination of mechanical and manual separation methods. In 2009, the City added two large trommels, disk screens, electromagnets, eddy current separators, a baler, and related equipment.

In addition to its refuse transfer and materials recovery functions, the SMaRT Station processes recyclable materials collected by Mountain View's and the City's curbside recycling programs, provides a Buyback Recycling Center for local residents, and processes wood and yard trimmings into usable compost, mulch, and dry wood fuel. Non-recyclable residues from the SMaRT Station are compacted into refuse transfer vehicles using an pre-load compactor and transported 27 miles south to the Kirby Canyon Landfill for disposal.

SMaRT Station Memorandum of Understanding

MOU Overview. In 2021, the City and Mountain View agreed in a new Memorandum of Understanding (the "Memorandum of Understanding") to participate in the capital and operating costs of the SMaRT Station (which were directly incurred by the City), and to make periodic payments of debt service and other fees to the City. Mountain View is located immediately adjacent to the northwest of the City. Several high technology businesses are located within its boundaries. As discussed below, the Memorandum of Understanding also set forth the planned capital improvements which constitute the NextGen Project.

Term. The term of the Memorandum of Understanding began on January 1, 2022 and expires December 31, 2036. The City and Mountain View have authorized an amendment to the Memorandum of Understanding in order to confirm and clarify existing terms and conditions and to enable Mountain View to: (a) extend the term of the Memorandum of Understanding as a partner, (b) become a merchant user paying a per-ton tip fee, or (c) pay off its remaining share of debt after the expiration of the Memorandum of Understanding.

Debt Service on Bonds. During the current term of the Memorandum of Understanding, the City and Mountain View are responsible for debt service on any bonds issued to finance improvements to the SMaRT Station based on their proportionate shares of Capital Improvements (as defined in the Memorandum of Understanding). These shares will be determined based on the percentage of total material delivered to the Facility by each Partner at the time of bond issuance. For the 2025 Bonds, during the term of the Memorandum of Understanding the shares are approximately:

- Mountain View 26.76%
- Sunnyvale 73.24%

Following the expiration of the Memorandum of Understanding, if Mountain View opts to become a merchant user, its per-ton tip fee will include its share of debt service payments, which will depend on the tonnage and type of material it delivers to the SMaRT Station, based on the same methodology the City applies to any other merchant users.

Delivery of Municipal Waste. The City and Mountain View are obligated by their respective Waste Management Contracts to deliver to the SMaRT Station most solid waste collected by those two cities and their franchised haulers. Mountain View no longer delivers commercial recyclables or green waste to the SMaRT Station, except from its corporation yard and self-haul users.

Disposal Fees and Operating Costs. Mountain View is also required to pay the City its proportionate share of

- the disposal fee due to the Kirby Canyon operator, based on each city's share of solid waste delivered to the SMaRT Station.
- operating and maintenance costs of the SMaRT Station, based on each city's share of all solid waste delivered to the SMaRT Station, and
- a "host" and "land rent fee" for use of the SMaRT Station, based on all inbound tons delivered to the SMaRT Station.

Obligations Unconditional. The obligations of Mountain View to pay its share of SMaRT Station operations costs, disposal fees and debt service payments under the Memorandum of Understanding are not limited to any specific revenues or other funds of Mountain View.

The NextGen Project

The NextGen Project involves the design, fabrication and installation of an integrated waste processing equipment system at the SMaRT Station. The scope includes the removal and replacement of most of the existing processing equipment and associated structures and the design and/retrofitting of the equipment and conveyors that are not being replaced, fabrication, permitting, supply, final equipment electrical demands, mechanical systems, equipment loads calculation, and installation of new processing equipment including all related structures and equipment supports. The NextGen Project is expected to result in increased operating efficiencies which are projected to reduce projected operating costs.

The NextGen Project is expected to cost approximately \$51.5 million. A recycling grant from the State will account for approximately \$6.6 million, with the remaining approximately \$45 million financed from the proceeds of the Bonds and an anticipated cash contribution of \$4.0 million from Mountain View. Pursuant to the Memorandum of Understanding, the City's share of the cost is expected to be approximately \$32.9 million.

Use of SMaRT Station

Mountain View and the City are the current municipal users of the facility. The total current population of the two cities is approximately 246,000. However, both cities have a large number of industrial employers, with a large daytime population influx during the work week. Thus, residential refuse accounts for roughly 35% of the waste that enters the SMaRT Station,

with commercial and industrial refuse making up the balance. As shown in Table 1 below, the two participant cities delivered 175,602 tons of waste during the year ending June 30, 2025, with individual members of the public and small businesses delivering 1,465 tons during that period. The permitted capacity of the SMaRT Station is 1,500 tons per day, and the SMaRT Station currently receives close to 700 tons per day. The excess capacity is available for use by other nearby jurisdictions. As discussed below under “ - Merchant User Agreement with City of Cupertino”, the City of Cupertino has agreed to become a user of the facility following the completion of the NextGen Project, and is expected to deliver approximately 15,000 tons per year.

Historic Waste Flows

The SMaRT Station's permitted capacity is 1,500 tons per day. While the City's waste volumes have remained fairly steady, overall waste volumes have dropped approximately 20% since 2021, primarily because Palo Alto ended its participation in the SMaRT Station in December 2021 and Mountain View stopped delivering commercial recyclables and green waste other than from its corporation yard and self-haul users. The table below sets forth the historic inbound waste flows for the SMaRT Station for the last ten fiscal years.

Table 1
CITY OF SUNNYVALE
SMaRT STATION
Historical Inbound Waste Flows
As of June 30
(in tons)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Sunnyvale	137,073	138,763	131,999	147,792	139,485	133,181	131,337	133,093	132,851	129,186
Mountain View	75,755	76,628	76,389	82,683	74,148	69,303	58,284	47,172	47,344	46,416
Palo Alto	32,916	30,834	28,954	27,365	26,478	27,090	13,796	-	-	-
Other	-	-	-	-	113	-	1,333	2,218	930	1,465
Total	245,744	246,226	237,342	257,840	240,223	229,574	204,751	182,482	181,125	177,067

The proportion of inbound waste flow constituting solid waste has declined slightly from 81% of total flows in Fiscal Year 2015-16 to 76% of total flows in Fiscal Year 2024-25.

Merchant User Agreement with City of Cupertino

Cupertino is located in northern Santa Clara County approximately 5 miles south of the City. Cupertino is a part of the San Francisco Bay metropolitan area and is located in the “Silicon Valley” area of Northern California. Several high technology businesses are located within its boundaries, including Apple Inc. The estimated population of Cupertino as of January 1, 2025 is approximately 59,000. Cupertino was incorporated as a general law city in 1902 and became a chartered city in 1952.

On June 17, 2025, the City Council of the City of Cupertino approved a 20-year merchant user agreement (the “Merchant User Agreement”) to bring its garbage to the SMaRT Station. Cupertino will not commence sending any materials to the SMaRT Station until the completion of the NextGen Project. The City Council of the City approved the Merchant User Agreement on August 12, 2025. It is expected that Cupertino will send approximately 15,000 tons of solid waste to the SMaRT Station annually and that this agreement will generate approximately \$2 million in new revenue to the SMaRT Station annually. The merchant user rate proposal may be adjusted during the term of the agreement based on factors such as the Consumer Price Index. Because Cupertino is not a party under the Memorandum of Understanding, it is not responsible for any portion of debt service on the Bonds, but revenues from Cupertino’s use of the SMaRT Station will constitute SMaRT Station Revenues for purposes of determining Net SMaRT Station Payments paid from the City’s Solid Waste Enterprise.

Disposal and Potential Alternative Disposal Sites

The SMaRT Station's transfer capability allows for shipment of fully laden tractor-trailer loads of refuse to a landfill or landfills throughout the region. Currently, all residue from solid waste processed by the SMaRT Station is disposed of at Kirby Canyon. The City's estimated annual expense for disposal at Kirby Canyon for Fiscal Year 2024-25 is \$5,538,902. The City's contract with Kirby Canyon expires in 2031 but the City expects Kirby Canyon to have adequate capacity remaining beyond the term of the Bonds. Should Kirby Canyon close prior to 2031, a large number of alternative disposal sites in the region may be available. Moreover, should distant rail haul sites, such as the large super-regional landfills in Washington (Roosevelt), Oregon (Arlington), Nevada (Lockwood), and Utah (Carbon County) prove cost-effective, the SMaRT Station transfer trucks could easily and inexpensively be converted to carry rail shipping containers to a local train siding.

Listed below are examples of alternative landfill disposal sites that have significant remaining capacity and closure dates at 2034 or beyond, per the CalRecycle Solid Waste Information System (SWIS) database. Landfill capacities are frequently increased and closure dates are frequently extended by landfill expansions and permit revisions.

<u>Landfill</u>	<u>Location</u>	<u>Owner/Operator</u>	<u>Remaining Capacity (cubic yards)</u>	<u>Closure Date</u>	<u>Distance from SMaRT Station</u>
Kirby Canyon ⁽¹⁾	San Jose	Waste Management	16,191,600 as of July 31, 2015	December 31, 2059	27 miles
Newby Island Sanitary Landfill	San Jose	International Disposal Corporation (Allied)	16,400,000 as of Jan. 1, 2020	Jan. 1, 2041	9 miles
Vasco Road Landfill	Alameda County	Republic Services Of California I, L.L.C	11,560,000 Nov. 1, 2022	Dec. 31, 2051	43 miles
Ox Mountain Landfill	San Mateo County	Allied Waste Industries, Inc.	17,240,000 as of Dec. 31, 2021	Jan. 1, 2034	31 miles
Keller Canyon Landfill	Contra Costa County	Allied Waste Industries, Inc.	63,408,410 as of Nov. 16, 2004	Dec. 31, 2050	59 miles
Austin Road/ Forward Landfill	San Joaquin County	Forward, Inc./Allied Waste North America	24,720,669 as of Jan. 1, 2020	Jan. 1, 2036	76 miles

(1) Current landfill

No Outstanding SMaRT Station Obligations

There are no long-term obligations outstanding payable from the SMaRT Station Operating Fund or the SMaRT Station Equipment Replacement Fund (see " – SMaRT Station Fund" Below).

Management and Operation

Bay Counties SMaRT (BCS), a local joint venture, operates the SMaRT Station under a operating contract with the City. BCS began operations in March 2007 under a seven-year term. The contract was awarded again in 2015 and then extended in 2022. Operations under the current contract began on January 1, 2022 and expire June 30, 2029. BCS employs approximately 108 workers at the SMaRT Station.

BCS compensation under the contract has two main components:

- A Basic Annual Payment (BAP) of \$15.99 million annually. The BAP is adjusted annually for the following portions:
 - o A calendar year adjustment every January 1 to reflect actual total union cost of labor over the previous year due to union contract rate increases and staffing changes. This is approximately 79 percent of the BAP.
 - o An annual fiscal year adjustment on July 1 to reflect the depreciation cost of vehicles and equipment purchased by BCS. This is approximately two percent of the BAP.
 - o The remainder of the BAP is adjusted annually on July 1 to reflect changes in the Consumer Price Index. The Basic Annual Payment for the current year, minus the total annual cost of union labor in the current year and minus the total depreciation cost in the current year for equipment and vehicles purchased constitute the remainder of the BAP are adjusted. This is approximately 19 percent of the BAP.
- A share of the revenue generated from the recyclable materials processed and marketed at the SMaRT Station. The revenue share retained by BCS increases to as much as 75% depending on the percentage of the incoming garbage that is diverted from landfill by the contractor.

During the year ended June 30, 2025, the materials recovery operations diverted from the landfill over 37% of the refuse delivered to the SMaRT Station. Factoring in the yard trimmings and curbside recyclables received and processed at the facility, the overall facility diversion rate was 51%.

City oversight of the contract is under the direction of Shikha Gupta, the City's Solid Waste Program Division Manager, who reports to the Director of Environmental Services. See "THE SOLID WASTE SYSTEM – Solid Waste System Management."

SMaRT Station Fund

The SMaRT Station Fund (which is made up of the SMaRT Station Operating Fund and the SMaRT Station Equipment Replacement Fund) is a separate Utility Fund that accounts for operations at the SMaRT Station and receives most of its revenue from charges to Mountain View and the City. Major operating cost components include the contract with the SMaRT Station operator and disposal fees and taxes collected by the Kirby Canyon landfill. The SMaRT Station Fund is designed so that annual revenues and expenses are in balance and that little to no fund balance is carried forward to the next year. Operating costs and revenues from the sale of recyclables are charged to or distributed to the cities based on the tons of solid

waste and recyclable materials each community brings to the SMaRT Station for materials recovery, transfer, and disposal.

SMaRT Station Fund Revenues and Expenses

The following table sets forth historical revenues and expenses for the SMaRT Station for the past five years along with projected revenues and expenses for the next five Fiscal Years. Figures for Fiscal Year 2023-24 reflect a decrease in tonnage delivered to the SMaRT Station but an increase in revenues due to the reallocation of costs between Sunnyvale and Mountain View following the departure of Palo Alto as a participant, and the decrease in expenses is attributable to the re-bidding of the SMaRT Station operator contract with BCS discussed above, which resulted in lower operating costs of the SMaRT Station. At the end of each Fiscal Year, any revenues in excess of expenses are transferred out of the SMaRT Station Fund to the City and Mountain View, so that the SMaRT Station Fund carried a limited, if any, balance at the beginning of each Fiscal Year.

Table 2
CITY OF SUNNYVALE
SMaRT STATION
Revenues and Expenses
As of June 30

	Audited 2021	Audited 2022	Audited 2023	Audited 2024	Unaudited 2025	Projected				
						2026	2027	2028	2029	2030
Revenues:										
Operating Revenues ⁽¹⁾	\$645,520	\$1,005,731	\$1,486,358	\$1,974,356	\$1,921,151	\$1,774,896	\$1,832,325	\$1,883,465	\$1,941,030	\$1,992,686
Cupertino Net Revenue ⁽²⁾	-	-	-	-	-		1,000,000	2,060,000	2,121,800	2,185,454
Mountain View Share ⁽³⁾	8,701,308	7,809,176	7,611,884	6,918,276	7,905,127	8,159,369	7,772,288	7,153,082	7,156,525	7,368,844
Palo Alto Share ⁽⁴⁾	4,376,640	2,195,442	-	-	-	-	-	-	-	-
Sunnyvale Share ⁽³⁾	14,957,060	16,623,206	20,169,360	21,418,540	23,007,439	23,691,975	22,718,107	21,131,638	21,216,898	21,847,670
Total Revenues:	\$28,680,528	\$27,633,555	\$29,267,602	\$30,311,172	\$32,833,717	\$33,626,240	\$33,322,720	\$32,228,186	\$32,436,252	\$33,394,653
Expenses: ⁽⁵⁾										
Operations	17,261,151	18,697,349	22,019,572	24,413,715	23,154,298	27,383,826	27,730,289	27,696,418	28,460,341	29,318,746
NextGen Efficiencies	-	-	-	-	-		(833,190)	(2,244,484)	(2,991,766)	(3,081,519)
Kirby Canyon Disposal	9,036,931	7,433,416	5,848,751	5,747,765	5,538,902	5,646,671	5,816,072	5,990,554	6,170,270	6,355,379
Capital Projects	264,116	130,000	280,000	351,745	461,196	595,743	609,548	785,698	797,407	802,046
Distributions ⁽⁶⁾										
To Mountain View	163,676	371,657	234,329	291,487	215,982	-	-	-	-	-
To Palo Alto	24,099	(43,798)	-	-	-	-	-	-	-	-
To Sunnyvale	443,258	663,094	1,252,029	1,682,869	1,531,241	-	-	-	-	-
Total Expenses/Distrib.	\$27,193,231	\$27,251,718	\$29,634,681	\$32,487,581	\$30,901,619	\$33,626,240	\$33,322,720	\$32,228,186	\$32,436,252	\$33,394,652

(1) Includes revenues from the sales of recycled materials and curbside recyclables, yard waste revenues, "public haul fee" revenues, and miscellaneous revenues. Revenue growth is projected to be 2.5% to 3% annually.

(2) Cupertino's contractual arrangement will begin after the NextGen Project is completed, expected by January 2027.

(3) Represents each city's share of SMaRT Station operating costs pursuant to either the Original MOU or the Memorandum of Understanding. Includes a reduction based on expected Cupertino revenues and cost efficiencies resulting from the NextGen Project.

(4) Palo Alto is no longer a Participant under the Original MOU as of the end of December 2021.

(5) The largest portion of the Operations expense is contractual payments to Bay Counties SMaRT for operating the facility. The NextGen Project is projected to result in the reduction of between 13 to 22 personnel needed to manually operate equipment. Kirby Canyon Disposal expense represents disposal fees for solid waste delivered to the Kirby Canyon landfill. Landfill costs are projected to increase between 2.5% and 3% annually.

(6) Represents distributions to each of the Participants under either the Original MOU or the Memorandum of Understanding of revenues (from the sales of recycled materials and curbside recyclables, yard waste revenues and "public haul fee" revenues) remaining in excess of SMaRT Station costs.

Source: City of Sunnyvale Department of Finance.

THE SOLID WASTE SYSTEM

Solid Waste System Management

The City's Environmental Service Department is responsible for the Solid Waste Division. Under the direction of the Environmental Services Director, the operation of the Solid Waste System and the SMaRT Station is administered and managed by the Solid Waste Programs Division Manager. The Solid Waste Programs Division Manager is responsible for managing the collection of refuse, yard trimmings, and recyclable materials. The Solid Waste Programs Division Manager oversees post-closure maintenance of the City's Landfill, operation and maintenance of the SMaRT Station, disposal of the unrecycled residues from the SMaRT Station, and all other aspects of solid waste management in the City. Examples of other services provided by the Solid Waste division include:

- Quarterly Household Hazardous Waste (HHW) events conducted by the County of Santa Clara under a memorandum of understanding with the City
- Waste reduction programs (e.g. single-use plastics reduction programs, home composting workshops)
- Education and enforcement programs for reducing contamination in different waste streams, organics programs, food recovery programs etc.

Service Area

The City is the sole and exclusive provider of solid waste collection service within its corporate limits. Two small unincorporated parcels completely surrounded by the City are provided with refuse collection service on the same terms as locations within the City.

Solid Waste Collection and Transfer

Solid waste collection is conducted by Specialty Solid Waste and Recycling (a division of Bay Counties Waste Services), a private company operating under an exclusive franchise agreement with the City. The term of this agreement ends on June 30, 2036.

The City compensates Specialty with an annual "Contractor Payment," the amount of which is based on the actual costs incurred by Specialty from a prior year, adjusted for inflation and other factors. The franchise agreement contains a detailed methodology for calculation of the Contractor Payment. The City conducts an annual review of the contractor's expenses to verify the amount of allowable expenses incurred in the prior year in order to verify the amount of the next year's Contractor Payment.

The contract provides the City with wide latitude to make changes to the scope of work so long as an equitable adjustment is made in the Contractor Payment. The contract also allows the City to deduct liquidated damages from the Contractor Payment for instances when the contractor fails to meet the customer service standards of the contract (e.g. the contractor leaves a mess, does not collect garbage on the scheduled day, fails to respond to a complaint, etc.).

The table below sets forth solid waste tonnage collected by Specialty in the City for the last five Fiscal Years.

Table 3
CITY OF SUNNYVALE
SOLID WASTE SYSTEM
Annual Collection Amounts
(in tons)

<u>Fiscal Year</u>	<u>Refuse</u>	<u>Recyclable Materials</u>	<u>Total</u>
2021	85,562	32,208	117,770
2022	85,724	32,305	118,029
2023	84,371	35,560	119,931
2024	85,640	31,883	117,523
2025	84,075	36,325	120,400

Source: City of Sunnyvale SMaRT Station.

All solid waste collected by Specialty is taken to the SMaRT Station for sorting and transfer. See “THE SMART STATION – Description of SMaRT Station.”

Rates, Fees and Charges

Fees for refuse collection are set, billed, and collected by the City on a combined utility bill and deposited in the Solid Waste Fund. See “Sunnyvale Municipal Code and Water Shutoff Policy.”

Rate Structure. The following table summarizes the current rate structure for the Solid Waste System for representative residential user types. Commercial rates are subject to a separate fee schedule.

Table 4
CITY OF SUNNYVALE
SOLID WASTE SYSTEM
Summary of Rate Structure for Representative Residential User Types
Fiscal Year 2025-26

	Monthly
<u>Single Family</u>	
Minimum Charge Per Unit	\$41.98
Small (27-gallon) Cart	41.98
Medium (43-gallon) Cart	48.39
Large (64-gallon) Cart	55.99
<u>Multi-Family</u>	
Minimum Charge Per Unit	48.80
43-gallon capacity	48.80
64-gallon capacity	56.41

Source: City of Sunnyvale, Department of Finance.

Historical Rate Increases. The following table sets forth a five-year history of solid waste rate increases.

Table 5
CITY OF SUNNYVALE
SOLID WASTE SYSTEM
Historic Refuse Collection Rate Increases for all Customer Classes

<u>Year</u>	<u>Increase</u>
2020-21	0.0%
2021-22	4.0
2022-23	5.0
2023-24	5.0
2024-25	4.0

Source: City of Sunnyvale Department of Finance.

Comparative Monthly Solid Waste Collection Charges. The following table compares the City's representative residential and commercial solid waste collection charges to neighboring Santa Clara County cities and agencies.

**Table 6
CITY OF SUNNYVALE
SOLID WASTE SYSTEM
Comparative Rates
Fiscal Year 2024-25**

<u>City/Agency</u>	<u>Monthly Small FoodCycle Residential Rate</u>	<u>Monthly 3 Cubic Yard Bin Rate</u>
Cupertino	\$42.19	\$317.04
Milpitas	38.28	313.56
Mountain View	46.55	468.00
Palo Alto	50.07	504.40
San Jose	54.48	312.86
Santa Clara	58.10	444.92
Sunnyvale	40.00	518.45

Source: City of Sunnyvale Department of Finance.

Customer Base

The following table summarizes the number of customers served by the Solid Waste System as of June 30, 2025, grouped by customer type.

**Table 7
CITY OF SUNNYVALE
SOLID WASTE SYSTEM
Summary of Accounts and Usage by User Type
As of June 30, 2025**

<u>User Type</u>	<u>Number of Accounts</u>	<u>Revenues</u>	<u>Billings as Percent of Total</u>
Single Family Residences/Mobile Homes	29,375	\$16,580,374	27%
Commercial/Multifamily/Industrial	4,435	44,828,417	73
Totals	33,810	\$61,408,791	100%

Source: City of Sunnyvale, Department of Finance.

The following table sets forth a five-year history of the number of accounts for the Solid Waste System.

Table 8
CITY OF SUNNYVALE
SOLID WASTE SYSTEM
Number of Accounts
Fiscal Year 2020-21 through 2024-25

<u>Fiscal Year</u>	<u>Number of Accounts</u>
2020-21	32,087
2021-22	32,330
2022-23	32,375
2023-24	32,165
2024-25	33,810

Source: City of Sunnyvale Department of Finance.

The following are the ten largest Solid Waste System customers for Fiscal Year 2024-25, which represent less than 6% of the Solid Waste System service charges received by the City for that Fiscal Year.

Table 9
CITY OF SUNNYVALE
SOLID WASTE SYSTEM
Ten Largest Customers
Fiscal Year 2024-25

<u>Customer</u>	<u>Primary Business Activity</u>	<u>Percent of Total Revenues</u>
Casa De Amigos	Mobile Home Park	0.83%
Plaza Del Rey	Mobile Home Park	0.70
Home Depot USA Inc #640	Retail Hardware	0.68
Lockheed Missiles & Space	Aerospace	0.63
Network Appliance Inc	Network Hardware Manufacturing	0.56
Applied Materials	Computer Hardware Manufacturing	0.55
Adobe Wells	Mobile Home Park	0.53
H & R Christensen	Residential property manager	0.52
Onizuka Air Station	Former naval Air Station	0.48
Fair Oaks West	Multi unit apartment complex	0.48
Top Ten		5.96%

Source: City of Sunnyvale, Department of Finance.

Capital Improvement Program

The City projects minimal future capital expenditures for the Solid Waste System, as costs such as new trucks and similar expenses are reflected in the contract with Specialty; the SMaRT Station future capital needs are also expected to be modest. The City intends to fund these projects with available revenues on a pay-as-you-go basis, and not through the issuance of bonds or other debt instruments.

No Senior or Parity Solid Waste System Obligations

Currently, the Solid Waste System has no outstanding bonds or other obligations payable on a senior or parity basis with the Installment Payments securing the Bonds. The Installment Sale Agreement allows the City to incur parity debt obligations in the future, although the City has no plans to issue any parity debt obligations in the foreseeable future. See "SECURITY FOR THE BONDS – Parity Debt."

Solid Waste System Reserves

The unaudited unrestricted net position for the Solid Waste Management Fund at the end of Fiscal Year 2024-25 is \$8,759,060. Of this balance, \$5,748,245 is allocated to the Contingency Reserve and \$3,010,815 is reserved for rate stabilization. The Contingency Reserve is anticipated to grow in future years in proportion to increases in operating costs, while amounts in the Rate Stabilization Reserve for each System are anticipated to fluctuate each year.

The following table sets forth the unrestricted reserve balances for the Solid Waste Fund for the last six Fiscal Years.

Table 10
CITY OF SUNNYVALE
SOLID WASTE SYSTEM
Historical Statements of Unrestricted Reserves

As of June 30	Unrestricted Reserve Balances
2020	\$2,448,334
2021	5,106,061
2022	7,832,862
2023	6,795,869
2024	7,610,037
2025*	8,759,060

**Unaudited*

Source: City of Sunnyvale, Department of Finance.

Solid Waste System Revenues, Expenses and Debt Service

Revenues and Expenses. The primary source of revenues for the Solid Waste System is charges for services, which vary from year to year primarily due to higher rates. The largest source of expenses for the Solid Waste System are payments for contractual services, including the collection contract with Specialty, which was approximately \$28.1 million in Fiscal Year 2023-24 and the net share of SMaRT Station operating costs. Other expenses include (i)

reimbursements to the General Fund to compensate for expenses related to necessary administrative services for the operation of the Solid Waste System, (ii) Personnel Services, including payroll and benefit costs for 17 full-time equivalent employees and (iii) miscellaneous costs of utilities supplies, taxes, licenses and similar costs.

The following table sets forth the revenues and expenses of the Solid Waste System for the past five Fiscal Years along with projected revenues, expenses and debt service for the next five Fiscal Years.

Table 11
CITY OF SUNNYVALE
SOLID WASTE SYSTEM
Revenues and Expenses and Debt Service Coverage
As of June 30

	2020	2021	Audited 2022	2023	2024	Unaudited 2025	2026	2027	Projected 2028	2029	2030
Revenues											
Charges for Services ⁽¹⁾	\$52,458,851	\$50,449,548	\$54,106,613	\$57,453,537	\$62,473,344	\$63,645,781	\$65,983,136	\$68,598,382	\$71,318,607	\$74,148,041	\$76,378,812
Investment Income/Interest ⁽²⁾	792,982	(305,760)	(1,048,419)	10,693	812,041	624,513	559,446	441,836	314,282	300,458	282,509
Total Revenues:	\$53,251,833	\$50,143,788	\$53,058,194	\$57,464,230	\$63,285,385	\$64,270,294	\$66,542,582	\$69,040,218	\$71,632,889	\$74,448,499	\$76,661,321
Maintenance and Operations Costs											
Personnel Services ⁽³⁾	1,541,492	2,264,479	2,262,072	2,881,847	3,087,871	3,477,852	3,539,336	3,595,537	3,725,616	3,860,436	3,996,892
Solid Waste Collection ⁽⁴⁾	24,583,294	22,077,692	24,888,812	28,576,276	31,514,922	28,764,562	31,353,373	32,293,974	33,262,793	34,260,677	35,288,497
Net SMART Expense Share ⁽⁵⁾	14,116,461	14,957,060	16,623,206	20,169,360	21,418,540	23,007,439	23,691,975	22,718,107	21,131,638	21,216,898	21,847,670
Materials and Supplies ⁽⁶⁾	81,091	24,493	51,818	124,222	54,734	125,000	129,375	133,903	138,590	143,440	148,461
Utilities ⁽⁷⁾	56,465	54,436	120,107	110,353	108,783	113,962	118,714	124,649	130,882	137,426	144,297
Taxes, Licenses, and Fees ⁽⁶⁾	650,856	1,129,700	1,604,979	507,692	33,036	500,000	517,500	535,613	554,359	573,762	593,843
Equipment and Building Rental ⁽⁶⁾	227,527	238,885	238,353	474,700	597,030	617,926	639,553	661,938	685,106	709,084	429,248
Other Operating Expenses ⁽⁶⁾	30,710	59,221	62,164	71,655	89,391	92,520	95,758	99,109	102,578	106,168	109,884
General Fund Administration ⁽⁶⁾	3,339,591	3,038,719	3,117,392	4,120,387	4,226,607	4,734,573	4,853,345	4,977,970	5,105,709	5,236,641	5,370,846
Depreciation and Amortization ⁽⁶⁾	171,006	180,187	180,188	178,784	177,381	175,981	174,581	173,181	171,781	170,381	168,981
Total M&O Costs	\$44,798,493	\$44,024,872	\$49,149,091	\$57,215,276	\$61,308,295	\$61,260,173	\$64,709,645	\$64,910,116	\$64,483,644	\$65,889,505	\$67,573,211
Less General Fund Administration	(3,339,591)	(3,038,719)	(3,117,392)	(4,120,387)	(4,226,607)	(4,734,573)	(4,853,345)	(4,977,970)	(5,105,709)	(5,236,641)	(5,370,846)
Less Depreciation	(171,006)	(180,187)	(180,188)	(178,784)	(177,381)	(175,981)	(174,581)	(173,181)	(171,781)	(170,381)	(168,981)
Net Revenues⁽⁸⁾	\$11,963,937	\$9,337,822	\$7,206,683	\$4,548,125	\$6,381,078	\$7,920,675	\$6,860,863	\$9,281,253	\$12,426,735	\$13,966,016	\$14,627,937
Plus Mountain View Debt Payments	-	-	-	-	-	-	185,000	650,000	650,000	650,000	650,000
Available Revenues for Debt Service	\$11,963,937	\$9,337,822	\$7,206,683	\$4,548,125	\$6,381,078	\$7,920,675	\$7,045,863	\$9,931,253	\$13,076,735	\$14,616,016	\$15,277,937
Debt Service and Debt Service Coverage *											
2025 Bonds Debt Service	-	-	-	-	-	-	\$950,000	\$3,300,000	\$3,300,000	\$3,300,000	\$3,300,000
Available Revenues/ Debt Service	-	-	-	-	-	-	742%	301%	396%	443%	463%
Available Revenues Less General Fund Admin / Debt Service.	-	-	-	-	-	-	231%	150%	242%	284%	300%

[Footnotes to Table 11 appear on next page]

- (1) Projections assume no increase in customer base and a 4% annual rate increases through 2030.
- (2) Projections assume earnings of 3-4% calculated based on expected cash balance.
- (3) Personnel Increases calculated by employee are dependent on bargaining unit, with salary increases ranging from 3.5 to 4% annually.
- (4) The Solid Waste Collection contract is projected to increase at 3% annually.
- (5) SMaRT Expense share is based on the City's share of the SMaRT Station net expenses.
- (6) Materials and Supplies, Taxes Licenses, and Fees, Equipment and Building Rental, Other Operating Expenses and Depreciation and Amortization costs are each projected to increase by 3.5% annually. Utilities expense includes electricity and gas and is projected to increase by 5% annually.
- (7) General Fund Administration consists of reimbursement for administration services provided by the General Fund. The amount is calculated by various factors for each service, primarily by the proportion of the Solid Waste Fund budget relative to the total Citywide budget or Full-Time Equivalent Employees relative to the total City work force.
- (8) General Fund Administration has been subordinated to debt service payments. Depreciation is excluded from the definition of "Maintenance and Operation Costs".

* Preliminary, subject to change

Source: *City of Sunnyvale, Department of Finance.*

SOLID WASTE REGULATIONS

Construction, operation and maintenance of the Solid Waste System are subject to federal, state and local regulations. Following are brief descriptions of certain statutes and regulations relating to the Solid Waste System. It is not intended to be an exhaustive list of all applicable regulatory requirements relating to the Solid Waste System.

California Integrated Waste Management Act of 1989 (AB 939)

Integrated Waste Management Plans. Among other requirements, the California Integrated Waste Management Act of 1989, adopted by Assembly Bill 939 ("AB 939"), directs all California cities and counties to maximize all feasible source reduction, recycling and composting options in order to reduce the amount of solid waste that must be disposed of by transformation (through waste-to-energy projects or other processes) and land disposal. As a result of AB 939, solid waste management changed to an integrated solid waste management approach in which source reduction, recycling and composting play an integral role in the waste management strategy.

Under AB 939, each local agency in the State was mandated to achieve a 25% diversion in solid waste disposed of in landfills or by incineration through waste reduction or recycling by January 1, 1995, and a 50% reduction by the year 2000. Local agencies are responsible for these goals whether or not they control disposal of waste generated within their jurisdiction. Local agencies could face monetary fines of up to \$10,000 per day if CalRecycle deems local plans to be inadequate or if localities fail to satisfactorily implement plans to achieve the 25% and 50% reduction goals. The City is responsible for undertaking any recycling or diversion activity required by AB 939. The construction and operation of the SMaRT Station was intended to assist the City in meeting the diversion requirements of AB 939. As of the date of this Official Statement, the City is in compliance with the diversion requirements of AB 939.

AB 939 requires quarterly payments by the City to CalRecycle in an amount adjusted annually for administering AB 939. The current amount is based on \$1.40 per ton of waste buried at the Landfill. The amount for Fiscal Year 2025-26 is budgeted at \$150,000. AB 939 fees payable in the future are included in the financial projections prepared by the City and included in this Official Statement.

Assembly Bill 341 ("**AB 341**") was signed into law in 2011, amending AB 939 to, among other things, establish a Statewide goal of 75% diversion by 2020. AB 341 does not impose a 75% diversion requirement on each local agency. The 50% disposal reduction mandate still stands for cities and counties under AB 939. AB 341 further required all businesses generating four cubic yards of solid waste and all multi-family complexes of five units or more have recycling services. The Solid Waste System's programs and facilities are intended to assist the City with compliance with AB 341.

Assembly Bill 1826 ("**AB 1826**") was signed into law in 2014, further amending AB 939. This amendment requires all businesses generating two or more cubic yards of compostables to participate in a compostables collection program (food scraps, green waste and wood). In addition, multi-family complexes of five or more units are required to participate in a compostables collection program for green waste and wood. The City maintains a process for managing these materials via composting.

California Senate Bill 1383

Senate Bill 1383 ("SB 1383") enacted in September 2016, established targets to achieve a 50% reduction in the level of the statewide disposal of organic waste from the 2014 level by 2020 and a 75% reduction by 2025. SB 1383 grants CalRecycle the regulatory authority required to achieve the organic waste disposal reduction targets and establishes an additional target that not less than 20% of currently disposed edible food is recovered for human consumption by 2025. In September 2020, CalRecycle adopted regulations formalizing implementation responsibilities across the waste sector and includes requirements for generators, industry, local governments, and other entities.

SB 1383 codifies the California Air Resources Board's Short-Lived Climate Pollutant Reduction Strategy, established pursuant to Senate Bill No. 605 to achieve reductions in the statewide emissions of short-lived climate pollutants. SB 1383 requires a 40% reduction in methane, a 40% reduction on hydrofluorocarbon gases and a 50% reduction in anthropogenic black carbon by 2030 relative to 2013 baseline levels. The Solid Waste System's programs and facilities are intended to assist the City with compliance with SB 1383.

The SMaRT Station NextGen Project is intended to assist the City to comply with SB 1383. See "THE SMART STATION – The NextGen Project" for additional information regarding the NextGen Project.

Closure and Post-closure Costs

The City's landfill closed in 1993. For landfills closed on or after January 1988, federal law, as adopted by the State of California, requires landfill owners and/or operators to provide for post-closure maintenance and corrective action costs for their landfills. This may be accomplished through a variety of specified means. Post-closure costs relate to leachate control, groundwater monitoring, drainage control and maintenance, final cover and vegetation. Corrective Action cost estimates cover the expenses of investigating, containing, and remediating a landfill release, including monitoring and contingency costs. New or increased regulations could substantially increase the requirements and costs associated with closure and post-closure of landfills. See "RISK FACTORS – Statutory and Regulatory Impact." The City's estimates for closure and post-closure costs are based on current federal regulatory requirements, including Subtitle D of the Resource Conservation and Recovery Act (RCRA), and state regulatory requirements in Title 27 of the California Code of Regulations. There can be no assurance that the actual costs will not be greater or less than the City's estimated costs that are based upon current regulations and requirements. The City established a Postclosure Maintenance and Corrective Action fund via Resolution 616-13. The City's post-closure and corrective action cost estimates are prepared and updated every five years by an independent third party. Estimates are approved by CalRecycle and adjusted for inflation annually as required. The balance sheets for the Solid Waste Fund include expenditures for post-closure expenses.

The Governmental Accounting Standards Board ("GASB") issued a statement that requires state and local entities which are required by law to incur post-closure liabilities to recognize a prorated portion of those post-closure liabilities as a current expenditure. Although GASB requires the current recognition of pro rata closure and post-closure costs for financial reporting purposes, it does not require the City to reserve post-closure costs in separate trust funds (as is required by state and federal law with respect to closure costs).

Federal and Other State Laws Governing Solid Waste Disposal

The Solid Waste System is regulated at the local, state and federal levels. CalRecycle has primary oversight and regulatory responsibilities of the Solid Waste System. The Solid Waste System also must comply with regulatory requirements as set forth by the local Regional Water Quality Control Board, the Bay Area Air District, the EPA and California Environmental Protection Agency. On October 9, 1991, the EPA promulgated changes to the RCRA. The regulations provide for nationwide minimum standards for landfilling municipal solid waste and became effective on October 9, 1993. The regulations include requirements relating to daily cover, gas control, record keeping, groundwater monitoring, and closure and post-closure maintenance. Individual states must apply to the EPA to become an “Approved State,” demonstrating that their state waste management plan is in compliance with federal Subtitle D requirements. After the EPA approves a state plan, the regulations permit discretion on the part of state regulators to grant some flexibility to landfill operators in implementing Subtitle D regulations. California has been designated an “Approved State.”

The United States Congress and the State legislature are, at any given time, considering a variety of bills involving solid waste and recycling issues. The City is unable to predict which, if any, of the potential State or federal legislative enactments may be implemented or how any particular proposed legislation might impact the solid waste collection, recycling and disposal services provided by the City. See “RISK FACTORS – Statutory and Regulatory Impact.”

Air and Water Quality Regulations

Solid waste management facilities are closely monitored to protect air and water quality. Under the Porter-Cologne Water Quality Control Act (“**Porter-Cologne**”), the City is required to report waste discharges that could affect water quality. Porter-Cologne is administered and enforced by the State Water Resources Control Board and Regional Water Quality Control Boards. The City’s landfills are regulated by the Regional Water Quality Control District and the regional Bay Area Air District.

Pursuant to Porter-Cologne, the Regional Water Quality Control Board issues waste discharge requirements (“**WDRs**”) containing terms and conditions of permitted discharges for the landfills. The WDRs typically mandate a regular self-monitoring program to detect pollutants. In the event of a violation of a WDR, the Regional Water Quality Control Board may issue either a cease and desist order or a cleanup and abatement order that mandated deadlines for remedial action. A landfill operator’s failure to comply with a Regional Water Quality Control Board order or reporting requirements may result in administrative or judicial civil liabilities ranging up to \$27,500 a day. In the previous five years, the City has not had any material violations of any WDRs.

Porter-Cologne also instituted the Solid Waste Assessment Testing program which requires an analysis of surface and groundwater under and near waste management facilities. If contamination outside of the landfill occurs, operators of the facility must notify the State Department of Health Services and CalRecycle. These agencies will impose remedial action upon the facility.

The California Clean Air Act and the Lewis-Presley Air Quality Management Act authorize the adoption of rules and regulations for air quality permits and govern the enforcement of those permits and rules. Such acts are administered and enforced by the regional Bay Area Air District. Various rules apply to landfill operations, including rules which relate to methane gas monitoring and migration, as well as rules which relate to specific

equipment and machinery, above ground fuel tanks and fugitive dust emissions. The Bay Area Air District conducts periodic inspections of the Solid Waste System and, in a fashion similar to the Regional Water Quality Control Board, may impose civil liabilities for permit violations.

Compliance with Current Operating Standards

As of the date of this Official Statement, the City believes it is materially compliant with all significant regulatory requirements, including the laws and regulations described above.

RISK FACTORS

The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and does not necessarily reflect the relative importance of the various risks.

Limited Obligations

Payment of principal of and interest on the Bonds depends upon the City's receipt of Net Revenues of the Solid Waste System, the Mountain View Debt Service Payments and any Participant Debt Service Payments. The Bonds are limited obligations of the City and are not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Revenues. The obligation of the City to make the Installment Payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

The City has covenanted in the Installment Sale Agreement to fix, prescribe, revise and collect charges for solid waste services furnished by the City for each fiscal year that are sufficient to yield (i) Net Revenues (including any transfers from a rate stabilization reserve account into the Solid Waste Management Fund) which, together with Mountain View Debt Service Payments and Participant Debt Service Payments, are at least equal to 120% of the Installment Payments and the Debt Service on any Parity Debt for such fiscal year and (ii) and Gross Revenues (including any transfers from a rate stabilization reserve account into the Solid Waste Management Fund) which, together with Mountain View Debt Service Payments and Participant Debt Service Payments, are at least equal to 100% of Maintenance and Operation Costs, all Installment Payments, all Debt Service on Parity Debt and all other payments required to be paid from Gross Revenues. Although the Installment Payments are payable from Mountain View Debt Service Payments and Participant Debt Service Payments, and although the City may take the amount of Mountain View Debt Service Payments and Participant Debt Service Payments into account when setting rates and charges, as described above, neither the Installment Payments nor the Bonds are secured by a pledge of the Mountain View Debt Service Payments or the Participant Debt Service Payments.

Sufficiency of Net Revenues

Net Revenues of the Solid Waste System. There can be no assurance that the City can succeed in operating the Solid Waste System and the SMaRT Station such that the Net Revenues of the Solid Waste System in the future and amounts projected in this Official Statement will be realized. Specifically, there can be no assurance that the local demand for the services of the Solid Waste System and the SMaRT Station will be maintained at the levels described in this Official Statement, and that the assumptions used in projecting demand for refuse collection and processing services will be realized in the future.

In addition, there can be no assurance that the costs of maintaining and operating the Solid Waste System and the SMaRT Station will be consistent with the levels described in this Official Statement, or that the assumptions used in projecting these costs will be realized in the future. There can be no assurance that changes in regulatory requirements, changes in technology, increased energy costs, or other factors will not increase the costs of maintaining and operating the Solid Waste System and the SMaRT Station with a resulting decrease in Net Revenues of the Solid Waste System.

Reductions in the level of demand, or increases in the costs of maintaining and operating the Solid Waste System, could require an increase in Solid Waste System rates and charges in order to produce Net Revenues of the Solid Waste System sufficient to comply with the City's rate covenant contained in the Indenture, and any such increases could act to further decrease demand.

Mountain View Debt Service Payments. The City's ability to collect Mountain View payments from Mountain View representing its share of SMaRT Station operations costs, disposal fees and Debt Service Payments under the Memorandum of Understanding could be delayed by factors including bankruptcy, legal challenges or other contractual disputes regarding the Memorandum of Understanding. Any such payment delays could lead to a shortfall in funds available to pay debt service on the Bonds. The Memorandum of Understanding expires on December 31, 2036.

Participant Debt Service Payments. The City's ability to collect Participant Debt Service Payments from a future Participant to pay Debt Service on any Parity Debt under the applicable contract with the City could be delayed by factors including bankruptcy, legal challenges or other contractual disputes. Any such payment delays could lead to a shortfall in funds available to pay debt service on the Bonds.

Expiration or Amendment to Memorandum of Understanding. The City's ability to enforce Mountain View's obligations under the Memorandum of Understanding could be negatively impacted by an amendment to the Memorandum of Understanding pursuant to its terms. Mountain View could also elect to exercise its right under the Memorandum of Understanding to leave the partnership with the City. The Memorandum of Understanding is currently set to expire in 2036, before the final maturity of the Bonds, however an amendment to the Memorandum of Understanding has been approved by the City and Mountain View in order to give Mountain View the option to either remain a partner, become a merchant user paying a per-ton tip fee or pay off its remaining share of debt service upon the expiration of the Memorandum of Understanding. Any such modification or expiration of the Memorandum of Understanding could lead to a decrease in funds available to pay debt service on the Bonds.

Limitations on Remedies and Limited Recourse on Default

Limited Remedies Against the City and the Authority. The remedies available to the owners of the Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Indenture, the rights and obligations under the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. The opinion to be delivered by Bond Counsel concurrently with the issuance of the Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. See "APPENDIX D – PROPOSED FORM OF BOND COUNSEL OPINION."

If the Authority fails to comply with its covenants under the Indenture or fails to pay principal of and interest due on the Bonds or if the City fails to comply with its covenants under the Installment Sale Agreement or fails to pay the Installment Payments, there can be no

assurance of the availability of remedies adequate to protect the interest of the holders of the Bonds.

No Bond Owner Recourse Against Mountain View. The Bonds are not issued by and do not constitute a debt or obligation of Mountain View. Rather, Mountain View is contractually obligated under the Memorandum of Understanding to make payments to the City of its proportionate share of debt service on the Bonds and net SMaRT Station expenses. The Bonds are not secured by the pledge of any funds or assets of Mountain View, and if a default in payment on the Bonds occurs, Bond owners will have no recourse against Mountain View.

Expiration of Contract with Kirby Canyon

The City's contract with Kirby Canyon expires in 2031, which is prior to the maturity of the Bonds. If the City is unable to extend their contract with Kirby Canyon, it will be forced to find an alternative site for landfill disposal, which could impose additional costs, and which may adversely affect the Net Revenues to pay principal and interest with respect to the Bonds. See "THE SMART STATION – Disposal and Potential Alternative Disposal Sites."

Potential Impact of Sea Level Rise and Climate Change

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels are projected to rise, extreme temperatures are projected to become more common, and extreme weather events are projected to become more frequent as a result of increasing global temperatures attributable to atmospheric pollution.

The Fifth National Climate Assessment, published by the U.S. Global Change Research Program in November 2023 ("NCA5"), which assessed the variability of climate impacts across individual regions of the United States, found that the City is vulnerable to impacts from sea level rise, with flooding potentially exacerbated by storm surges, extreme precipitation and high tides. Sea levels are anticipated to continue to rise due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting. The NCA5 utilizes a projected flood risk from 3 feet of sea level rise in the San Francisco Bay Area, consistent with an Intermediate scenario in the year 2100.

Weather and tidal patterns, including 100-year or more storms and king tides, may exacerbate the effects of climate related sea level rise. Coastal areas like the City are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. As a result, City finances may be negatively impacted by future sea level rise or other negative impacts resulting from climate change. These other impacts may include intensity of severe storms, intensity of flooding, and wildfire, although the overall impact of climate change on the City is not definitive. Any of these factors may adversely impact the operations and/or finances of the Solid Waste System, the SMaRT Station or the liabilities associated with the City's former landfill.

The City is a partner in the San Francisco Bay Shoreline Protection project along with the Santa Clara Valley Water District, US Corps of Engineers and the Coastal Conservancy and other regional stakeholders. The project is expected to address sea level rise protection of the Sunnyvale and Mountain View shoreline areas and the preferred alternative is expected to provide protection to all shoreline areas including the SMaRT Station.

Projections of the effects of global climate change on the City are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast climate change and its adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse effects of climate change (e.g., the occurrence and frequency of 100-year storm events and king tides) will occur. In particular, the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the City and the local economy during the term of the Bonds. While the effects of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures. If necessary, such additional measures could require significant capital resources.

Natural Disasters

General. The areas in and surrounding the City, like those in much of California, may be subject to unpredictable seismic activity and other natural disasters, including, without limitation, landslides, floods, droughts, or fires. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant decline in amount of Net Revenues.

Earthquakes. Like many areas of California, the City is subject to seismic activity. According to the City's General Plan, the City is located in close proximity to two known active fault zones, the San Andreas Fault zone 7 miles to the south of the City's Civic Center, and the Hayward fault zones 10 miles to the northeast. The City could be at risk from strong ground motion and secondary effects, including ground failure (such as landslide, liquefaction, lateral spreading, lurching and differential settlement) and seismically induced flooding (such as flooding from a tsunami, seiche or dam failure).

Wildfires. Although the Safety and Noise Element of the City's General Plan indicates that the City is a relatively fire-safe community, many areas of northern California have suffered from major wildfires in recent years, including numerous wildfires burning since August 2020. In addition to their direct impact on health and safety and property damage in California, the smoke from these wildfires has impacted the quality of life in the Bay Area, and the City and may have short-term and future impacts on commercial activity in the City. The fires have been driven in large measure by drought conditions and low humidity. Experts expect that California will continue to be subject to wildfire conditions year over year as a result in changing weather patterns due to climate change.

Floods. According to the Seismic Safety and Safety Sub-Element of the Community Development Element of the City's General Plan, the sources of flooding that can threaten the City include excessive precipitation and surface runoff, tidal flooding due to levee breaks, dam failure, and seismically induced flooding. The City does not maintain flood insurance on the Leased Property.

Public Health Emergencies

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. Pandemic diseases arising in the future could have significant adverse health and financial impacts throughout the world, leading to loss of jobs and personal financial hardships, and/or actions by federal, State and local governmental authorities to contain or mitigate the effects of an outbreak.

Taxpayer assistance measures may include deferral of due dates of utility rate charges, and with or without a deferral some taxpayers may be unable to make their utility payments. No assurance can be given that the utility payment dates will not be deferred in the future, which may cause a delay in the receipt of Revenues. In addition, solid waste volumes may be affected by a reduction in demand stemming from personal finances, or general widespread economic circumstances resulting from pandemic diseases.

Cybersecurity

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. The City is not aware that it has been subject to any significant cyber attacks and has implemented robust protections against possible future threats.

No assurance can be given that the City's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City. The City is also reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Environmental Regulation

The City has identified some of the existing and potential environmental issues which could affect the Solid Waste System. See "SOLID WASTE REGULATIONS" for brief discussions of some of these issues.

Statutory and Regulatory Impact

Laws and regulations governing solid waste management are enacted and promulgated by government agencies on the federal, state and local levels. These laws and regulations address the design, construction, operation, maintenance, closure and post-closure maintenance of various types of facilities; acceptable and prohibited waste types; and inspection, permitting, environmental monitoring and solid waste recycling requirements. Laws and regulations at both the State and federal levels impose retroactive liability, particularly with respect to cleanup activities, relating to the SMaRT Station and the City's former landfill. Thus, the City has potential liability with respect to the SMaRT Station and the City's former landfill. Compliance with these laws and regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs will likely increase. Claims against the City may be significant. Such claims are payable from assets of the Solid Waste System or from other legally available sources. No assurance can be given that the cost of compliance with such laws and regulations will not materially adversely affect the ability of the City to generate

Net Revenues in the amounts required by the Installment Sale Agreement and to pay debt service with respect to the Bonds.

Flow Control

Courts have upheld the right of public agencies to use “flow control” to designate disposal sites to be used by haulers. On September 9, 1995, the United States Court of Appeals for the Second Circuit, in *SSC Corp. v. Town of Smithtown* (“**Smithtown**”), confirmed that a governmental entity had authority to include in a contract for solid waste collection by a private company, a provision requiring such company to deliver solid waste to a facility specified by a governmental entity. The Court ruled that such designation of a disposal site did not violate the Commerce Clause of the United States Constitution, which prevents states from enacting legislation that would impinge on interstate commerce.

In 2006, the United States Supreme Court in *United Haulers Association v. Oneida-Herkimer Solid Waste Management Authority* (“**Oneida-Herkimer**”) held that flow control ordinances of two counties, which required trash haulers to deliver waste to government-owned processing facilities, were constitutional. In *Oneida-Herkimer*, the Court determined that the municipal flow control ordinances enacted by the County of Oneida and the County of Herkimer benefitted a “clearly public facility” while treating all private facilities equally. However, because local governments have the responsibility to protect the health, safety, and welfare of their citizens, laws favoring such governmental entities should be judged differently than laws favoring local private entities. In addition, waste disposal historically has been considered a local government function.

This area of law continues to develop and there can be no assurance that the legal arrangement presently exercised by the participants over the flow of solid waste that is delivered to the SMaRT Station might not be challenged in the future. Such a challenge, if successful, could render such flow control unenforceable in whole or in part. In such event, waste generated within the City’s service area could be transported to alternate transfer facilities and/or disposal sites and the volume of solid waste received by the SMaRT Station, and the revenues received by the City, could be reduced.

Facility Fires

Fires caused by ignition of solid waste (including but not limited to improperly disposed lithium batteries) occur routinely, and are a normal part of operations, at most solid waste facilities, including the SMaRT Station. The SMaRT Station currently has facility level fire suppression systems in place, and as part of the NextGen Project it will be installing enhanced, machine-level fire suppression measures.

No assurance can be provided that current or future fire prevention and suppression measures at the SMaRT Station will adequately protect the SMaRT Station from substantial damage or destruction from fires in the future.

NextGen Project Installation Risk

As described herein, the City is undertaking a significant capital improvement program with respect to the SMaRT Station. During the installation of the NextGen Project, the City will be disposing of solid waste collections directly to the Kirby Canyon landfill. The City has entered into and will enter into agreements for the implementation of such capital improvements. See “THE NEXTGEN PROJECT.” The City anticipates that such contracts may be subject to

adjustment for a variety of circumstances, including higher than anticipated costs of labor and materials or subcontractor bids, changes in scope, unforeseen site conditions and force majeure events. The estimated costs of, and the projected schedule for, the NextGen Project are subject to a number of uncertainties. The ability of the City to complete the NextGen Project may be adversely affected by various factors including but not limited to: (1) estimating errors, (2) design and engineering errors, (3) changes to the scope of the NextGen Project, (4) delays in contract awards, (5) material and/ or labor shortages, (6) unforeseen site conditions, (7) adverse weather conditions and other force majeure events, (8) contractor defaults, (9) labor disputes, (10) unanticipated levels of inflation and (11) environmental issues. No assurance can be made that the NextGen Project will not cost more than the current budget for the NextGen Project. Any schedule delays or cost increases could result in the need to issue additional indebtedness and may result in increased costs, thereby making SMaRT Station less economically competitive. There can be no assurances that significant increases in costs over the amounts projected by the City will not materially adversely affect the financial condition or operations of the SMaRT Station.

Certain Limitations on the Ability of the City to Impose Taxes, Fees and Charges

General. On November 5, 1996, California voters approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, limited local governments’ authority to impose or increase a property-related “fee” or “charge,” which is defined as “any levy other than an ad valorem tax, a special tax or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service” (and referred to in this section as a “property-related fee or charge”).

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIIC of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26’s amendments to Article XIIC broadly define “tax,” but specifically exclude, among other things:

- (1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
- (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
- [. . .]
- (6) A charge imposed as a condition of property development.
- (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIID.

Property-Related Fees and Charges. Under Article XIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

Under Article XIID, “[e]xcept for fees or charges for sewer, water, and refuse collection services, no property related fee or charge shall be imposed or increased unless and until that fee or charge is submitted and approved by a majority vote of the property owners of the property subject to the fee or charge or, at the option of the agency, by a two-thirds vote of the electorate residing in the affected area” This expressly exempts sewer, water and refuse collection fees and charges from the procedures that would otherwise apply.

Initiative Power. In addition, Article XIIC states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

Judicial Interpretation of Articles XIIC and XIID. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General’s opinion initially indicated that fees and charges for water and wastewater services, which are based on the amount of services consumed, would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIID under certain circumstances.

In *Richmond v. Shasta Community Services District*, 32 Cal.4th 409 (2004), the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that capacity charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno*, 127 Cal.App.4th 914 (Cal. App.5th 2005), the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court

denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006), the California Supreme Court addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

In *Crawley v. Alameda County Waste Management Authority*, 243 Cal. App. 4th 396 (2015), the California Court of Appeal, First District, Division Five, upheld a fee imposed by the Alameda County Waste Management Authority for collection and disposal of the household hazardous waste component of garbage and refuse generated by households in Alameda County against a challenger alleging that the fee was not a "property-related fee or charge" within the meaning of Article XIID and further qualified as a fee or charge for "refuse collection services" within the meaning of Section 6(c) of Article XIID, such that no landowner vote was required to impose the fee. The court held that the household hazardous waste collection and disposal fee was properly established following compliance with the notice, public hearing, and majority protest proceedings required by Section 6(a) of Article XIID.

City's Current Practice Regarding Rates and Charges. The City's practice in implementing increases in solid waste rates and charges has been to comply with the requirements of Article XIID, including the practice of providing property owners with a 45-day mailed notice and public hearing before the City Council approves rate increases.

Conclusion. The City is responsible for determining whether the notice and protest provisions of Proposition 218 apply to the charges imposed with respect to waste collection and disposal services provided by the City and, if such notice and protest provisions do apply, the City is responsible for compliance therewith and with any other applicable provisions. The City is not aware of any pending challenge to any of its solid waste collection fees and charges.

The City has covenanted in the Installment Sale Agreement, to fix, prescribe and collect charges for the use of the Solid Waste System at specified levels. See "SECURITY FOR THE BONDS - Rate Covenants; Collection of Rates and Charges." The ability of the City to collect

such fees depends in part on its ability to establish rates, fees and charges for solid waste collection service provided to collection customers within their respective jurisdictions. In the event that proposed increased service charges cannot be imposed by the City as a result of a majority protest, such circumstances may adversely affect the ability of the Solid Waste System to generate revenues in the amounts required by the Installment Sale Agreement, and to pay principal and interest with respect to the Bonds.

Tax Exemption of the Bonds

Each of the City and the Authority have covenanted in the Indenture and the City has covenanted in the Installment Sale Agreement that it will take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Internal Revenue Code of 1986. If the Authority or the City fails to comply with this tax covenant, the interest on the Bonds may become includable in the gross income of the Owners thereof for federal tax purposes. See "Tax Matters."

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Bonds by not later than April 1 in each year (the "**Annual Report**") commencing with its report for the 2024-25 fiscal year (due April 1, 2026) and to provide notices of the occurrence of certain enumerated events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in "APPENDIX E – Form of Continuing Disclosure Certificate."

The City believes it currently is in material compliance with all of its continuing disclosure undertakings for the last five years.

CERTAIN LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Jones Hall LLP, as Bond Counsel. Certain matters will be passed upon for the City and the Authority by Jones Hall LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney.

NO LITIGATION

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance or sale of the Bonds or the execution of the Indenture or Installment Sale Agreement, or in any way contesting or affecting the validity of the foregoing or any proceedings of the City or the Authority taken with respect to any of the foregoing.

TAX MATTERS

In the opinion of Jones Hall LLP, as Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that each of the City and the Authority complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code"), that must be satisfied subsequent to the issuance of the Bonds. The City and the Authority have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The

amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or State tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above. See APPENDIX D for the form of the final opinion of Bond Counsel.

RATING

S&P Global Ratings, Inc. ("S&P") has assigned its municipal bond rating of "AA+"

This rating reflects only the views of the rating agency, and an explanation of the significance of this rating should be obtained from the issuing rating agency. There is no assurance that this rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the issuing rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

The City have retained Ross Financial of San Francisco, California, as municipal advisor (the "**Municipal Advisor**") in connection with the offering of the Bonds and the preparation of this Official Statement. The Municipal Advisor has not undertaken to make an independent verification nor assumes responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fee of the Municipal Advisor is contingent upon the successful closing of the Bonds.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated, the Underwriter of the Bonds, has agreed to purchase the Bonds from the Authority at a purchase price of \$_____ (being an amount equal to the principal amount of the Bonds (\$_____), less an underwriter's discount of \$_____). The purchase contract under which the Underwriter is purchasing the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the contract of purchase.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

The Underwriter and its affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the City. The Underwriter and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City.

The public offering prices of the Bonds may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at a price lower than the offering price stated on the cover page of this Official Statement.

CONTINGENT FEES

In connection with the issuance of the Bonds, some or all of the fees or other compensation payable to certain professionals involved with the offering of the Bonds is contingent upon the issuance and delivery of the Bonds. Those entities include:

- Ross Financial, as municipal advisor to the issuer;
- Stifel, Nicolaus & Company, Incorporated, as the Underwriter;
- Jones Hall LLP, as Bond Counsel and Disclosure Counsel;
- Stradling Yocca Carlson & Rauth LLP, as Underwriter's Counsel;
- U.S. Bank Trust Company, National Association, as Trustee.

EXECUTION

The City and the Authority have duly authorized the execution and delivery of this Official Statement.

SUNNYVALE FINANCING AUTHORITY

By: _____

Title: _____

CITY OF SUNNYVALE

By: _____

Title: _____

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APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF SUNNYVALE AND SANTA CLARA COUNTY

*The following information concerning the City of Sunnyvale (the “**City**”) and the County of Santa Clara (the “**County**”), and surrounding areas is included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the City, County, the State of California (the “**State**”) or any of its political subdivisions, and none of the City, the County, the State or any of its political subdivisions (other than the District) is liable therefor.*

General

The City. The City is located 44 miles south of San Francisco on the San Francisco Bay peninsula, ten miles northwest of the City of San Jose. The City is home to Silicon Valley high-tech industry leaders in fields ranging from advanced satellite construction to pioneering biotechnology; from semiconductor research, design and manufacturing to leading edge telecommunications systems. The City, originally incorporated on December 24, 1912, became a charter city in 1949 with a Council/Manager form of government. The City is managed by a City Manager, who is appointed by the City Council (the “Council”). All municipal departments operate under the supervision of the City Manager, except for the City Attorney who is appointed by the Council. Seven Council members are elected at-large for numbered seats and serve staggered four-year terms. The Council annually selects one of its members to serve as mayor. Councilmembers may serve any number of terms, but no more than two terms consecutively.

The County. The County covers an area of over 1,300 square miles and is located south of the San Francisco Bay in northern California. There are two distinct valleys in Santa Clara County, which are referred to as North County and South County. South County has more of an agricultural base. As a contrast, North County is densely populated, heavily industrialized and extensively urbanized. This part of Santa Clara County is comprised of 13 cities, each adjacent to another. Due to its high concentration of high-technology industries, the northwestern portion of North County is commonly referred to as “Silicon Valley”. Several small lakes and reservoirs are scattered across Santa Clara County, and the highest peak can be found in San José at Mount Hamilton, with an elevation of 4,213 feet. Several major highways serve Santa Clara County, including Highway 101 providing access to San Francisco and Los Angeles.

Population

The following table lists population figures for the City and the County for the last five calendar years.

SANTA CLARA COUNTY
Population Estimates
Calendar Years 2021 through 2025
(As of January 1st)

<u>Area</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Campbell	43,461	43,010	43,320	43,377	43,281
Cupertino	59,915	59,464	59,861	59,887	59,831
Gilroy	59,910	59,686	60,860	61,531	62,205
Los Altos	31,383	31,211	31,474	31,523	31,720
Los Altos Hills	8,459	8,389	8,490	8,520	8,548
Los Gatos	33,266	33,056	33,519	33,500	33,355
Milpitas	80,358	80,707	81,980	82,401	81,915
Monte Sereno	3,462	3,488	3,583	3,613	3,637
Morgan Hill	46,267	46,069	46,449	46,573	46,599
Mountain View	83,456	83,848	84,731	86,674	86,513
Palo Alto	67,849	67,791	68,468	68,570	68,794
San José	994,319	970,089	978,546	980,174	979,415
Santa Clara	129,747	130,567	133,469	133,829	134,587
Saratoga	30,878	30,638	30,937	31,020	31,110
Sunnyvale	155,259	155,936	158,006	158,948	159,673
Balance Of County	91,471	85,605	90,878	91,472	91,266
County Total	1,936,259	1,913,594	1,894,827	1,915,165	1,921,406

Source: State Department of Finance estimates.

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Employment and Industry

The District is part of the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (“MSA”), which is comprised of Santa Clara and San Benito Counties. The unemployment rate in the San Jose-Sunnyvale-Santa Clara MSA was 3.9 percent in April 2025, down from a revised 4.1 percent in March 2025, and above the year ago estimate of 3.8 percent. This compares with an unadjusted unemployment rate of 5.0 percent for California and 3.9 percent for the nation during the same period. The unemployment rate was 6.7 percent in San Benito County, and 3.8 percent in Santa Clara County.

The table below lists employment by industry group for the years 2020 through 2024.

SAN JOSÉ-SUNNYVALE-SANTA CLARA MSA
(San Benito and Santa Clara Counties)
Annual Averages Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2024 Benchmark)

	2020	2021	2022	2023	2024
Civilian Labor Force ⁽¹⁾	1,033,900	1,020,000	1,043,000	1,056,200	1,057,600
Employment	957,800	969,000	1,013,300	1,018,100	1,013,100
Unemployment	76,100	51,000	29,700	38,100	44,400
Unemployment Rate	7.4%	5.0%	2.9%	3.6%	4.2%
<u>Wage and Salary Employment: ⁽²⁾</u>					
Agriculture	5,300	5,000	4,800	4,700	4,800
Mining and Logging	200	200	200	200	200
Construction	50,100	51,700	53,800	53,900	53,200
Manufacturing	125,600	125,700	133,200	131,100	125,300
Wholesale Trade	29,200	28,300	28,900	28,900	28,500
Retail Trade	73,000	73,700	73,600	73,700	72,200
Transportation, Warehousing, Utilities	14,600	15,100	16,700	16,900	16,600
Information	105,900	107,100	106,000	97,700	94,000
Finance and Insurance	15,100	15,100	15,700	15,800	15,500
Real Estate and Rental and Leasing	15,100	15,100	15,700	15,800	15,500
Professional and Business Services	277,800	284,100	295,700	290,400	286,000
Educational and Health Services	172,700	178,400	187,000	197,100	208,700
Leisure and Hospitality	73,100	79,000	96,700	101,900	103,400
Other Services	22,100	22,800	25,400	26,500	27,400
Federal Government	10,700	10,500	10,200	10,100	10,100
State Government	7,000	6,900	7,000	7,100	7,200
Local Government	76,300	76,000	78,700	80,800	82,900
Total, All Industries ⁽³⁾	1,081,500	1,102,800	1,155,800	1,158,700	1,157,000

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Principal Employers

The following table shows the principal employers in the City, as shown in the Annual Comprehensive Financial Report for fiscal year ending June 30, 2024.

CITY OF SUNNYVALE Principal Employers		
Employer	Number of Employees	Percent of Total Employment
Google	14,426	16.77%
Apple	12,458	14.48
Amazon.com Services	6,578	7.65
Intuitive Surgical Operations	3,836	4.46
Lockheed Martin Space Systems	3,576	4.16
Applied Materials	3,389	3.94
Facebook	3,090	3.59
Cepheid	3,042	3.54
Walmart	2,398	2.79
Synopsys	2,392	N/A

Source: City of Sunnyvale, Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024.

Major Employers

The table below lists the major employers in the County, listed alphabetically.

SANTA CLARA COUNTY Major Employers May 2025

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Adobe Inc	San Jose	Prepackaged Software
Advanced Micro Devices Inc	Santa Clara	Semiconductor Devices (mfrs)
Alphabet Inc	Mountain View	Internet Search Engines
Analog Devices Inc	San Jose	Semiconductor Devices-Wholesale
Apple Inc	Cupertino	Computers-Electronic-Manufacturers
Applied Materials Inc	Santa Clara	Semiconductor Manufacturing Equip (mfrs)
CA Inc	San Jose	Computer Software Application Svc Prvdrs
California's Great America	Santa Clara	Amusement & Theme Parks
Christopher Ranch LLC	Gilroy	Garlic (mfrs)
Cisco Systems Inc	San Jose	Computer Peripherals (mfrs)
Ebay Inc	San Jose	Online Retailers & Marketplaces
HP Inc	Palo Alto	Computers-Electronic-Manufacturers
Intel Corp	Santa Clara	Semiconductor Devices (mfrs)
Intuitive Surgical Inc	Sunnyvale	Orthopedic Prosthetic/Srgcl Appl (mfrs)
Kaiser Foundation Health Plan	Santa Clara	Health Services
Lockheed Martin Space Systems	Sunnyvale	Satellite Equipment & Systems-Mfrs
Lucile Packard Children's Hosp	Palo Alto	Hospitals
NASA	Mountain View	Federal Government-Space Research & Technolog
Netapp Inc	San Jose	Computer Storage Devices (mfrs)
NVIDIA Corp	Santa Clara	Software/Application/Platform Developers & Pr
Palo Alto VA Medical Ctr	Palo Alto	Hospitals
Prime Materials	San Jose	Semiconductors & Related Devices (mfrs)
SAP Center	San Jose	Stadiums Arenas & Athletic Fields
Stanford University Sch-Mdcn	Stanford	Schools-Medical
Super Micro Computer Inc	San Jose	Computers-Electronic-Manufacturers

Source: State of California Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2025 1st Edition.

Commercial Activity

Summaries of the historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables.

Total taxable sales during calendar year 2024 in the City were reported to be \$3,184,562,446, a 5.06% increase in the total taxable sales of \$3,031,241,628 reported during the calendar year 2023.

CITY OF SUNNYVALE
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2020	1,735	1,191,196	3,278	1,935,682
2021	1,704	1,333,950	3,243	2,337,541
2022	1,663	1,609,745	3,225	2,926,157
2023	1,636	1,571,300	3,176	3,031,242
2024	1,691	1,664,465	3,269	3,184,562

Source: State Department of Tax and Fee Administration.

Total taxable sales during calendar year 2024 in the County were reported to be \$57,212,355,101, representing a 0.20% decrease in the total taxable transactions of \$57,098,298,396 that were reported in the County during calendar year 2023.

COUNTY OF SANTA CLARA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2020	30,969	27,467,410	55,395	46,444,650
2021	28,365	31,393,299	51,015	52,994,694
2022	28,214	33,619,773	51,222	57,738,947
2023	27,227	33,369,250	49,698	57,098,298
2024	27,465	33,757,071	50,447	57,212,355

Source: State Department of Tax and Fee Administration.

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County.

CITY OF SUNNYVALE Building Permit Valuation For Calendar Years 2019 through 2023 (Dollars in Thousands)⁽¹⁾

	2019	2020	2021	2022	2023
<u>Permit Valuation</u>					
New Single-family	\$31,108.9	\$40,277.8	\$44,032.4	\$33,544.3	\$11,667.8
New Multi-family	85,545.8	31,733.9	147,362.7	127,522.4	101,161.4
Res. Alterations/Additions	22,600.6	\$3,645.5	8,424.7	445.5	25,078.4
Total Residential	141,274.3	75,657.2	199,819.8	161,512.2	137,907.6
New Commercial	208,591.5	88,715.6	151,888.6	265,790.7	10,045.6
New Industrial	11,875.8	20.0	7,229.3	0.0	0.0
New Other	142.0	22,462.6	80,238.0	49,623.7	3,539.4
Com. Alterations/Additions	297,435.0	14,713.7	32,855.3	44,299.2	387,913.3
Total Nonresidential	\$518,044.3	\$125,911.9	\$272,211.2	\$359,713.6	\$401,498.3
<u>New Dwelling Units</u>					
Single Family	156	170	188	147	50
Multiple Family	403	261	933	875	1,050
TOTAL	559	431	1,121	1,022	1,100

(1) Totals may not add due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

SANTA CLARA COUNTY Building Permit Valuation For Calendar Years 2019 through 2023 (Dollars in Thousands)⁽¹⁾

	2019	2020	2021	2022	2023
<u>Permit Valuation</u>					
New Single-family	\$693,032.6	\$465,531.8	\$604,388.6	\$558,633.4	\$534,061.1
New Multi-family	567,726.7	384,856.1	488,538.1	1,239,445.8	882,779.3
Res. Alterations/Additions	555,483.1	314,179.3	351,100.6	392,595.4	374,279.1
Total Residential	1,816,242.4	1,164,567.2	1,444,027.3	2,190,674.6	1,791,119.5
New Commercial	2,664,298.3	1,216,184.5	309,537.0	774,988.7	329,197.5
New Industrial	41,875.8	72,481.3	8,982.3	0.0	2,099.0
New Other	273,529.1	145,437.8	451,952.6	623,244.7	192,452.6
Com Alterations/Additions	2,467,939.0	1,382,406.5	812,157.1	1,249,080.3	2,150,379.3
Total Nonresidential	\$5,447,642.2	\$2,816,510.1	\$1,582,629.0	\$2,647,313.7	\$2,674,128.4
<u>New Dwelling Units</u>					
Single Family	1,814	1,329	1,789	1,538	1,210
Multiple Family	3,216	2,245	3,210	6,765	4,776
TOTAL	5,030	3,574	4,999	8,303	5,986

(1) Totals may not foot due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and non-tax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income and median household effective buying income for the City, the County, the State and the United States for the period 2021 through 2025.

**CITY OF MOUNTAIN VIEW, SANTA CLARA COUNTY,
THE STATE OF CALIFORNIA AND THE UNITED STATES
Effective Buying Income
As of January 1, 2021 through 2025**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2021	City of Sunnyvale	\$10,024,474	\$117,368
	Santa Clara County	103,006,380	103,458
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	City of Sunnyvale	\$10,986,880	\$134,221
	Santa Clara County	113,347,038	118,652
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	City of Sunnyvale	\$11,236,110	\$139,271
	Santa Clara County	112,532,636	121,559
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	City of Sunnyvale	\$11,448,441	\$142,276
	Santa Clara County	114,948,530	125,048
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876
2025	City of Sunnyvale	\$11,767,598	\$142,204
	Santa Clara County	118,437,858	128,178
	California	1,557,429,767	82,725
	United States	12,525,577,707	69,687

Source: Claritas, LLC

APPENDIX B

SUNNYVALE AUDITED FINANCIAL STATEMENTS

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2024

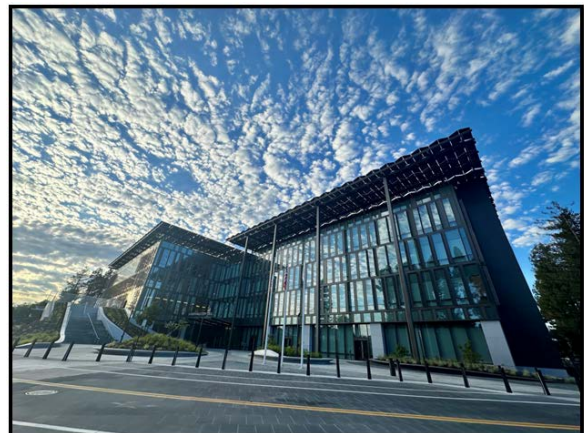
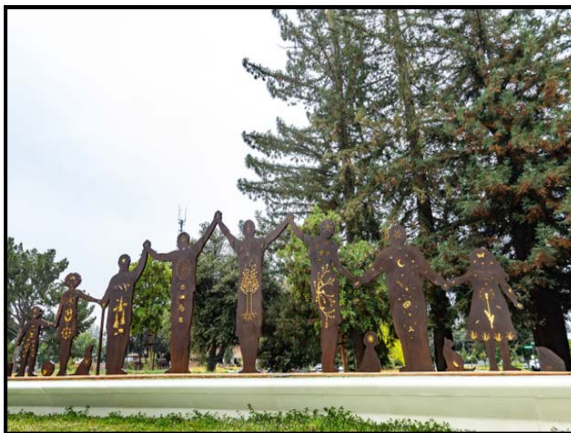


Photo Credit: Jacqueline Orrell

CITY OF SUNNYVALE

C A L I F O R N I A

We Build Community Trust by Delivering Exceptional Services.



Annual Comprehensive Financial Report

For the Fiscal Year Ended
June 30, 2024

City of Sunnyvale

456 West Olive Avenue
Sunnyvale, CA 94086
408-730-7600

Prepared by the Department of Finance
Dennis Jaw, Acting Director of Finance

CITY OF SUNNYVALE

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City of SUNNYVALE

Department of Finance

456 West Olive Avenue

Sunnyvale, California 94086

408-730-7600

December 4, 2024

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

We are pleased to submit the City of Sunnyvale's (City) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. The City Charter (Section 1318) requires that a licensed Certified Public Accountant conduct an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to City Council. The financial statements are presented in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America and audited in accordance with Generally Accepted Auditing Standards (GAAS).

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements include disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities. Management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in accordance with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is also intended to provide relevant financial information to the residents of the City of Sunnyvale, City staff, creditors, investors, and other interested readers. We encourage all readers to contact the Department of Finance at finance@sunnyvale.ca.gov with any questions or comments concerning this report.

The City's financial statements have been audited by Maze & Associates (Maze), a firm of Certified Public Accountants licensed to practice in the State of California. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2024, are free of material misstatements. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unmodified opinion, which states that the City's financial statements for the fiscal year ended June 30, 2024, are fairly presented in accordance with GAAP. This is the most favorable conclusion and also commonly known as "clean" opinion. The independent auditor's report is presented as the first component of the Financial Section of this report.

The independent audit of the financial statements of the City was also part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagement require the independent auditor to report not only on fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on the administration of federal awards. The Single Audit reports are available in the City's separately issued Single Audit Reports.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2024

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement, and be read in conjunction with, the MD&A. The City's MD&A can be found immediately following the independent auditor's report.

The ACFR is divided into three sections:

- The **Introductory Section** includes this letter of transmittal, an organizational overview of the City government, and prior awards received.
- The **Financial Section** consists of the independent auditor's report, Management's Discussion and Analysis, Basic Financial Statements (which include the Government-Wide Financial Statements, Fund Financial Statements, and Notes to Basic Financial Statements), Required Supplementary Information, and a Supplementary Section containing the Combined and Individual Fund Financial Statements and Schedules.
- The **Statistical Section** includes tables of unaudited data depicting the financial trends of the City, demographics, and other selected information about the City.

PROFILE OF THE CITY

Basic Information

The City of Sunnyvale was incorporated on December 24, 1912. The original Charter of the City was prepared in accordance with the provisions of Section 8, Article XI of the Constitution of the State of California and became effective on May 18, 1949. The City operates under a Council-Manager form of government. Policy-making and legislative authority are vested with the City Council. City councilmembers are elected through a district-based electoral system, with a directly elected mayor. Six districts are designated to elect six City councilmembers only by the voters of that district. In addition, a limit applies to permit service on the Council for three consecutive terms but only two as a councilmember or mayor.

The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of various departments. The City Manager and City Attorney are appointed by the City Council.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2024

PROFILE OF THE CITY, Continued

Component Units

In defining the reporting entity, we have included the City's component units, which are the Sunnyvale Financing Authority (the Authority) and two Community Facilities Districts (CFDs). The Authority is fiscally dependent on the City, where the City Council functions as a separate Board. The two CFDs were formed to provide financing mechanisms for public improvements. One CFD is for the construction of parking facilities, and the second is for storm water collection and treatment facilities. The City's financial role with each District is fiduciary in nature where the members of the City Council also serve as the governing board.

Additionally, the City has established a Redevelopment Successor Agency (RSA), which replaced the Redevelopment Agency that was dissolved in 2012. The RSA is not a component unit of the City and is a separate legal entity overseen by the Redevelopment Dissolution Countywide Oversight Board of Santa Clara County and the State Department of Finance. The City's role in the RSA is fiduciary in nature. The RSA is reported as a private-purpose trust fund, a type of fiduciary fund.

There are no other governmental units over which the City Council has financial accountability.

Types of Services

The City provides the full range of municipal services contemplated by its Charter. These include police and fire protection, library services, construction and maintenance of streets, parks, storm drains and other infrastructure, human services, recreational programs and community development activities. The City operates water, wastewater, and solid waste municipal utilities, as well as a solid waste transfer and materials recovery facility. The City also provides development services, as well as golf and tennis operations.

Boards and Commissions

The City utilizes various Boards and Commissions in the conduct of its affairs. A Directory of Boards and Commissions is provided within this report. Boards and Commissions required by the City Charter are:

- Board of Library Trustees
- Heritage Preservation Commission
- Parks and Recreation Commission
- Personnel Board
- Planning Commission

All other Boards and Commissions were established by the authority of the City Council. These are:

- Arts Commission
- Bicycle and Pedestrian Advisory Commission
- Housing and Human Services Commission
- Human Relations Commission
- Sustainability Commission

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2024

PROFILE OF THE CITY, Continued

Although certain Boards and Commissions have specific powers granted by the City Charter, for the most part all act in an advisory capacity to the City Council.

Budget

Sunnyvale Charter Section 1302 requires that the City Manager submit a budget to the City Council annually. Sunnyvale Charter Section 1305 specifies that all budget appropriations lapse and must be re-authorized at the end of the fiscal year if they have not been spent or legally committed. However, approved appropriations for Capital Improvement Projects shall not lapse at the end of the fiscal year unless the Capital Improvement Project has been completed and closed out or the City Council takes affirmative action to modify the budget appropriation for the Capital Improvement Project.

Section 1302 of the City Charter also requires the annual submission of a ten-year balanced budget that includes level of service information, historical financial trend data, and charts for ease of understanding the budget. The long-term nature of the City's financial planning system allows decision makers to better understand the effect of policy decisions to prevent changes in service levels during the upturns and downturns of economic cycles.

The legal level of budgetary control for governmental funds is placed by the City Council at the program level, with adjustments between programs within funds allowed below specified thresholds. For Proprietary Funds and Internal Services Funds, budgetary control is at the fund level where expenditures are limited to actual revenues plus the planned appropriation from the Rate Stabilization Reserve Account or the Resource Allocation Plan Reserve Account.

Programs consist of one or more service delivery plans. Personnel costs are budgeted by full time equivalents at the service delivery plan-level. A separate budgetary year-end financial report is prepared each year, which presents details to demonstrate compliance at the legal level of control for the previous fiscal year. The budget process and the governmental funds for which annual budgets are appropriated are described in detail in the Financial Section - Required Supplementary Information portion of this report.

LOCAL ECONOMY

The Bay Area Region, one of the most diverse and resilient regions in the United States, has faced volatile economic conditions over the past five years. The decade of strong growth that preceded 2020 was abruptly brought to a halt with the onset of the COVID-19 pandemic (Pandemic). Federal, state, and local government mandates issued during the initial stages of the Pandemic crisis affected almost all economic sectors of the region; however, those mandates were followed by financial relief efforts that aided various stakeholders, including local governments. As a result, the initial negative economic impacts of the Pandemic were partially mitigated, and the early post-Pandemic recovery was promising. However, as we move further into a post-Pandemic environment, the longer-term impacts of the recovery and relief efforts are currently being felt throughout the broader economy. Overall, these longer-lasting economic effects include the permanent shift to remote work and resulting high rate of commercial property vacancies; job losses in the region's economic engine, the technology sector; and a high cost of living, housing shortages, and increasing needs for supportive services.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2024

LOCAL ECONOMY, Continued

The region's already high cost of living has been amplified by abnormally high inflationary pressure over the past several years. And while the most recent information indicates that consumer prices may be stabilizing, as the Consumer Price Index (CPI) for the Bay Area region fell 0.1 percent between April 2024 and June 2024, the cumulative increase in the region's CPI from February 2021 to April 2024 was 15.4 percent according to the Bureau of Labor Statistics¹. To combat inflation, the Federal Reserve (Fed) has been increasing interest rates. Since reaching a rate of 0.25 percent in January 2022, the Fed has been increasing the Federal Funds Rate, which now sits at 5.50 percent. This includes a 4.50 percentage point increase between February 2022 and February 2023 in an effort to slow inflation². With the Federal Funds Rate setting the baseline for the cost of borrowing funds across the spectrum of industries, including consumer loans such as those for automobiles and homes, the increases in the Federal Funds Rate have slowed overall economic activity and started to temper the effects of price inflation. As a result of the latter, the Fed appears poised to begin lowering the Federal Funds Rate as early as September 2024. After lowering the rate by .50 percentage points in September, the Fed lowered the rate by .25 percentage points early November. The two rate cuts in 2024 have reduced the rate to a range of 4.50-4.75 percent.

The region's employment has been impacted by the uneven economy as well, faring worse in terms of Pandemic recovery than the State of California and the rest of the United States. According to the Bay Area Economic Institute, total employment in the Bay Area remains approximately 1.4 percent below pre-Pandemic levels as of July 2024. This performance lags both California (+2.1 percent) and the United States (+4.2 percent) job recovery. However, even with the more recent job losses in the technology sector, the region has experienced positive job growth over the past 12 months, driven by strong growth in the education and health services sectors³.

The economic vitality of the City depends on a strong and diversified business community that is flexible enough to withstand economic changes. As part of the City's economic development efforts, the City continues to work to attract and retain businesses, making the City a desirable location for the corporate community. As a result, companies continue to recognize Sunnyvale as a prime location in Silicon Valley. Sunnyvale's innovative economy depends on major technology companies, including Google, Apple, Facebook, LinkedIn, Intuitive Surgical, Amazon, Lockheed Martin Space Systems, Applied Materials, and Cepheid.

Sunnyvale's fiscal resiliency relies heavily on its largest and most stable revenue source, Property Tax. Sunnyvale, along with its neighboring cities, has experienced consistent increases in real estate property values for the past ten fiscal years. Prior to the Pandemic, historically low interest rates, limited supply, and ongoing demand kept market values at record levels year after year.

¹ Bureau of Labor Statistics, Consumer Price Index, San Francisco Area – June 2024; Axios San Francisco, "Where the San Francisco Bay Area Feels Inflation the Most" June 10, 2024

² The Federal Reserve, via Trading Economics: <https://tradingeconomics.com/united-states/interest-rate>

³ Bay Area Economic Council – "Bay Watch July 2024 Jobs Update"

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2024

LOCAL ECONOMY, Continued

While the post-Pandemic landscape has changed with respect to interest rates that have risen sharply, Property Tax revenues have continued to grow, despite a decrease in both median home values and property sales, which has simply slowed the rate of increase in the assessed valuation of properties. With interest rates remaining high, Property Tax is still projected to increase in the next fiscal year; however, the growth rate is expected to be lower than prior years.

Current economic indicators are mixed in terms of whether an economic slowdown is on the horizon. While inflation has appeared to stabilize and the Fed has begun to reduce interest rates, market volatility, consumer confidence, employment levels, and other economic indicators do not clearly demonstrate that a recession of some degree can be avoided. The revenue sources most vulnerable to economic downturn are Sales Tax, Transient Occupancy Tax, and development-related revenues while utility revenues, Utility User Tax and Business License tax are affected to a lesser extent. City staff will continue to monitor shifting economy trends and volatility.

In summary, the City has weathered significant fiscal challenges over the past four years and has remained resilient through these challenges due to prudent strategies and its focus on long-term financial planning. Going forward, the underlying financial foundation of the City is expected to remain strong; however, the impacts of the local economic trends and shifts along with significant expenditure pressures will continue to require the City to exercise a cautious approach in the long-term. The City is well-equipped to deal with the adversity due to its solid fiscal policies, steady leadership and careful financial planning practices.

LONG-TERM FINANCIAL PLANNING

The City Council fiscal policy establishes the framework upon which short and long-term financial decisions are made. It identifies the long-range goals needed for fiscal sustainability and develops strategies necessary to achieve these goals. Sunnyvale uses long-term financial planning to ensure stability through ups and downs in economic cycles. The City Charter requires that the City Manager annually submit a budget which is balanced for ten years; however, the City Council fiscal policy requires a balanced budget for an entire twenty-year planning period. The long-term nature of the City's financial planning system allows decision makers to better understand the true effect of policy decisions and effectively requires that decisions made today allow for resources to be available to provide and maintain quality services in the future. This long-term planning horizon prevents wild swings in service levels during the upturns and downturns of economic cycles.

Annual budget review and approval is required by the City Charter. However, an understanding of the City's long-term financial picture is more important to the process than just looking at a one-year or two-year snapshot. City fiscal policy requires City staff to analyze past and present fiscal health and project its future fiscal condition. One of the most powerful benefits of multi-year financial planning is the capability to recognize trends over time and begin at an early point to consider the appropriate steps to alter the long-term forecasted position of a particular fund should that become necessary.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2024

LONG-TERM FINANCIAL PLANNING, Continued

One significant issue identified through our long-term planning process is the major impact of unfunded liabilities related to employee pension and retiree healthcare benefits. The City's contribution rates for employee pensions through the California Public Employees' Retirement System (CalPERS) continue to increase due to CalPERS's de-risking efforts, varied investment rate of returns, and changes to actuarial assumptions. As a result, the City's employer contribution rates have increased significantly every year and are expected to continue to increase over the next several years. Because of the City's long-term financial planning process that carefully considers the long-term implications of CalPERS' actions, the City periodically opted to pay more than the required CalPERS employer contribution to ensure our retirement plans are prudently funded and to minimize rate volatility. Working with its consulting actuary, the City develops rate projections to incorporate into the City's twenty-year financial plan to ensure these expenditures are funded over the long term. Beginning in FY 2014/15, the Governmental Accounting Standards Board (GASB) Statement No. 68 required governments to quantify and report the net pension liability on the financial statements. This reporting requirement provides transparency of our pension liabilities and our efforts to proactively manage them.

To address pension funding with a long-term perspective, the Council directed the City Manager to establish a Section 115 Pension Trust (Trust), which was set up in July 2018. The Trust is 1) owned and monitored by the City, 2) managed by a set of separate investment professionals, 3) separate from CalPERS, and 4) expected to provide increased flexibility on use of trust assets as a budget stabilization tool. The only option to reduce the City's reported unfunded pension liability is to pre-fund the pension liability with CalPERS. Alternatively, the Trust, under the City discretion, will hold additional funds committed for pension liabilities in excess of the City's annual required contribution to CalPERS. The amount held in Trust as of June 30, 2024, was \$21.2 million. In the FY 2024/25 Budget, a funding commitment of \$2.0 million is budgeted for each of the next two years. Assets and contributions to the Trust are reported in the Employees Payroll & Benefits Fund, an Internal Service Fund.

With the same long-term analysis, the City has developed a funding plan to address the unfunded liabilities related to retiree medical benefits. Like most governmental agencies, the City had been paying for these expenses on a pay-as-you-go basis. Recognizing that there is a liability for Other Post-Employment Benefits (OPEB) that is not addressed through a pay-as-you-go approach, the City began funding a retiree medical trust fund in FY 2010/11 and has budgeted to pay the full annual required contribution over the long-term plan until the OPEB liability is fully funded. Projected contributions to the OPEB trust are calculated by an actuary hired by the City. Combining with OPEB trust assets and projected contributions, the OPEB liability is expected to be fully funded by the tenth year (FY 2033/34) of the twenty-year financial plan in the FY 2024/25 Budget.

The City's retiree medical trust created for funding the City's long-term OPEB liability meets a "Trust" criteria established by the GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued by the Governmental Accounting Standards Board.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2024

RELEVANT FINANCIAL POLICIES

According to the Council Fiscal Policy, long-term financial planning should enable the current service level provided to be sustained over time through the strategic use of reserves. The reserves contained in the General Fund's long-term financial plan play a pivotal role in the City's multi-year planning strategy.

The General Fund currently has four major reserves:

The first reserve is the Contingency Reserve. This reserve equals 15% of operating expenditures in the first year of the long-term plan, with annual increases based on projected increases in the Consumer Price Index (CPI). This reserve is only utilized for non-fiscal emergencies or disasters as determined by the Council. Increasing future years by CPI ensures that this reserve is sufficient for its intended usage but does not set aside more funds than necessary.

A second reserve in the General Fund is the Budget Stabilization Fund. This reserve holds a minimum of 15% of projected revenues for the first two years of the twenty-year financial plan. Beyond year two, the Budget Stabilization Fund must maintain a positive balance. This reserve functions to level economic cycles from year to year. By letting this reserve vary each year, the fund can absorb the cyclical effects of the economy. This reserve grows during periods of economic growth and is drawn down during the low points of economic cycles to maintain stable service levels. Strict policy adherence to the premise of the Budget Stabilization Fund prevents the City from adding services at the top of economic cycle that cannot be sustained, while allowing it to maintain Council-approved service levels during economic downturns.

The third reserve in the General Fund is the Reserve for Capital Improvement Projects. Its purpose is to reserve revenues from land sales and other one-time sources for use on capital improvement projects or expansion.

The fourth reserve in the General Fund is the Equipment & Project Carryover Reserve. The reserve accounts for available unspent project balances that were carried over from prior years. This reserve distinguishes the prior year's carryovers from the total project costs and increases transparency of unspent project funds. Additionally, accounting for this reserve separately helps ensure that the available balance in the Budget Stabilization Fund is not overstated.

In addition to the reserves discussed above, the City also uses the Employee Payroll and Benefits Fund (an Internal Service Fund) as a mechanism to cover expenditures related to pension costs, insurance plans, workers' compensation costs, and leave time, while applying the principles of full-cost accounting. This is accomplished with the combination of charging actual benefit costs incurred in each fiscal year, transferring of a fixed amount in proportion to staff salaries for the unfunded pension and OPEB liabilities, and accruing unpredictable leaves (disability, family leaves, etc.) using a fixed rate. Resources are set aside for contribution-rate uncertainty, workers compensation liabilities, and retiree medical costs to reduce volatility and to minimize the effect on the funding of other City operations.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2024

MAJOR INITIATIVES

The City Council established strategic policy priorities and has revisited them annually to help build the development of the Budget. The following are the list of the priorities the City Council has identified for FY 2024/25:

Civic Center Modernization

The Phase I of the Civic Center Modernization project included the construction of new City Hall and the addition of Public Safety Emergency Operations Center. The construction of the Public Safety Emergency Operations Center addition was finished in September 2022, and the new City Hall construction was complete in early March 2023. The new City Hall is a LEED Platinum and Net Zero Energy green building. Construction costs for Phase I were funded by a variety of sources including lease revenue bonds issued in December 2020, one-time revenues available from properties sold in prior years, reserves accumulated for infrastructure improvements, and Park Dedication Fee revenues collected as a result of development projects.

Phase II of this initiative is to design and construct a new Main Library to meet modern structural and accessibility standards and better meet overall community needs. The City Council approved placing a General Obligation bond measure on the ballot for November 2024. The measure did not reach the 2/3 approval threshold required to pass, and the City will examine other options to move this project forward.

Ability of Infrastructure to Support Development and Traffic

As providing well-maintained transportation infrastructure is critical to Sunnyvale residents and local communities, the City has proactively conducted long-range planning for traffic and transportation needs over several years and remains actively involved in countywide planning efforts. The traffic and transportation projects are mainly funded by Federal grants, local funding such as SB1 Road Maintenance and Repair Act and Measure B, and traditional General Fund, Gas Tax and Vehicle Registration Fee funding. In FY 2024/25, \$25.1 million was budgeted for traffic and transportation improvement projects, including several ongoing pavement rehabilitation and slurry seal projects; sidewalk, curb, and gutter replacement; the Mary Avenue extension; and the Stevens Creek Trail extension. The FY 2024/25 Budget also included two new staff positions in the Traffic and Transportation Division to meet service demand, and it also funds another position, along with materials and equipment, to paint approaches to intersections red pursuant to the new Daylighting to Save Lives Bill (AB 413).

Downtown Sunnyvale

The City Council first adopted the Downtown Specific Plan (DSP) in 2003 and approved the amended DSP in 2017 that incorporated updates resulting from the changed retail market due to rise of internet shopping and a priority of creating a pedestrian-friendly environment and allowing additional employment and housing opportunities nearby the mass transit area. The development in the Downtown remains strong as construction of housing and offices is in progress. Construction at the old Macy's site is nearing completion and will include an office space of 500,000 square feet and 479 apartments over ground floor retail space as part of the Downtown. The City has begun to benefit from increased Property Tax and Sales Tax collections from the commercial and multiple-dwelling residential projects in Downtown as they continue to be completed and occupied.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2024

MAJOR INITIATIVES, Continued

Going forward, the City will continue its investment in the Downtown by funding Downtown Association events, making improvements to the Murphy Avenue Pedestrian Mall and to bicycle and pedestrian access at the Caltrain station, and replacing the entryway banners to enhance appearance and messaging.

Sunnyvale Climate Action Playbook, Active Transportation Plan, and Vision Zero Plan

The Sunnyvale Climate Action Playbook, adopted in 2019, stemmed from the Sunnyvale Climate Action Plan which the City Council adopted in 2014. The Playbook was completed after actively engaging with the community and contains several key strategies and specific actions to reduce greenhouse gas emissions and to reach the State's ambitious 2050 climate target. After achieving a 31% reduction in greenhouse gas emissions from 1990 levels in 2021, the City continues to make strides towards its goal of reducing carbon emissions 85% by 2045. In the past four years, the City has made significant progress towards this goal by updating the building codes requiring new buildings to be all-electric, offering electric vehicle programs, and installing electric vehicle (EV) chargers for public use. Additionally, the new City Hall was constructed as a net zero building, solar panels were installed at several City buildings to produce and use green energy, electric vehicles continue to be purchased for City use, and installations of new EV chargers at City properties continue to reduce the impact of the City operations on the climate.

The Playbook also includes Game Plan 2028, which is a compilation of next steps to focus in on over the next five years. The intention is to update the Game Plan every five years as new technologies emerge and new State and Federal mandates are enacted. Key Game Plan 2028 strategies include promoting 100% clean electricity, decarbonizing buildings and transportation, sustainable land use, sustainable resource management, and community empowerment.

The Active Transportation Plan (ATP) approved in 2020 addresses the need to create a safe, connected and efficient citywide walking and bicycling network as Sunnyvale residents and workers are increasingly interested in bicycling and walking as healthy, safe, and convenient modes of transportation. Therefore, the City continues to seek funding sources and focus on implementing projects that result in making infrastructure and roadway improvements associated with making biking and walking effective and reliable transportation modes in Sunnyvale. Significant ongoing ATP projects include the Evelyn Avenue Multi-use Trail, the Stevens Creek Trail extension, the East Channel Trail study, bicycle planning improvement studies, and improvements in the Arbor/La Linda and San Miguel neighborhoods.

The Vision Zero Plan approved in 2019 builds on City's years of investment in transportation safety, as addressing this issue remains highly important to ensure that all road users in Sunnyvale – pedestrians, bicyclists, transit users, and those with mobility impairments – can travel with comfort and ease. Since 2012, the collision rate has declined by 30 percent, and Sunnyvale now has fewer collisions than 80 percent of cities of comparable size in California. The City continues with its commitment to eliminate preventable traffic fatalities and serious injuries and to work towards an established goal to reduce fatalities and serious injuries on Sunnyvale's streets by fifty percent by 2029. As the City continues to prioritize traffic safety and transportation improvement projects and monitor its progress towards the established goal, the FY 2024/25 Adopted Budget includes funding for programs such as bicycle and pedestrian education and encouragement, targeted traffic enforcement through Office of Traffic Safety grants, and a pedestrian collision investigation pilot program.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2024

MAJOR INITIATIVES, Continued**Equity, Access and Inclusion**

The City Council established Equity, Access and Inclusion (EAI) as one of its strategic priorities in 2021. The City is committed to ethical service delivery and to meet the needs of all community members regardless of race, religion, ancestry, ethnicity, ability, and gender identity. All City employees are expected to serve every member of the public with courtesy, respect, professionalism and impartiality. Over the past several years, funding has been appropriated to conduct an EAI needs assessment analysis, as well as provide staff training to foster a culture of community respect, equity, and inclusion, as well as improve access to City services and equitable outcomes for residents. Establishing a Human Relations Commission, holding citywide EAI training, and forming the City's Sunnyvale Employees for Equity and Diversity (SEED) team are other City initiatives implemented since 2021. The FY 2024/25 Adopted Budget includes funding to implement SEED team recommendations from its strategic plan, with the initial effort focused on improvements to internal communications, as developed by a city-wide Innovation Team.

Unhoused Community Support

One of the City Council's recent strategic policy priorities is to support unhoused residents. The FY 2023/24 Budget added a new position for managing homeless services and appropriated an additional \$500,000 in funding to extend the pilot program to provide case management, shelter beds, and encampment cleanups. The Homeless Services Manager has been hired and programming has begun, and the FY 2024/25 Adopted Budget continues to expand support services. This includes a Housing Specialist position being added to increase resources dedicated to unhoused support services, incorporating new State funding (Permanent Local Housing Allocation funds) into program initiatives, and adding \$500,000 for anticipated costs related to a service provider contract. The City also partners with several public and nonprofit agencies to help prevent homelessness. These agencies offer services and resources to unhoused residents such as meals, counseling, legal help, basic needs services, employment assistance, and housing subsidies. The City regularly provides financial support for programs and initiative of these agencies.

RECOGNITION, AWARDS, AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sunnyvale for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. This was the thirty-eighth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one-year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate program requirements. This report will be submitted to GFOA to determine its eligibility for another certificate.

Chief Finance Officer's Letter of Transmittal, Concluded
Fiscal Year Ended June 30, 2024

RECOGNITION, AWARDS, AND ACKNOWLEDGEMENTS, Continued

The City received the Distinguished Budget Presentation Award from GFOA for the City's adopted budget for the fiscal year ended June 30, 2024. This was the thirty-fifth consecutive year that the City has received

this award. In order to qualify for the award program, the City's budget document must be judged to be proficient in four categories including policy document, financial plan, operations guide, and communications device.

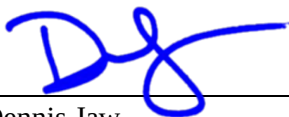
Since 1999, the City's investment policy has received certification by the Association of Public Treasurers of the United States and Canada (Association). The Association provides professional guidance and assistance in improving investment policies in the public sector. At least three experts in the field review the investment policies and those jurisdictions that comply with Association's criteria are presented with the Association's Written Investment Policy Certification.

The City has received the Annual Achievement of Excellence in Procurement Awards from the National Purchasing Institute (NPI) for twenty-four consecutive years. NPI is the public sector purchasing affiliate of the Institute for Supply Management (ISM). The mission of NPI is to facilitate the educational and professional development of its members.

The preparation of this Annual Comprehensive Financial Report could not have been accomplished without the professional, efficient, and dedicated service of the staff of the Department of Finance. In particular, I would like to express my appreciation to the following members of the Finance Department who contributed to the development of this report: Juan Castro, Principal Accountant; Hema Gajaria and Jenny Chang, Senior Accountants; Luis Cuellar, Bhavana Menghrajani, and Veronica Alberto, Accountants; Eli Veloz, Senior Accounting Technician, Tim Kashitani, Administrative Aide; and Inderdeep Dhillon, Accounting Manager. I also wish to thank our auditors, Maze and Associates, for their cooperation and assistance.

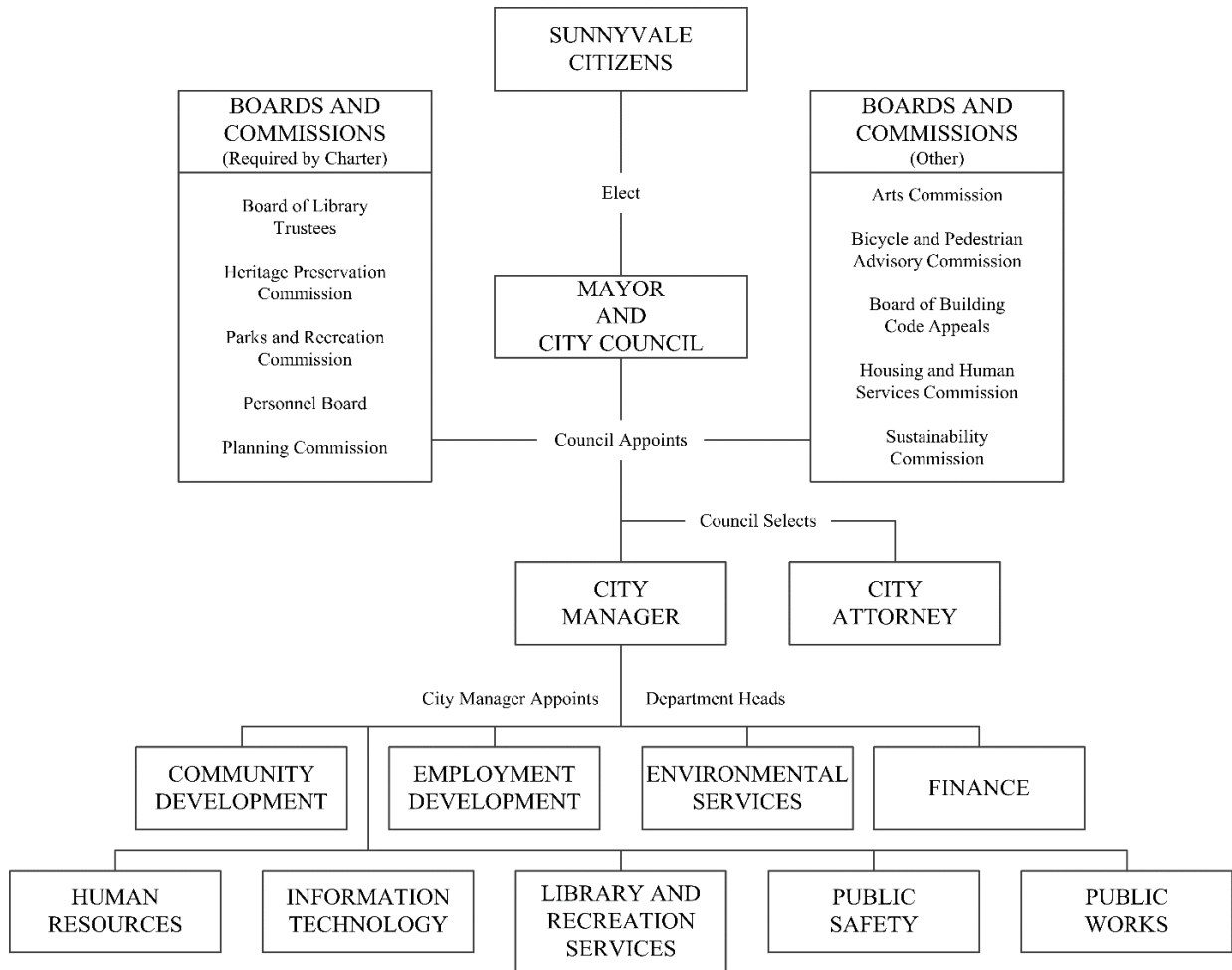
Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and thoughtful manner.

Respectfully submitted,



Dennis Jaw
Acting Director of Finance

Organization Chart
Fiscal Year Ended June 30, 2024



Directory of Officials

Fiscal Year Ended June 30, 2024

Larry Klein
Mayor

Murali Srinivasan
Vice-Mayor

Linda Sell
Councilmember

Russ Melton
Councilmember

Omar Din
Councilmember

Alysa Cisneros
Councilmember

Richard Mehlinger
Councilmember

Kent Steffens
City Manager

Sarah Johnson-Rios
Assistant City Manager

Chip Taylor
Director of Public Works

Kathleen Boutté Foster-Gee
Chief Information Officer

Trudi Ryan
Director of Community Development

Timothy J. Kirby
Director of Finance

Tina Murphy
Director of Human Resources

Rebecca Moon
City Attorney

Marlena Sessions
Director of Employment Development

Phan S. Ngo
Director of Public Safety

Ramana Chinnakotla
Director of Environmental Services

Michelle Perera
Director of Library & Recreation Services

Directory of Boards and Commissions
Fiscal Year Ended June 30, 2024

Arts Commission

Eskridge, Dawna
Filley, Kathryn
Kauffman, Molly
Lam, Winnie
Veith, Agnes

Human Relations Commission

Camacho, Claudia
Ramisetty, Venkata Siva
Rosenfeld, Esther
Syquia, Nenuca
Zapata, Maria Paulina

Bicycle and Pedestrian Advisory Commission

Beagle, Bryce
Bonne, Ulrich (Alex)
Davé, Arwen
Hafeman, Daniel
Liu Sharlene
Mehlman Elizabeth (Leia)
Oey, Timothy

Parks and Recreation Commission

Bremond, Daniel
Gattani, Prashant
Giri, Prakash
Kesting, David
Mason, Dona

Board of Library Trustees

Chang, Charlise
Hu, Carter
Jain, Rahul
Juttukonda, Meena
Wang, Sharlene

Personnel Board

Ketzel, Marc
Vickrey, Barry
Selan, Patti
Leshner, Richard

Heritage Preservation Commission

Caroompas, Steve
Garrett, William
Johnson, Sue-Ellen
Patel, Sarosh
Rajkumar, Ashmita
Sharma, Pamela
Sofaer, Aaron

Planning Commission

Davis, Galen
Howard, Daniel
Howe, John
Iglesias, Nathan
Pyne, Martin
Serrone, Michael
Shukla Neela

Housing and Human Services Commission

Davis, Jim
Duncan, Scott
Hiremath, Ken
Leshner, Richard
Riviere, Leesa
Selan, Patti
Vickrey, Barry
Vacant

Sustainability Commission

Kunz, Douglas
Makwana, Bobbykin
Nabhan, Jeffrey
Parenteau, Richard
Pistone, Kristina
Veitch, Tonya
Wickham, Kristel



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Sunnyvale
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrell

Executive Director/CEO



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sunnyvale, California (City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section listed in the Table of Contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Maze & Associates". The script is cursive and fluid, with the ampersand being particularly stylized.

Pleasant Hill, California
November 27, 2024

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Management's Discussion and Analysis (Unaudited)

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2024

As management of the City of Sunnyvale (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

A. FINANCIAL HIGHLIGHTS

- At June 30, 2024, the City's total net position was \$1,572.4 million, an increase of \$50.8 million or 3.3% over prior year. This increase was corresponding to the changes in the following financial statement elements: (1) total assets increased by \$58.5 million or 2.5% mostly due to net additions of capital assets of \$85.9 million or 7.0% and; (2) receivables increased by \$19.9 million or 12.6% from prior year; (3) Deposit and Investments Held by the City decreased by \$52.9 million or 5.7% from prior year; (4) total liabilities increased by \$12.1 million or 1.3% mainly due to net increases in other Liabilities (noncurrent) of \$2.5 million and net pension liability of \$22.1 million while other (current) liabilities and net OPEB liability decreased by \$5.0 million and \$7.5 million; and (5) deferred outflows and deferred inflows respectively decreased by \$5.5 million and \$9.9 million from prior year. Pension and OPEB-related items represented a predominant portion of both deferred outflows and deferred inflows of resources.
- The City's total revenues were \$553.4 million, which were \$5.8 million or 1.1% lower than prior year. Notable revenue decreases were seen in Charges for Services of \$48.3 million, and Capital Grants and Contributions of \$8.4 million decreased due to continued weak construction development activity and slow economic growth rate experienced during the current year in comparison to prior year. On a positive note, General Revenues including Property Taxes, Sales and Use Taxes, and Other Taxes were higher by \$9.0 million, \$2.3 million, and \$1.6 million, respectively. Investment earnings were \$42.3 million in current year due to higher rates of return. General Revenues increased primarily due to a resilient real estate market and continued upward trend in assessment values. Overall, the local economy remained stable and the revenue nearing pre-pandemic levels. The City's total expenses were \$502.7 million, an increase of \$61.5 million or 13.9% from prior year. Increases in expenses were primarily due to general increases to cost of providing services such as higher salaries, benefits, contractual services costs and pension expenses accrued at yearend.
- Total Governmental Activities program and general revenues were \$307.9 million, which was \$14.2 million or 4.4% lower than prior year. Charges for Services, and Capital Grants and Contributions were lower by \$48.6 million and \$9.7 million, respectively. These decreases were offset by increases in General tax revenues by \$12.9 million over the prior year due to a strong local economy and resilient consumer base. Operating Grants and Contributions increased by \$6.5 million over the prior year due to higher federal and state grants reimbursements received for roadway maintenance costs. Investment earnings increased by \$24.9 million and largely contributed to offset the revenue decreases.
- Total Business-type Activities program revenues were \$233.7 million, which is a decrease of \$1.4 million from prior year. This was primarily due to a decrease in Operating Grants and Contributions by \$2.9 million over prior year while Capital Grants and Contributions had an increase of \$1.3 million.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

A. FINANCIAL HIGHLIGHTS, Continued

- The City's Total Net Pension Liabilities increased by \$22.1 million or 5.0%, which was mainly due to higher covered payroll costs and the CalPERS's investments rate of return of 6.1% was below the target rate of return of 6.8% as of June 30, 2023. Net Other Post-Employment Benefit (OPEB) liabilities decreased by \$7.5 million, or 16.6%. The decrease in liabilities was mainly due to the appreciation of the of fair value of the Plans' investments in the prior year, This resulted in an increase to the Plan net position as of June 20, 2023, which is factored in calculating respective net pension and net OPEB liabilities reported as of June 30, 2024.
- The City's governmental funds reported a combined fund balance of \$665.9 million, a decrease of \$1.0 million or .1% from prior year's fund balance of \$664.9 million.
- The General Fund's fund balance was \$181.6 million, an increase of \$12.6 million or 7.4% from prior year. Property Taxes (\$9.0 million), Sales and Use Taxes (\$2.3 million), Other Taxes (\$1.6 million) were higher than prior year. Investment earnings (\$7.1 million) were significantly higher than the prior year, due to higher interest rates in the current year. Total expenditures (\$22.3 million) increased from prior year, primarily due to higher salaries, benefits, pension, and operational costs as well as providing funding for unhoused residents accommodations and financial assistance to a local agency. The General Fund made several transfers to other City Funds in the amount of \$19.5 million, mainly for subsidies of various activities, debt service payments, and capital projects during the current year.
- The City contributed \$4.8 million in a stand-alone trust account in its on-going efforts to address unfunded pension liabilities in the long-term. As of June 30, 2024, the account balance totaled \$21.2 million reported as Deposits and Investments Held with Fiscal Agent or Trustee in the Employee Payroll & Benefits Fund, an Internal Service Fund. In addition, the City contributed \$5.2 million to CalPERS to pay off selected individual balances of investment losses amortized over 17-20 years. The interest is accrued over the amortization period of those losses. Early payoff will help yield long term savings and aid in reducing future pension liabilities.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

B. OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves. In addition, reclassifications may have been made to some prior fiscal year balances to conform to the current fiscal year presentation formats.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net position presents financial information on all of the City's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of the costs through user fees and charges (*business-type activities*). The governmental activities of the City include planning and management, public safety, community development, transportation, socioeconomic, cultural, and environmental management. The business-type activities of the City include water supply and distribution, wastewater management, solid waste management, SMaRT Station, golf and tennis operations, and development-related fee revenue and expense tracking to ensure full cost recovery.

The government-wide financial statements include the City (primary government) and all legally separate entities (component units) for which the City is financially accountable. The Sunnyvale Financing Authority, though legally separate, is practically treated as a program of the City and included in the basic financial statements as an integral part of the primary government. Other component units are separately accounted for as fiduciary funds.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds—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 fund 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 City's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental fund statements with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 22 individual governmental funds belonging to the governmental fund types: General, Special Revenue, Debt Service, and Capital Project. Information is presented separately in the governmental fund financial statements for the following major governmental funds: General Fund, Housing Special Revenue Fund, Park Dedication Special Revenue Fund, City Projects Fund, Infrastructure Renovation and Replacement Fund, and Civic Center Capital Project Fund. Data from the other 15 nonmajor governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

Proprietary Funds - The City maintains two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Wastewater, Solid Waste, SMaRT Station, Development, and Golf and Tennis operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its General Services, Employee Benefits, and Risk Management operations. Because these internal services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. All enterprise funds are presented as major funds. The internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The basis of accounting used for fiduciary funds is same as what is used for proprietary funds.

The City reports three types of fiduciary funds. The Other Postemployment Benefit Trust Fund accounts for the City Retiree Healthcare Trust; the Private-Purpose Funds account for the Redevelopment Successor Agency (RSA) and the Community Facilities District (CFD) No. 3. Custodial Funds account for the Communities Facilities District (CFD) No. 1, the Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP), and NOVAworks Foundation.

Notes to the Basic Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information, including budgetary comparison schedules and more detailed information regarding the modified approach used for reporting the City's infrastructure capital assets.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Analysis of Net Position

Net position over time may serve as a useful indicator of the City's financial position. At the close of fiscal year 2023/24, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,572.4 million. This was an increase of \$50.8 million or 3.3% from prior year.

The following is the condensed statement of net position for the fiscal years ended June 30, 2024 and 2023.

Condensed Statement of Net Position
June 30, 2024 and 2023
(Amounts in Millions)

	Governmental Activities		Business- Type Activities		Total		%
	2024	2023	2024	2023	2024	2023	Change
Assets:							
Current and Other Assets	\$802.4	\$802.8	\$283.2	\$310.2	\$1,085.6	\$1,113.0	(2.5)%
Capital Assets, Net	891.8	860.5	425.7	371.1	1,317.5	1,231.6	7.0%
Total Assets	1,694.2	1,663.3	708.9	681.3	2,403.1	2,344.6	2.5%
Deferred Outflows of Resources	125.5	128.6	25.8	28.2	151.3	156.8	(3.5)%
Liabilities:							
Other Liabilities	51.5	59.0	43.3	40.8	94.8	99.8	(5.0)%
Noncurrent Liabilities	168.0	174.8	178.6	169.3	346.6	344.1	0.7 %
Net Pension Liability	400.5	381.3	67.9	65.0	468.4	446.3	5.0 %
Net OPEB Liability	31.1	36.8	6.7	8.5	37.8	45.3	(16.6)%
Total Liabilities	651.1	651.9	296.5	283.6	947.6	935.5	1.3 %
Deferred Inflows of Resources	25.4	33.0	9.0	11.3	34.4	44.3	(22.3)%
Net Position:							
Net Investments in Capital Assets	745.3	711.9	249.3	207.3	994.6	919.2	8.2%
Restricted	419.1	422.5	8.3	6.6	427.4	429.1	(0.4)%
Unrestricted	(21.2)	(27.4)	171.6	200.7	150.4	173.3	(13.2)%
Total Net Position	\$ 1,143.2	\$ 1,107.0	\$ 429.2	\$ 414.6	\$ 1,572.4	\$ 1,521.6	3.3%

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

At June 30, 2024, the largest portion of the City's net position (\$994.6 million or 63.3%) reflects the City's net investment in capital assets. This component consists of capital and subscription assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources attributable to the addition of those assets or related debt are also included. The City uses these capital assets (land, buildings, equipment, vehicles, and infrastructure) to provide services to residents. The amount of net investment in capital assets is reported as a distinct component of net position because this amount is not available for future spending. In addition, although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$427.4 million or 27.2%) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position is \$150.4 million, which includes a deficit of \$21.2 million in governmental activities and a surplus of \$171.6 million in business-type activities.

Under GASB Statements No. 68 and No. 75, the annual pension/OPEB expense reported in FY 2023/24 is the change in net pension/OPEB liability from the previous year (measured as of June 30, 2022) to the current year (measured as of June 30, 2023), along with changes in pension- and OPEB-related deferred outflows and inflows of resources.

Deferred outflows and deferred inflows of resources related to pension/OPEB are certain changes in the net pension/OPEB liability that are to be recognized in future pension/OPEB expense through amortization beginning in current year. Such items may include differences between expected and actual experience with regard to economic or demographic factors in the measurement of total pension/OPEB liability, changes of assumptions or other inputs about future economic or demographic factors, and the difference between projected and actual earnings on pension/OPEB plan investments.

Detailed disclosure as required by GASB Statements No. 68 and No. 75 can be found in Notes 16 and 17, respectively. The related trend information is presented in the required supplementary information section.

Discussion about other changes in the City's net position is provided in the following sections for governmental activities and business-type activities.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Analysis of Changes in Net Position

Condensed Statement of Changes in Net Position
Years Ended June 30, 2024 and 2023
(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total		%
	2024	2023	2024	2023	2024	2023	Change
Revenues:							
Program Revenues:							
Charges for Services	\$ 19.2	\$ 67.8	231.4	231.2	\$ 250.6	\$ 299.0	(16.2)%
Operating Grants and Contributions	22.5	16.0	1.0	3.9	23.5	19.9	18.1 %
Capital Grants and Contributions	21.8	31.5	1.3	-	23.1	31.5	(26.7)%
Total Program Revenues	63.5	115.3	233.7	235.1	297.2	350.4	(15.2)%
General Revenues:							
Property Taxes	129.1	120.1	-	-	129.1	120.1	7.5 %
Sales and Use Taxes	40.7	38.4	-	-	40.7	38.4	6.0 %
Other Taxes	44.0	42.4	-	-	44.0	42.4	3.8 %
Investment Earnings	30.5	5.6	11.8	2.2	42.3	7.8	442.3 %
Interest on Advances to Business-Type	0.1	0.3	-	-	0.1	0.3	-
Total General Revenues	244.4	206.8	11.8	2.2	256.2	209.0	22.6 %
Total Revenues	307.9	322.1	245.5	237.3	553.4	559.4	(1.1)%
Expenses:							
Planning and Management	27.7	23.3	-	-	27.7	23.3	18.9 %
Public Safety	131.6	115.0	-	-	131.6	115.0	14.4 %
Community Development	12.9	8.7	-	-	12.9	8.7	48.3 %
Public Works	58.2	48.3	-	-	58.2	48.3	20.5 %
Environmental Services	4.7	3.6	-	-	4.7	3.6	30.6 %
Library & Recreation Services	26.8	23.6	-	-	26.8	23.6	13.6 %
NOVA Workforce Services	10.4	8.8	-	-	10.4	8.8	18.2 %
Water Supply and Distribution	-	-	63.4	54.3	63.4	54.3	16.8 %
Wastewater Management	-	-	44.4	41.3	44.4	41.3	7.5 %
Solid Waste Management	-	-	61.4	57.4	61.4	57.4	7.0 %
SMaRT Station	-	-	29.9	27.7	29.9	27.7	7.9 %
Development	-	-	20.2	19.1	20.2	19.1	5.8 %
Golf and Tennis Operations	-	-	6.5	5.5	6.5	5.5	18.2 %
Interest on Long-term Debt	4.5	4.6	-	-	4.5	4.6	-
Total Expenses	276.8	235.9	225.8	205.3	502.6	441.2	13.9 %
Increase in Net Position before Transfers	31.1	86.2	19.7	32.0	50.8	118.2	(57.0)%
Transfers	5.1	2.2	(5.1)	(2.2)	-	-	-
Increase in Net Position	36.2	88.4	14.6	29.8	50.8	118.2	(57.0)%
Net Position - Beginning of Year	1,107.0	1,018.6	414.6	384.8	1,521.6	1,403.4	8.4 %
Net Position - Ending of Year	\$ 1,143.2	\$ 1,107.0	\$ 429.2	\$ 414.6	\$ 1,572.4	\$ 1,521.6	3.3 %

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities

Current year transactions resulted in an increase of \$36.2 million in net position from prior year. The key elements of this change were as follows:

Revenue Highlights:

- Total revenues before transfers were \$307.9 million, which was \$14.2 million lower than prior year. Program revenues and General tax revenue collections totaled \$63.5 million and \$213.8 million, respectively. General tax revenues increased by \$12.9 million from prior year while program revenues decreased by \$51.8 million. Charges for Services and Capital Grants and Contributions decreased by \$48.6 million and \$9.7 million, respectively. Operating Grants and Contributions and Investment earnings increased by \$6.5 million and \$24.9 million, contributing to offset these decreases.
- Charges for Services for governmental activities were lower by \$48.6 million from prior year primarily due to a significant drop in commercial, rental and housing construction projects. This affected park dedication fees, traffic mitigation fees, and developer contributions experienced significant decreases as large multiunit nonresidential construction projects did not start in current year.
- Operating Grants and Contributions were higher by \$ 6.5 million over the prior year, which was mainly due to state and local funding received for traffic safety and transportation improvements related projects, including state grants, local grants, and State gas tax allocations of \$1.6 million, \$2.6 million, and \$3.3 million, respectively.
- Capital Grants and Contributions decreased by \$9.7 million over prior year due to lower developer contributions for parks and transportation improvement and enhancement related projects. A decrease in construction activity was caused by a rapid rise in construction and material costs and high borrowing rates.
- Total property tax revenues were higher by \$9.0 million or 7.5% than prior year. The growth in this revenue source was due to continued increases in assessed value of commercial and residential real estate properties. This is the twelfth consecutive year of property tax revenue growth.
- Sales and use tax revenue was higher by \$2.3 million or 6.0% than prior year. The increase was due to higher costs of durable and non-durable goods, and cost of services as well as consumer spending continued to stay up with high employment rate.
- Other tax revenues increased by \$1.6 million or 3.8% from prior year. TOT tax revenue increased by \$1.9 million from prior year mainly due to higher hotel and short-term rental occupancy rates as the hospitality industry continues to recover. Construction and real property transfer transactions were lower by \$7.7 million due to slow down in construction activity and high mortgage rates, resulting in fewer real estate property exchanges in current year. Utilities Users Taxes slightly increased by \$.4 million mainly due to elevated energy (electric and gas) costs.

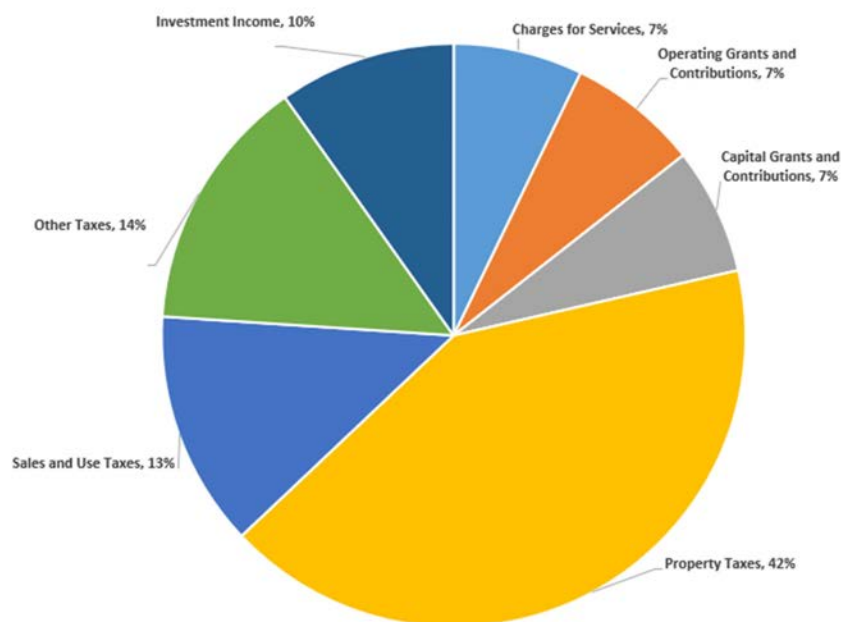
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Details are shown in the table below (amounts in millions):

	Total Other Tax Revenues		% Change
	2024	2023	2024-2023
Transient Occupancy Taxes (TOT)	\$ 18.9	\$ 17.0	11.2 %
Utility Users Taxes	10.8	10.4	3.8 %
Construction & Real Property Transfers	4.6	5.3	(13.2)%
Franchise Fees (based on gross receipts)	7.8	7.7	1.3 %
Business License Taxes	1.9	2.0	(5.0)%
Total	<u>\$ 44.0</u>	<u>\$ 42.4</u>	3.8 %

Governmental Activities
Revenues by Source
June 30, 2024



Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Expense Highlights

Functional expenses for the years ended June 30, 2024 and 2023 were as follows (amounts in millions):

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2024	2023	2024-2023	2024	2023	2024-2023
Planning and Management	\$ 27.7	\$ 23.3	18.9 %	\$ 26.0	\$ 21.6	20.4 %
Public Safety	131.6	115.0	14.4 %	126.2	109.7	15.0 %
Community Development	12.9	8.7	48.3 %	4.9	(46.7)	(110.5)%
Public Works	58.2	48.3	20.5 %	27.5	11.0	150.0 %
Environmental Services	4.7	3.6	30.6 %	4.7	3.5	34.3 %
Library & Recreation Services	26.8	23.6	13.6 %	19.6	17.2	14.0 %
NOVA Workforce Services	10.4	8.8	18.2 %	(0.1)	(0.3)	(66.7)%
Total	<u>\$ 272.3</u>	<u>\$ 231.3</u>	17.7 %	<u>\$ 208.8</u>	<u>\$ 116.0</u>	80.0 %

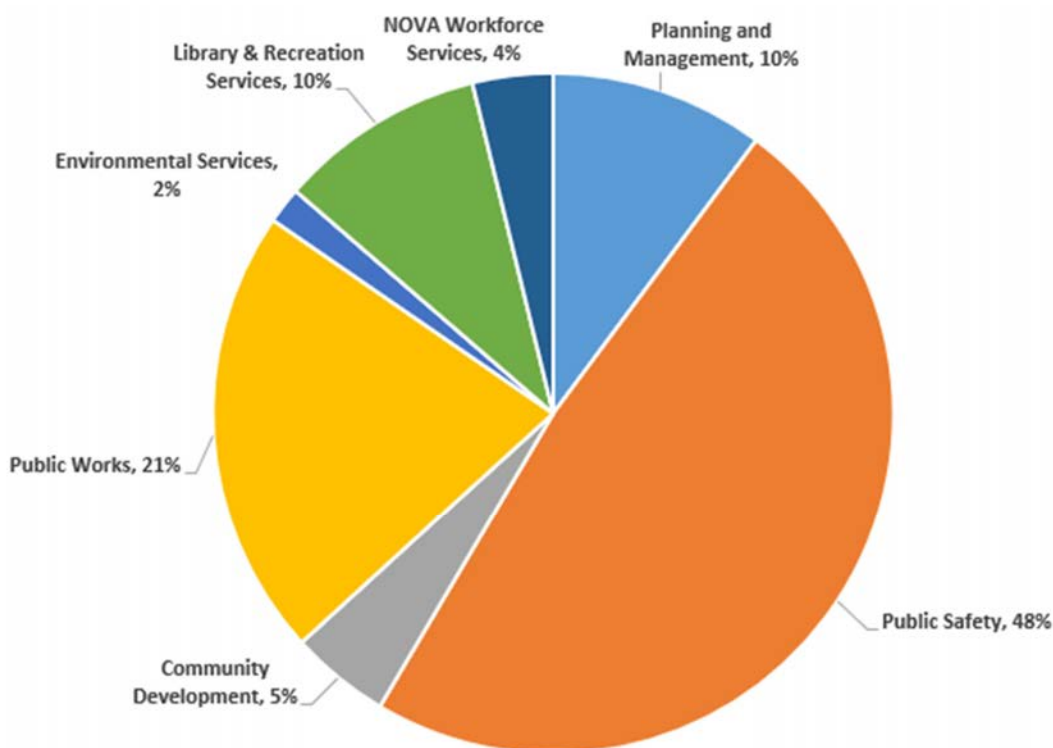
- The functional expenses presented in the preceding table consist of depreciation, uncapitalized operating expenses and capital outlay, the allocated effect of consolidating internal service fund activities, the recognition of the changes in net pension liability and net OPEB liability and the amortization of pension- and OPEB-related deferred outflows and inflows of resources.
- Expense for governmental activities (excluding interest on long-term debt) was \$272.3 million, which was \$41.0 million or 17.7% higher than prior year. The increase was mainly due to higher operational costs across all departments caused by higher negotiated salaries, benefits, and elevated costs of providing services in an inflationary environment.
- Planning and Management expense increased by \$4.4 million or 18.9% from prior year, mainly due to higher salaries and benefits costs.
- Public Safety costs were higher by \$16.6 million or 14.4% mainly due to overall increases in salaries, benefits, and pension costs for the year.
- Public Works (PW) costs were higher by \$9.9 million or 20.5% mainly due to overall increases in salaries, benefits, and depreciation expense for the year. The PW depreciation expense increased as this was the first year new City Hall being operational and was included in depreciable assets.
- Community Development expenses were higher by \$4.2 million from prior year because \$4.0 million was contributed to help Sunnyvale Community Services (SCS) pay off an outstanding loan with high interest rate. SCS is the only non-profit agency in Sunnyvale, which administers food aid and homelessness hunger prevention programs and provides emergency financial assistance, including help with rent, rental deposits, utility bills and pass-through direct assistance to the local community.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

- NOVA Workforce Services expenses were higher by \$1.6 million or 18.2% from prior year, primarily due to incurrence of increased pass-through grant expenses and benefits expenses in current year.

**Governmental Activities
Expenses by Department
June 30, 2024**



Additional discussion on the City's governmental activities can be found in the next section that analyzes governmental fund's financial statements.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business Type Activities

		Program Revenues		% Change	Program Expenses		% Change
		(amounts in millions)			(amounts in millions)		
		2024	2023	2024-2023	2024	2023	2024-2023
Business-Type Activities:							
Water Supply & Distribution		\$ 60.6	\$ 60.1	0.8 %	\$ 63.4	\$ 54.3	16.8 %
Wastewater Management		56.6	61.4	(7.8)%	44.4	41.3	7.5 %
Solid Waste Management		62.5	57.5	8.7 %	61.4	57.4	7.0 %
SMaRT Station		31.6	29.0	9.0 %	29.9	27.7	7.9 %
Development		17.1	22.1	(22.6)%	20.2	19.1	5.8 %
Golf and Tennis Operations		5.3	5.0	6.0 %	6.5	5.5	18.2 %
Total	Total	\$ 233.7	\$ 235.1	(0.6)%	\$ 225.8	\$ 205.3	10.0 %

Revenue Highlights:

- Total program revenues in business-type activities decreased by \$1.4 million or .6% from prior year. The Development operating revenues decreased by \$5.0 million primarily due to a slowdown in large sized multiple-unit housing and commercial construction projects in comparison to the prior year. The reduction in development also contributed to a decrease in water and sewer connections fees .
- Water, Wastewater, and Solid Waste services rates increased by 4%, 9%, and 6% respectively in FY 2023/24. Water and Wastewater rate increases were necessary to pay for increased prices of the wholesale water, rising costs of operations, regulatory changes, and to cover infrastructure upgrades improvements and replacements. Solid waste rates increased mainly to meet state regulations (Zero Waste Initiatives) for recycling.
- Water Supply & Distribution revenue had a slight increase of \$.5 million or .8% due to higher water consumption over the prior year. However, Wastewater Management revenue was lower by \$4.8 million, or 7.8%, which was primarily due to the aforementioned decrease in sewer connection fees.
- Solid Waste Management revenue was higher by \$5.0 million or 8.7% than prior year due to service rate increases. SMaRT Station revenue also increased by \$2.6 million or 9.0% mainly due to a state grant of \$1.0 million to help the City comply with continued mandated recycling requirements.
- Development revenue had a decrease of \$5.0 million or 22.6% in comparison to prior year. Construction activity substantially slowed down in current year. Consequently, building permits and permit application fees collections were lower than the prior year.

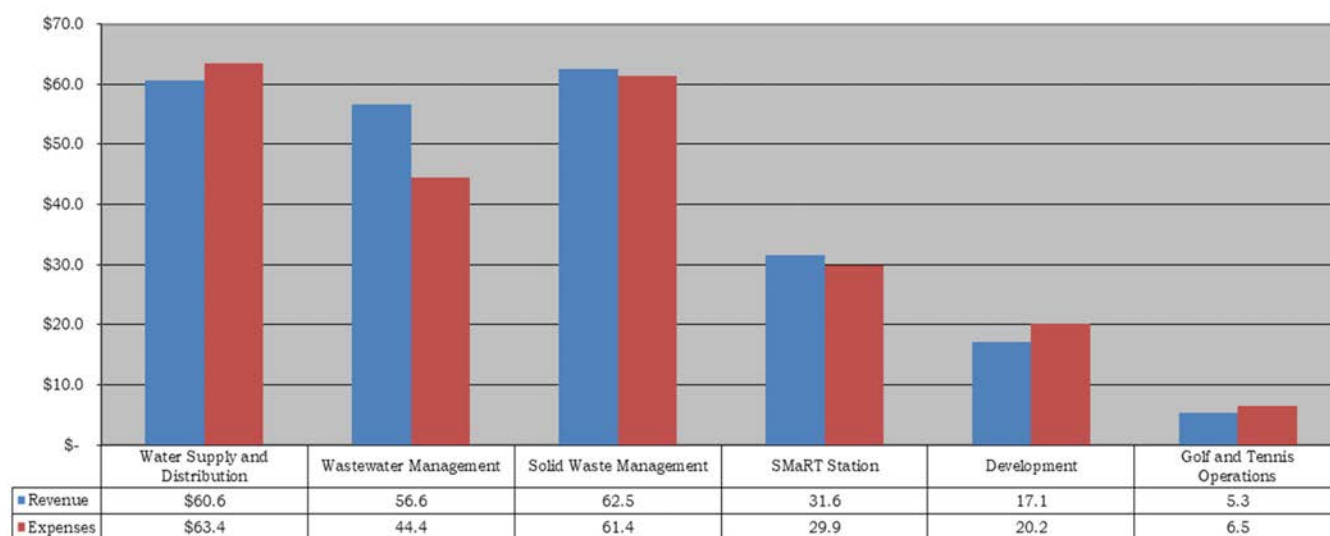
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Expense Highlights:

- Total business-type activities expenses increased by \$20.5 million or 10.0% over prior year. For these Funds, total personnel services were higher by \$4.0 million, and net increases to contractual services were \$8.4 million over the prior year. Personnel services for all programs were higher mainly due to increased salaries, benefits, and pension expenses. Solid Waste and SMaRT Station significantly contributed to Contractual services increases mainly due to higher hauling, transporting, disposing solid waste, and dropping recycled materials costs. These increases were offset by lower contractual services of \$1.3 million in Wastewater and Development programs due to lower external consulting costs.
- Wastewater Management had higher personnel services and material and supplies expenses of \$1.4 million and \$.5 million in comparison to prior year due to full staffing, leading to increased salaries, benefit and pension expenses for the year. Solid Waste Management experienced a net increase of \$4.1 million program service costs. This increase was mainly to increases in hauling, transferring, and disposing solid waste, and higher state regulation compliance costs to increase organic recycling. In addition, current contract vendor agreements included higher pricing structure for solid waste services and SMaRT Station operations.

Business-Type Activities
Program Revenues and Expenses (amounts in millions)
June 30, 2024



Further discussion on the City's enterprise activities can be found in the following section (Fund Financial Statement Analysis).

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

D. FUND FINANCIAL STATEMENT ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or others that have been delegated authority to assign resources for use for particular purposes by the City Council.

At June 30, 2024, the City's governmental funds reported a combined fund balance of \$665.9 million, an increase of \$1.0 million or .1% from prior year. Approximately \$95.1 million or 14.3% of the combined fund balance constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either non-spendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$4.7 million), of which legally required to be maintained intact (\$1.6 million); 2) restricted for particular purposes (\$397.9 million); 3) committed for particular purposes (\$80.4 million); or 4) assigned for particular purposes (\$87.8 million).

Total revenues decreased by \$10.7 million or 3.4% from prior year. A net decrease to Service fees was \$51.3 million from prior year. Park Dedication service fees, traffic impact and mitigation service fees decreased by \$47.3 million and \$3.9 million mainly due to continued slowdown in commercial and residential construction development projects in the current year. These decreases were offset by increases in investment earnings (\$22.2 million) and intergovernmental revenues (\$5.7 million) Additionally, Property Taxes (\$9.0 million), Sales and Use Taxes (\$2.3 million) Other Taxes (\$1.6 million) were higher from prior year.

Total governmental funds expenditures increased by \$25.8 million from prior year. A net increase to the departmental expenditures was \$29.0 million mainly due to higher salaries and benefits costs. Public Safety had the largest increase of \$14.2 million due to higher salary, benefits, overtime, on-the-job training and recruitment costs. Community Development accounts for affordable housing and community improvement, and community related expenditures increased by \$4.6 million as the City provided \$4.0 million in financial assistance to the SCS, a local non-profit agency, which administers homelessness prevention and food distribution programs in Sunnyvale. Public Works expenditures of \$3.8 million increased mainly due to higher salaries, benefits, utilities and facilities repairs and maintenance costs.

The City is reporting the following funds as major funds: the General Fund, the Housing Special Revenue Fund, the Park Dedication Special Revenue Fund, the City Projects Capital Projects Fund, the Infrastructure Renovation and Replacement Capital Projects Fund, and the Civic Center Capital Project Fund.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued**General Fund**

The General Fund is the chief operating fund of the City. At the end of this fiscal year, total fund balance was \$181.6 million, of which \$95.3 million or 52.5% was unassigned. Unassigned fund balance represented 42.7% and total fund balance represented 81.3% of total General Fund expenditures, showing significant liquidity in the

Fund. This balance is largely held for reserves or budgeted for future demands and under or unfunded needs within the 20-year plan.

The General Fund's fund balance increased by \$12.6 million over the course of the fiscal year. Revenues exceeded expenditures by \$19.6 million. Transfers to other funds were \$19.5 million, compared to transfers of \$12.5 million received from other funds. Transfer to other funds were mainly to provide funding for capital projects, debt service payments, and operational subsidies.

Total General Fund revenues were \$242.8 million, which was an increase of \$20.4 million over prior year. Property Taxes, Sales and Use Taxes, and Other Taxes increased by \$9.0 million, \$2.3 million, and \$1.6 million, respectively. Higher assessment values of real estate properties contributed to the increase in Property Taxes collections. Sales Tax and Use taxes allocations increased as a direct correlation to inflationary pressures. Other Taxes were higher mainly due to large increase in transient occupancy tax as corporate/business travel activity remained strong in current year. As interest rates remained high throughout the year, investment earnings increased by \$7.1 million in comparison to prior year. Refer to the revenue highlights in the preceding section about government-wide analysis for additional details.

Total General Fund expenditures were \$223.2 million, which was \$22.3 million or 11.1% higher than prior year. Public Safety Services had the highest expenditure increase of \$14.3 million primarily due to higher pay rates and overtime incurred to backfill vacant positions due to vacancies.

Planning & Management expenditures were higher by \$2.5 million, which was mainly due to higher salaries and benefits costs. Community Development expenditures (net) increased by \$4.1 million as the City provided \$4.0 million financial assistance to Sunnyvale Community Services to pay off their mortgage loan and \$.4 million was spent on providing temporary housing to unhoused individuals while decreased construction activities helped offset the increase. Public Works expenditures rose by \$3.7 million from prior year due to salary, benefits, and high utility costs. Library & Recreation Services increased by \$2.4 million from prior year primarily due to increased salaries and benefits costs as well as cost increases associated with acquiring library materials. These increases were offset by a decrease in Capital outlay expenditures by \$4.1 million as the Civic Center Modernization Project Phase I is closed to completion. Total transfers out were \$19.5 million, of which \$6.9 million were transferred to Internal Service Funds that included \$4.2 million for Financials and HR/Payroll ERP stabilization and support and \$2.7 million for capital project administration support. The rest of the transfers out were \$3.2 million to Infrastructure Renovation and Replacement Fund for city facilities improvements, \$7.3 million to the Civic Center Lease Revenue Bonds Fund for debt service payments, and \$2.1 million to the Golf Fund as an operational subsidy.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued**Housing Special Revenue Fund**

The Housing Special Revenue Fund is used to account for housing mitigation fees and Below-Market-Rate Housing (BMR) fees, fines, and activity of loans to qualified borrowers. Expenditures are for operating activities related to developing affordable housing and managing the City's BMR program, and for capital and special projects that produce new and affordable housing. The Housing Special Revenue fund balance decreased by \$3.2 million in FY 2023/24. Total revenue and total expenditures were \$4.5 million and \$8.4 million, respectively.

Revenue increased by \$2.2 million from prior year, which was mainly due to higher interest earnings. The housing mitigation fees are paid by developers of new employment-generating projects such as office, industrial, hotel, and retail space and new market-rate rental housing projects. The Fund had Capital outlay expenditures of \$7.3 million for a property purchase to construct affordable housing units in the future. The Fund received a transfer of \$1.0 million from the Low and Moderate Income Housing Asset Fund for pre-development costs of affordable housing sites.

Receivables in the Fund increased by \$14.1 million from prior year as the Fund loaned \$12.5 million to a non-profit developer to develop and construct an affordable rental housing in Sunnyvale. The loan is part of a large financing plan of totaling to \$141.6 million, funded by several local agencies.

Park Dedication Special Revenue Fund

The Park Dedication Fund accounts for funds that developers contribute towards the acquisition, construction, or renovation of neighborhood parks. Fund balance decreased by \$8.7 million in FY 2023/24. Total revenue was \$5.3 million, a decrease of \$42.8 million from prior year. A sharp decline in revenue was primarily due to a significant drop in residential housing related construction projects caused by higher mortgage rates and higher building materials and construction costs. The Fund had capital outlay expenditures of \$12.7 million, including \$9.7 million in parks-related construction costs for the Civic Center Modernization Project, \$2.9 million for parks playgrounds equipment replacement and \$.4 million Sunnyvale Community Center grounds renovation and enhancement. Transfers to other City funds for park-related projects amounted to \$1.3 million, which are to cover expenditures of several projects associated with renovation, rehabilitation, and improvements of the City parks facilities.

Park in-lieu fees must be committed within a five-year period. A portion of this revenue source is subject to the Fee Mitigation Act (AB 1600), which requires specific review and findings every five years. The City conforms to these requirements.

City Projects Capital Projects Fund

The City Projects Capital Projects Fund is used to account for financial resources that are restricted to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Major funding sources include grants and development fees.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

The City Projects Capital Project Fund balance increased by \$2.6 million in FY 2023/24. Investment earnings in the fund increased by \$3.8 million due to higher interest rates. Service fee revenue decreased by \$3.9 million mainly from lower collection of transportation impact fees and developer contributions, which were mainly due to slowdown in new development projects. The Fund had capital outlay expenditures of \$13.6 million, which included traffic signal upgrades of \$2.0 million, sidewalks and bike lanes improvements of \$4.1 million, and various transportation improvements and traffic safety projects totaling over \$7.5 million.

Infrastructure Renovation and Replacement Capital Projects Fund

The Infrastructure Renovation and Replacement Capital Projects Fund accounts for projects related to the City's Long-Range Infrastructure Plan for the renovation and replacement of existing general capital assets. Fund balance decreased by \$5.3 million when compared to prior year. Capital outlay expenditures were \$13.6 million with a net increase of \$8.1 million from prior year. Capital outlay expenditure increased mainly due to the Civic Center Modernization project in the amount of \$6.9 million and a purchase of real estate property for \$4.4 million, to use as a general purpose city asset. The Fund received transfers of \$3.2 million for future replacement and renovation of City facilities. The fund balance is assigned for various planned infrastructure projects per the City's 20-year Financial Plan.

Civic Center Capital Project Fund

The Civic Center Capital Project fund accounts for 2020 lease revenue bond proceeds being spent on the Civic Center Modernization Project. At the beginning of FY 2023/24, remaining bond proceeds were \$1.0 million, of which \$.8 million was used to pay for Capital Outlay expenditures for the Civic Center and \$.2 million transferred out to 2020 Lease Revenue Bonds Debt Service Fund for debt service payment. All of the bond proceeds and interest earnings had been spent for the project and the fund balance was zero at the fiscal year end.

Proprietary Funds

The fund financial statements for the City's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail. The major factors concerning these funds are addressed in the government-wide financial analysis of business-type activities.

Water Supply and Distribution Enterprise Fund

The Water Supply and Distribution Enterprise Fund's net position increased by \$2.2 million while Operating revenues were lower than operating expenses by \$1.8 million. Net non-operating revenues of \$4.0 million, consisted of investment earnings, primarily contributed to the Fund's net position increase. The investment earnings increased by \$3.8 million mainly due to higher interest rates. Charges for services increased by \$2.0 million or 3.5%, resulting from higher water consumption year over year basis. Operating expenses increased by \$8.8 million over prior year, of which Water Purchases for Resale amounted to \$7.1 million. Wholesale water providers increased rates ranging from 11-15% in current year and water consumption rose by 6% from prior year, causing higher wholesale water costs than prior year. Personnel costs, contractual services, and equipment, building rental costs and other operating expenses were higher by \$1.3 million from prior year, mainly due to full staffing and higher cost of goods and services.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued**Wastewater Management Enterprise Fund**

The Wastewater Management Enterprise Fund's net position increased by \$14.6 million from prior year as operating revenues exceeded operating expenses by \$15.9 million. However, operating revenue was lower by \$3.6 million mainly due to a decrease in large multi-unit housing and commercial building construction projects, resulting in significant reduction of new sewer connections. Operating expenses were higher by \$2.2 million than prior year. Personnel services were higher by \$1.4 million mainly due to increases in salary, benefits, and pension expenses for the year. Operating expense including material and supplies, utilities, and equipment building rental costs were higher by \$1.4 million. These increases were mainly due to inflationary pressures. The fund's net income before contributions and transfers was \$16.5 million. Non-cash capital contributions were \$.4 million while \$2.4 million was transferred out for facility and project support. Capital improvements to the City's aging wastewater treatment plant and collection system were funded by increased service fee rate revenues and low-cost federal and state loan programs.

Solid Waste Management Enterprise Fund

The Solid Waste Management Enterprise Fund's net position increased by \$.6 million over prior year. Service revenue increased by \$5.0 million from prior year mainly due to increases in fee rates, which were necessary to recover operating costs of providing services. Operating expenses were higher by \$4.1 million than prior year, which was mainly caused by higher contractual service costs and an increased share of SMaRT Station operating expenses. Contractual services mainly consisted of costs of hauling and disposing of solid waste were higher due to new services implemented to comply with State mandates for organic recycling, thereby increasing disposal and processing costs. The Fund's net income before contributions and transfers was \$2.0 million, which was higher by \$1.7 million from prior year. At year end, landfill liability was \$7.7 million.

SMaRT Station Enterprise Fund

The SMaRT Station Enterprise Fund's net position increased by \$1.1 million from prior year. The operating revenues and expenses were respectively higher by \$2.6 million and \$2.1 million than prior year. Contractual costs were higher by \$2.0 million from prior year primarily due to annual increases integrated in operator services and disposal costs agreements, which grow more quickly in the short-term as new services are being rolled out to meet state mandated organic waste recycling requirements.

Development Enterprise Fund

The Development Enterprise Fund's net position at the fiscal year end was \$44.1 million, a decrease of \$2.0 million from prior year. The fund's operating revenues and expenses were \$17.1 million and \$19.4 million, respectively. Operating revenues decreased by \$5.0 million, and the operating expenses were higher by \$.2 million from prior year. Operating revenues were lower due to a continued slowdown in development activities as compared to prior years when a large number of commercial development and multiple dwelling units projects resumed after the Pandemic. Personnel services contributed to the expense increases by \$1.2 million mainly due to higher salaries and pension expenses for the year. Contractual services and material and supplies expenses decreased by \$1.1 million due to the reduction in construction activity in business sector, thereby reducing the need for procuring external consulting services, which were necessary to keep pace with the development activity in prior years.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Operating expenses involve the administration and regulation of development-related activity, which is comprised of building safety and planning, fire prevention and hazardous material service, transportation and traffic services, and land development engineering services across the City departments. These are predominantly fixed costs to be recovered over the long term to average out the high- and low-level activity years.

Golf and Tennis Operations Enterprise Fund

The Golf and Tennis Enterprise Fund's net position increased by \$.7 million from prior year. The fund's net loss before transfers was \$1.1 million. The fund's operating expense increased by \$.8 million from prior year which was mainly due to higher operational costs, in particular staffing, contractual, and supplies costs. The operating revenue was slightly higher than prior year. Transfers of \$2.1 million from the General Fund supplemented to fund the operational expenses.

Fiduciary Funds

Listed below are significant financial transactions reported during this fiscal year:

- The Other Postemployment Benefit Trust Fund maintains fiduciary funds for the assets of the City's Retiree Healthcare Plan, which had an increase of \$21.6 million in net position. The City made a direct contribution of \$3.2 million to the Plan. The net appreciation of value of investments was \$14.5 million due to increases in national and global markets.
- The Private-Purpose Trust Funds primarily account for the Redevelopment Successor Agency (RSA), which had a deficit net position of \$13.6 million as of June 30, 2024, compared with a deficit position of \$13.0 million at June 30, 2023.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule for the General Fund is presented as the Required Supplementary Information following the Notes to the Basic Financial Statements.

Over the course of the year, the City Council revised the City budget several times. These budget amendments fall into two categories:

- Amendments to existing appropriations to reflect Council-approved changes to operating programs or capital projects.
- New appropriations approved by City Council.

Final appropriations, including transfers to other funds, for FY 2023/24 were \$297.0 million, an increase of \$56.6 million from the original appropriations of \$240.4 million when prior year carryover is included. This increase reflects net changes to appropriations associated with adjustments during the FY 2024/25 budget development process, appropriation modifications, and carryovers.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

E. GENERAL FUND BUDGETARY HIGHLIGHTS, Continued

Variations between the original and final amended appropriations are explained in the Required Supplementary Information. Actual charges to appropriations (outflows) for the current year were \$15.8 million over the original budget and \$40.7 million under the final budget. Actual cost savings in operating programs were \$3.2 million and project and equipment appropriations (including transfers) contributed \$41.8 million to the positive variance.

Resources (inflows) available for appropriations were \$18.4 million over the original budget when proceeds of property sale, transfers, and interfund revenues are excluded. Actual revenue was \$5.8 million over the final budgeted amounts. During the FY 2024/25 budget process, revenues were analyzed and amended to reflect the actual trends based upon mid-year review of revenues collections, State remittances, information from consultants. Of significance was receipts for Property Taxes and Sales Taxes. Both of these sources showed strong returns when compared against the original budget – Property Taxes exceeded its original budget by \$11.4 million and Sales and Use Taxes by \$6.4 million.

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS**Capital Assets**

Capital assets including infrastructure are assets that are used in the performance of the City's functions. At June 30, 2024, the City reported capital assets with carrying value of \$891.8 million under governmental activities and \$425.7 million under business-type activities.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for its Street Pavement System under infrastructure assets. According to GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system which requires that the City (1) perform an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate the annual amounts to maintain and preserve the asset at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City policy is to achieve a Pavement Condition Index (PCI) rating of 75 or over for all streets. This rating represents a "Good" or better condition based on a regional measurement scale. The average rating for City's streets, based on the most recent study conducted during FY 2023/24, was 73.8. The City's streets are constantly deteriorating as a result of the following four factors: (1) traffic use of the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to reduce the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City's budget for street maintenance (pavement preventive maintenance and corrective repairs) for the fiscal year ended June 30, 2024 as \$38.1 million. Actual expenditures were \$13.6 million. Large pavement rehabilitation projects, including work done on Wolfe Road and other large arterial streets, are planned and will substantially improve the rating in the coming fiscal year.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

The following is a summary of the City's capital assets as of June 30, 2024 (amounts in millions).

Description	Cost	Accumulated Depreciation & Amortization	Carrying Value
Capital Assets - Governmental Activities:			
Land	\$ 206.0	\$ -	\$ 206.0
Buildings and Structures	273.8	68.0	205.8
Improvements Other than Buildings	279.2	82.3	196.9
Machinery and Equipment	78.7	40.2	38.5
Construction in Progress	20.5	-	20.5
Infrastructure:			
Nondepreciable	182.4	-	182.4
Depreciable	113.4	75.6	37.8
Total	\$ 1,154.0	\$ 266.1	\$ 887.9
Amortized Leased Assets:			
Right to use Leased Asset	6.8	2.9	3.9
	\$ 1,160.8	\$ 269.0	\$ 891.8
Capital Assets - Business-Type Activities:			
Land	\$ 16.5	\$ -	\$ 16.5
Buildings and Structures	23.4	23.0	0.4
Improvements Other than Buildings	48.7	43.5	5.2
Machinery and Equipment	8.6	7.0	1.6
Construction in Progress	290.4	-	290.4
Infrastructure - Depreciable	234.9	123.8	111.1
Total	\$ 622.5	\$ 197.3	\$ 425.2
Amortized Leased Assets:			
Right to use Leased Asset	0.9	0.4	0.5
	\$ 623.4	\$ 197.7	\$ 425.7

During the year, the City recorded capital contributions from external sources. Developers contributed capital assets (park and park improvements, streets, easements, traffic signals, and lights) with estimated acquisition value of \$3.5 million to governmental activities. Developers also contributed infrastructure assets of a combined \$1.3 million to business-type activities.

There are several capital projects which were still in progress at year end. Amounts capitalized for major capital projects in progress for governmental activities were \$13.2 million, including \$2.6 million for Sunnyvale Safe Routes to School Improvements, \$2.0 million for Sunnyvale Traffic Signal Updates, \$2.1 million for East Sunnyvale Area Transportation Improvements, \$1.8 million for Parks Playground Equipment Replacements, and \$4.7 million for tens of small size parks infrastructure improvements and transportation improvements.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

At the end of FY 2023/24, \$94.5 million was transferred from construction in progress to building and structures after the construction of new Civic Center (\$48.3 million), Fair Oaks Avenue Overhead Bridge Repair (\$27.5 million), HR/Payroll System Implementation Costs (\$16.3 million), and various streets and roads improvement projects (\$2.4 million). For business-type activities, the Wastewater management system included most of the additions to work in progress during FY 2023/24 such as \$33.6 million for secondary treatment improvements Stage I at the Water Pollution Control Plant (WPCP), \$13.8 million for rehabilitation of the existing WPCP, and \$5.7 million for program management and construction management costs. In addition, SMaRT Station had work in progress costs of \$4.0 million for capital improvements made to the existing facility to prepare for large scale modernization and enhancements in future years. Note 15 presents schedules of outstanding construction commitments for the construction in progress, which also include construction contracts signed as of June 30, 2024. It should be noted that project costs capitalized often include other items such as consultant fees which are outside of the construction commitments schedules.

Additional information on capital assets can be found in Note 11 to the Basic Financial Statements.

Long-Term Obligations

As of June 30, 2024, the City had outstanding bonded debt obligations as listed below. Not included in the following table are the Community Facilities District No.1 Special Tax Bonds, backed by property tax levies against property owners, and the Housing Revenue Bonds, which are secured by a deed of trust on the property. The City is not obligated in any manner for those bonds. Each of the City's other bonds are backed by specific revenue sources.

The City's outstanding bonded debt obligations at the end of fiscal years 2024 and 2023 are presented in the schedule below (amounts in millions).

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenue Bonds	146.1	149.2	31.8	33.7	177.9	182.9
Note Payable	-	-	144.1	129.3	144.1	129.3
Total Bonded Debt	\$ 146.1	\$ 149.2	\$ 175.9	\$ 163.0	\$ 322.0	\$ 312.2

Additional information on long-term debt and liabilities are in Note 12 to the Basic Financial Statements.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fiscal year 2024/25 Adopted Budget was adopted on June 18, 2024, focusing on the City's operations by allocating resources in our eleven operating departments to meet their service level needs. Over the past few decades, the City has held total staffing flat to control costs while the City population grown over 15% over the same period. As the financial outlook remains stable, with the majority of revenues rebounding to the pre-pandemic levels, the FY 2024/25 Adopted Budget took an incremental step toward right sizing the city operations with the growing and evolving needs of Sunnyvale community, aiming to balance short-term demands and long-term fiscal sustainability. This Adopted budget included an addition of 25.5 full-time equivalent (FTE) positions across the organization (a 2% increase in total staffing levels), which are strategically aligned with Council's policy priorities.

The following are some highlights of the staffing increases:

- Three public safety officers were for department wide services and a permit technician was to provide administrative support for fire protection.
- Nine positions with either added, or term-limited reclassified to permanent to implement state mandates, support climate action plan implementation 2028, and manage recycled water, capital planning and infrastructure improvement projects.
- Four positions were added to Department of Public Works to provide additional support for several traffic related projects and support climate action plan transportation related moves.
- Three positions to support Information Technology department services, including to support expansion of the City network system and systems infrastructure, support public safety radios and other mobile technology, and general administrative support.
- Three positions were added to Finance Department to support increased compliance, grant reporting, and special projects; conduct water, sewer, solid waste billing audits; and to improve procurement cycle times.
- Two positions were added to the Office of the City Manager to align resources with public information demands, media responses, marketing, and community engagement.

The foundation to the City's financial planning continues to be short-term action planning and performance-based long-term planning while ensuring all City Charter and Policy requirements are met. The City's financial outlook remains positive with the majority of revenues rebounding to pre-pandemic levels. Notably, key revenues such as property taxes and sales taxes continue to exceed projections, creating a stable fiscal foundation upon which to build up service delivery. However, the City continues to project revenues conservatively as the shift to hybrid and remote work continues to put a strain on commercial property valuation. On the expenditure side, the City is facing persistent challenges stemming from inflationary pressures, which have driven up costs for not only goods, but services as well, with impacts ranging from vehicle parts to liability insurance.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

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

As the City alternates the operating and project budget each year, FY 2024-25 Adopted Budget included minor updates to the Projects. The project investments updates in this Adopted Budget include:

- Reserving grant funds of \$3.0 million and City's local match of \$7.0 million resources to provide partial funding to the Bernardo Avenue Caltrain- Under-crossing project, in conjunction with the City of Mountain View. Additional grant funding will be brought forward when agreements are in place.
- Updating the SMaRT Station Rebuild cost plan with additional \$3.2 million to account for inflation and final design changes, raising the cost estimate to \$34 million.
- Adding \$3.3 million for recruitment, selection, and training of 15 Public Safety Officers-in-training.
- Adding \$25 million for Caltrain Grade Separation at Mary Avenue project to an estimated total cost of \$325.0 million. Currently, the project has appropriations of \$131.3 million for design and construction, which is mainly to be secured through Measure B funds and the City's local match using Traffic Impact Fees. Additional funding is necessary to complete the project.

This Budget also supports Council priorities that are updated annually and guide the development of the budget. Some key updates include:

- Implementation of Climate Action Game Plan 2028:
 - o Three positions across three departments for implementation.
 - o Significant update to fleet vehicle replacement schedule to include electric vehicles as replacements where practical.
- Continuing funding for the Downtown Association to support special events, for improvements to the Murphy Avenue Pedestrian Mall and improvements to bike and pedestrian access at Caltrain Station, and for entryway banner replacements to enhance appearance and messaging.
- Set aside of an additional \$500,000 in anticipation of costs for a service provider contract to continue the program to provide case management services and shelter beds to support the unhoused.
- Continuing funding to further the City's equity, access, and inclusion efforts.

Ongoing strategic planning and commitment to proactively funding pension requirements against competing priorities requires fiscal discipline but has shown positive results. For managing growth of pension costs on a long-term basis, the City has taken several actions, including implementing reduced benefit second- and third-tier pension plans for new employees, negotiating labor agreements with sustainable salary increases, identifying compensation incentives that do not impact pensionable wages, and maintaining reserves to fund long-term pension and healthcare liabilities.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

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

The City also implemented a “fresh start” in FY 2013/14 with CalPERS. This “fresh start” took all the unfunded liability for both of the City’s pension plans at that time and amortized them over a fixed number of years:

- Miscellaneous; 18 years
- Safety; 28 years

For FY 2024/25, the City is projected to contribute \$63.7 million for pensions to CalPERS. That is anticipated to increase to \$87.2 million in FY 2030/31, an approximate 36.9% increase in cost before leveling off in FY 2031/32 due to the “fresh start” noted above. The current funded status of the two plans as well as the FY 2024/25 employer rates are shown in the chart below.

Plan	FY 2024/25 Plan Funded Ratio	FY 2024/25 Employer Rate
Miscellaneous	68.7%	39.5%
Safety	70.0%	63.7%

Investment returns play an integral role in determining the City’s pension contribution rates to CalPERS. In FY 2022/23 CalPERS achieved a 6.1% return on its investments, which was still below its assumed rate of return of 6.8%. Due to the propensity for this volatility, the FY 2024/25 Adopted Budget assumes conservative returns short of the 6.8% goal for the current fiscal year and across the planning period in an effort to mitigate sharp increases in budget requirements.

The Adopted Budget also includes an annual \$2.0 million dollar contribution to the Pension Trust through FY 2025/26. The City has contributed \$18.3 million through FY 2023/24 as Council regularly appropriates additional contributions with year-end budgetary savings. This fund enables the City to reserve funds for pension cost uncertainty, keep those funds locally controlled, and prefund pension costs – all while earning a higher return when compared to regular pooled cash investments. The City will start drawing from the Trust in the FY 2026/27 to help stabilize the peak years of CalPERS payments.

The City also continues to experience pressures from demands of a growing and evolving city, including:

Personnel Resources Demands – One of the most imminent challenges is the City’s ability to attract and retain talent as attrition rates are high due to retirements and other factors. Employees in skilled positions with public sector experience are in strong demand and the job market continues to remain competitive.

Moreover, year-after-year increases in commercial/industrial and residential development bring with it a much higher demand for services including safety, parks and open space, traffic management, utilities, and more. Additionally, as evolving city, needs change over time adding pressure to provide new services. A higher demand for services leads to increases in the existing staff workloads at all levels of the organization.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

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

To address immediate and future needs for personnel resources, the City has taken several approaches, most notably, adding term-limited positions and/or contract staffing for creating a buffer of resources to allow adequate staffing when needed. Over the prior four budget cycles, the City has been able to strategically add a handful of permanent positions for specific initiatives and positions funded by enterprise activity. More recently, the City has added about 25 new positions to balance city service demands and workloads pressures.

Environmental and Regulatory Demands – Stricter regulatory requirements in stormwater management and efforts to reduce greenhouse gas emissions through Accelerating Climate Action impact costs and resources in many ways across both the General Fund and the Utility Funds. The Sunnyvale Water Pollution Control Plant (WPCP), an advanced wastewater treatment facility, now requires significant upgrades to meet environmental and regulatory requirements, as well as accommodate the growth Sunnyvale has experienced over the past sixty years. The Master Plan, which was approved by City Council in August of 2016, serves as a long-term guide for replacing the WPCP's facilities and operations as part of the Sunnyvale Clean Water Program (SCWP), with costs estimated at approximately \$1.1 billion over twenty years. The 2024/25 Budget updates funding estimates and project delivery timing. Also includes \$58 million to complete design and fund construction of the new Cleanwater Center building which had been deferred in previous budgets. The City has secured low-cost loans – Water Infrastructure Finance and Innovation Act (WIFIA) federal loan for \$220.6 million and two Cleanwater State Revolving Fund (CWSRF) loans for up to \$429.2 million with very favorable borrowing costs.

The City operates under the terms of a Municipal Regional Permit (MRP) for Stormwater discharge issued by the Regional Water Quality Control Board. The core purpose of the permit is to minimize pollutants from storm systems into local creeks, channels, and the Bay. The City must comply with these evolving permit regulations. As part of the FY 2024/25 budget, several of the City's projects to intercept trash and other pollutants as well as the implementation of "green stormwater infrastructure" (specially designed landscape features to filter and treat water before entering the stormwater collection system) were updated as part of the FY 2024/25 budget to reflect the requirements of these new regulations.

Additionally, the Budget includes ongoing funding to meet existing organics and recycling regulations for the commercial and multifamily sector (AB 1826 and AB 341), new regulations requiring the collection of organics from all sectors (SB 1383), and the Zero Waste Strategic Plan goal of 90% diversion by 2030. Among other methods, implementation of new Sunnyvale Materials Recovery and Transfer (SMaRT) equipment to increase the diversion rate is required and \$34.0 million has been included for rehabilitation of the SMaRT station, including major equipment replacement. The retrofit project will increase the organics diversion, help the City embrace cutting-edge recycling technologies, become a power-efficient facility, prepare for a more sustainable future and it will optimize efficiencies using automation. The City plans to issue long-term debt (i.e., revenue bonds) to fund planned capital improvements in the Utility Funds in addition to seeking grant funds where possible.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2024

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

Demands from aging infrastructure – the City's aging administrative, parks, and utility infrastructure require resources to renovate and bring up to today's standards. The FY 2024/25 Budget invests significant resources in updating this public infrastructure. In addition to funding major initiatives associated with implementation of several master plans (i.e., Civic Center Modernization, Fire Station, Lakewood Branch Library, Corporation Yard, etc.), the budget also maintains substantial investments in other critical public and supporting infrastructure, such as:

- Funding for renovation of all City parks across the twenty-year planning period as well as set asides for future park acquisitions and rehabilitation of golf infrastructure.
- Funding for the rehabilitation of the Sewer and Stormwater Collection systems and Water distribution system that includes installation of new potable water and recycled water mains to improve system capacity and operational flexibility.
- Funding for pavement, sidewalks, bike lanes, etc. to maintain, improve, and modernize the City's transportation infrastructure as well as implement the Active Transportation plan. Additionally, \$549.1 million is included over twenty years that allocates federal, state, and local funding major projects such as grade separations.
- Updating replacement schedule and values for vehicles in the City's fleet (e.g., fire engines) and funding requirements associated with the enhanced use of technology and replacement of legacy systems.

Other risks:

- Persistent economic uncertainty:
 - Increasing international conflict
 - Inflationary environment and tight monetary policy impacting interest rates, exacerbating spending pressures, and reducing purchasing power
 - Economic impact of climate change (i.e., drought, wildfires, etc.)
 - Federal government uncertainty

In summary, the City enters FY 2024/25 with a plan that takes a major step toward addressing current staffing levels, balancing our operations with the growing and evolving needs of our community, aiming to balance short-term demands and long-term fiscal sustainability. An adequate level of staffing resources is essential to sustain core service level requirements and to move key projects forwards. The City maintains reserves in several funds for different purposes. Some are restricted for specific purposes (e.g. debt, legislation, other regulatory requirements). Long-term planning and the disciplined practice of maintaining robust reserves is one of Sunnyvale's strengths and having sufficient reserves has helped navigate economic uncertainty. While current revenue trends are positive, this favorable position is offset by the ongoing challenges of economic uncertainty, increasing pension costs, persistent cost pressures, magnitude of infrastructure needs, tightening environmental regulatory environment, and recruitment and retention of employees. Continuing to address these challenges and balance the many competing priorities that the City faces will be critical in developing the budget going forward to ensure fiscal sustainability.

Management's Discussion and Analysis, Concluded
Fiscal Year Ended June 30, 2023

H. REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City'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, 456 West Olive Avenue, Sunnyvale, California 94086.

Government-Wide Financial Statements

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CITY OF SUNNYVALE

Statement of Net Position June 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Deposits and Investments Held by City (Note 3)	\$ 316,875,565	\$ 237,111,198	\$ 553,986,763
Receivables, Current (Note 4)	16,538,988	28,316,322	44,855,310
Inventories and Prepaid Items (Note 1)	4,203,422	109,007	4,312,429
Assets Held for Resale (Note 1)	1,381,077	-	1,381,077
Long-term Receivables (Note 6)	6,260,554	-	6,260,554
Lease Receivable (Note 14)	4,371,811	5,300,182	9,671,993
Service Concession Arrangement Receivable (Note 1)	-	1,276,731	1,276,731
Internal Balances (Note 10)	2,704,620	(2,704,620)	-
Restricted Assets:			
Deposits and Investments Held by City (Note 3)	312,655,514	13,466,429	326,121,943
Deposits and Investments Held by Fiscal Agent and Trustee (Note 3)	21,238,097	4,669	21,242,766
Receivables, Current (Note 4)	1,945,193	-	1,945,193
Intergovernmental Receivables (Note 5)	13,151,158	301,380	13,452,538
Housing Loans Receivable, Net (Note 7)	101,107,488	-	101,107,488
Capital Assets (Note 11):			
Land and Nondepreciable Assets	408,906,744	306,820,887	715,727,631
Depreciable Assets, Net	482,852,199	118,896,741	601,748,940
Total Assets	1,694,192,430	708,898,926	2,403,091,356
Deferred Outflows of Resources (Note 9)	125,516,415	25,805,835	151,322,250
Liabilities:			
Wages Payable	2,780,020	-	2,780,020
Accounts Payable and Accrued Liabilities	17,949,426	29,995,154	47,944,580
Refundable Deposits	3,132,087	2,372,654	5,504,741
Interest Payable	1,304,132	4,223,784	5,527,916
Unearned Revenues (Note 8)	942,871	42,641	985,512
Noncurrent Liabilities:			
Due within One Year - Long-term Obligations (Note 12)	25,320,963	6,628,156	31,949,119
Due in More than One Year:			
Long-term Obligations (Note 12)	168,021,597	178,585,664	346,607,261
Net Pension Liability (Note 16)	400,520,960	67,955,615	468,476,575
Net OPEB Liability (Note 17)	31,079,829	6,712,769	37,792,598
Total Liabilities	651,051,885	296,516,437	947,568,322
Deferred Inflows of Resources (Note 9)	25,449,008	8,963,658	34,412,666
Net Position (Note 19):			
Net Investment in Capital Assets	740,924,913	241,147,523	982,072,436
Restricted for:			
Capital Projects	107,139,048	-	107,139,048
Housing	169,433,261	-	169,433,261
Park Dedication	109,161,429	-	109,161,429
Public Streets and Highways	26,797,281	-	26,797,281
Law Enforcement	1,262,816	-	1,262,816
Other City Programs	3,106,787	5,275,603	8,382,390
Nonexpendable Permanent Funds Principal and Endowment	2,261,770	-	2,261,770
Total Restricted Net Position	419,162,392	5,275,603	424,437,995
Unrestricted Net Position	(16,879,353)	182,801,540	165,922,187
Total Net Position	\$ 1,143,207,952	\$ 429,224,666	\$ 1,572,432,618

See Accompanying Notes to the Basic Financial Statements

Statement of Activities
Year Ended June 30, 2024

Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Planning and Management	\$ 27,738,404	\$ 937,965	\$ 726,475	\$ 55,000	\$ 1,719,440
Public Safety	131,565,885	4,308,885	640,061	462,056	5,411,002
Community Development	12,942,266	5,543,100	838,462	1,649,989	8,031,551
Public Works	58,204,299	1,664,650	9,681,442	19,340,965	30,687,057
Environmental Services	4,721,535	31,276	-	-	31,276
Library and Recreation Services	26,834,040	6,666,135	248,031	334,061	7,248,227
NOVA Workforce Services	10,364,372	-	10,400,012	-	10,400,012
Interest on Long-term Debt	4,509,940	-	-	-	-
Total Governmental Activities	276,880,741	19,152,011	22,534,483	21,842,071	63,528,565
Business-Type Activities:					
Water Supply and Distribution	63,427,334	59,793,648	-	866,200	60,659,848
Wastewater Management	44,396,330	56,169,929	-	448,300	56,618,229
Solid Waste Management	61,417,924	62,473,344	-	-	62,473,344
SMaRT Station	29,865,935	30,628,370	1,030,095	-	31,658,465
Development	20,158,886	17,065,173	-	-	17,065,173
Golf and Tennis Operations	6,538,450	5,298,655	-	-	5,298,655
Total Business-Type Activities	225,804,859	231,429,119	1,030,095	1,314,500	233,773,714
Total Primary Government	\$ 502,685,600	\$ 250,581,130	\$ 23,564,578	\$ 23,156,571	\$ 297,302,279
General Revenues:					
Taxes:					
Property Taxes					
Sales and Use Taxes					
Franchise Fees - Unrestricted					
Utilities Users Taxes					
Transient Occupancy Taxes					
Real Property Transfer Taxes					
Construction Taxes					
Business License Taxes					
Total Taxes					
Investment Earnings - Unrestricted (Note 3)					
Interest Accrued-Advances to Business-Type Activities - Unrestricted					
Transfers (Note 18)					
Total General Revenues and Transfers					
Change in Net Position					
Net Position - Beginning of Year					
Net Position - End of Year					

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (26,018,964)	\$ -	\$ (26,018,964)
(126,154,883)	-	(126,154,883)
(4,910,715)	-	(4,910,715)
(27,517,242)	-	(27,517,242)
(4,690,259)	-	(4,690,259)
(19,585,813)	-	(19,585,813)
35,640	-	35,640
(4,509,940)	-	(4,509,940)
(213,352,176)	-	(213,352,176)
-	(2,767,486)	(2,767,486)
-	12,221,899	12,221,899
-	1,055,420	1,055,420
-	1,792,530	1,792,530
-	(3,093,713)	(3,093,713)
-	(1,239,795)	(1,239,795)
-	7,968,855	7,968,855
(213,352,176)	7,968,855	(205,383,321)
129,062,478	-	129,062,478
40,715,387	-	40,715,387
7,834,916	-	7,834,916
10,816,575	-	10,816,575
18,915,542	-	18,915,542
1,284,127	-	1,284,127
3,251,019	-	3,251,019
1,939,073	-	1,939,073
213,819,117	-	213,819,117
30,493,466	11,781,295	42,274,761
119,677	-	119,677
5,147,814	(5,147,814)	-
249,580,074	6,633,481	256,213,555
36,227,898	14,602,336	50,830,234
1,106,980,054	414,622,330	1,521,602,384
\$ 1,143,207,952	\$ 429,224,666	\$ 1,572,432,618

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Governmental Fund Financial Statements

The ***General Fund*** accounts for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General Fund supports essential City services such as police and fire protection, street maintenance, libraries, and parks and open space maintenance.

The ***Housing Special Revenue Fund*** accounts for local housing mitigation revenues and Below-Market-Rate (BMR) receipts. Funds are expended on special and capital projects designed to achieve the City's goal of affordable housing and community development. The City also utilizes revenues recorded in this Fund to make housing loans for the acquisition, rehabilitation, new construction and predevelopment costs of affordable housing.

The ***Park Dedication Special Revenue Fund*** accounts for funds that developers contribute towards the acquisition, construction or renovation of neighborhood parks.

The ***City Projects Fund*** accounts for major capital acquisition or construction projects associated with governmental activities. The projects may be funded by grants, development fees, and transfers from other City funds.

The ***Infrastructure Renovation and Replacement Fund*** accounts for projects related to the City's Long-Range Infrastructure Plan for the renovation and replacement of existing general capital assets.

The ***Civic Center Capital Project Fund*** accounts for 2020 Lease Revenue Bonds proceeds issued to finance construction costs of the Civic Center Modernization Project.

CITY OF SUNNYVALE
Balance Sheet
Governmental Funds
June 30, 2024

	Major Funds		
	General Fund	Housing Special Revenue	Park Dedication Special Revenue
Assets:			
Deposits and Investments Held by City (Note 3)	\$ 175,732,676	\$ 65,000,022	\$ 108,952,605
Deposits and Investments Held by Fiscal Agent and Trustee (Note 3)	-	-	-
Receivables, Current (Note 4)	15,515,115	465,665	741,026
Intergovernmental Receivables (Note 5)	1,939,973	-	-
Due From Other Funds (Note 10)	1,859,902	209,832	-
Advances to Other Funds (Note 10)	3,159,262	-	-
Inventories and Prepaid Items (Note 1)	799,162	-	-
Long-term Receivables (Note 6)	562,010	-	-
Lease Receivable (Note 14)	2,499,056	-	-
Housing Loans Receivable (Note 7)	-	74,431,127	-
Assets Held for Resale (Note 1)	1,101,077	280,000	-
Total Assets	<u>\$ 203,168,233</u>	<u>\$ 140,386,646</u>	<u>\$ 109,693,631</u>
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 3,605,505	\$ 523,018	\$ 532,202
Refundable Deposits	3,097,087	-	-
Due to Other Funds (Note 10)	-	-	-
Unearned Revenue (Note 8)	8,001	-	-
Total Liabilities	<u>6,710,593</u>	<u>523,018</u>	<u>532,202</u>
Deferred Inflows of Resources (Note 9)	<u>14,862,119</u>	<u>6,989,379</u>	<u>-</u>
Fund Balances (Note 19):			
Nonspendable	3,117,379	-	-
Restricted	2,845,154	132,874,249	109,161,429
Committed	80,363,744	-	-
Assigned	-	-	-
Unassigned	95,269,244	-	-
Total Fund Balances	<u>181,595,521</u>	<u>132,874,249</u>	<u>109,161,429</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 203,168,233</u>	<u>\$ 140,386,646</u>	<u>\$ 109,693,631</u>

See Accompanying Notes to the Basic Financial Statements

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City Projects	Major Funds Infrastructure Renovation and Replacement	Civic Center Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
103,919,706	88,898,703	\$ -	\$ 33,503,178	\$ 576,006,890
-	-	-	22,743	22,743
386,880	568,723	-	208,528	17,885,937
6,213,162	-	-	4,998,023	13,151,158
-	-	-	-	2,069,734
-	-	-	-	3,159,262
-	-	-	-	799,162
-	-	-	-	562,010
1,872,755	-	-	-	4,371,811
-	-	-	26,676,361	101,107,488
-	-	-	-	1,381,077
112,392,503	\$ 89,467,426	-	\$ 65,408,833	\$ 720,517,272
5,863,027	\$ 1,713,765	\$ -	\$ 3,392,794	\$ 15,630,311
35,000	-	-	-	3,132,087
-	-	-	2,069,734	2,069,734
934,870	-	-	-	942,871
6,832,897	1,713,765	-	5,462,528	21,775,003
2,467,774	-	-	8,533,234	32,852,506
-	-	-	1,626,967	4,744,346
103,091,832	-	-	49,921,684	397,894,348
-	-	-	-	80,363,744
-	87,753,661	-	-	87,753,661
-	-	-	(135,580)	95,133,664
103,091,832	87,753,661	-	51,413,071	665,889,763
112,392,503	\$ 89,467,426	\$ -	\$ 65,408,833	\$ 720,517,272

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CITY OF SUNNYVALE

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2024**

Total Fund Balances - Total Governmental Funds	\$ 665,889,763
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used to support governmental activities are not current financial resources and, therefore, are not reported in the funds. This amount represents, at June 30, 2024, capital assets used by governmental activities excluding \$40,070,088 of capital assets used by Internal Service Funds.	
	851,688,855
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position (the net position of the internal service funds of \$50,749,374 less amount owed to business-type activities for internal service funds activities of \$454,642 at year end).	
	50,294,732
Other long-term assets are not available to pay for current expenditures and are deferred inflows of resources in the funds:	
Advances to business-type activities	3,159,267
Interest accrued on receivables from employees	38,063
Proposition 172 revenue	162,864
State, County, and other agency cost reimbursements	1,671,133
Long-term housing loans interest portion	15,229,453
Eligible expenditures to be reimbursed by grants	936,528
Bonds and Subscriptions payable are not reported as fund liabilities.	(146,464,724)
Interest payable on bonds and subscriptions, not due and payable in the current period, is not reported in the funds.	(1,242,749)
Pension-related items are not reported in the governmental fund financial statements:	
The following items relate to governmental activities (excluding internal service funds)	
Net pension liability	(371,335,048)
Deferred outflows of resources related to pension	100,462,398
Deferred inflows of resources related to pension	(490,475)
OPEB-related items are not reported in the governmental fund financial statements:	
The following items relate to governmental activities (excluding internal service funds)	
Net OPEB liability	(28,710,204)
Deferred outflows of resources related to OPEB	13,400,006
Deferred inflows of resources related to OPEB	(11,481,910)
Net Position of Governmental Activities	\$ 1,143,207,952

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2024

	Major Funds		
	General Fund	Housing Special Revenue	Park Dedication Special Revenue
Revenues:			
Property Taxes	\$ 129,062,478	-	-
Sales and Use Taxes	40,715,387	-	-
Other Taxes	36,206,336	-	-
Franchise Fees	7,834,916	-	-
Intergovernmental Revenues	2,400,830	-	-
Permits and Licenses	2,283,339	-	-
Fines and Forfeitures	622,766	-	-
Special Assessments	-	-	-
Service Fees	7,561,907	1,217,931	168,577
Rents and Concessions	2,336,654	16,500	-
Interest Received from Interfund Advances	3,997,618	-	-
Investment Earnings	8,851,946	3,299,472	5,172,464
Other Revenues	968,616	11,971	-
Total Revenues	242,842,793	4,545,874	5,341,041
Expenditures:			
Current:			
Planning and Management	23,129,701	-	-
Public Safety	130,498,427	-	-
Community Development	6,505,586	1,037,992	-
Public Works	31,121,151	-	-
Environmental Services	3,712,946	-	-
Library and Recreation Services	25,756,906	-	-
NOVA Workforce Services	-	-	-
Capital Outlay	2,455,820	7,328,451	12,711,100
Debt Service:			
Principal Retirement	47,822	-	-
Interest	11,800	-	-
Fiscal Charges	4,500	-	-
Total Expenditures	223,244,659	8,366,443	12,711,100
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,598,134	(3,820,569)	(7,370,059)
Other Financing Sources (Uses):			
Transfers In (Note 18)	12,473,140	1,000,000	-
Transfers Out (Note 18)	(19,500,794)	(407,257)	(1,314,789)
Total Other Financing Sources (Uses)	(7,027,654)	592,743	(1,314,789)
Net Change in Fund Balances	12,570,480	(3,227,826)	(8,684,848)
Fund Balances, Beginning of Year	169,025,041	136,102,075	117,846,277
Fund Balances, End of Year	\$ 181,595,521	\$ 132,874,249	\$ 109,161,429

See Accompanying Notes to the Basic Financial Statements

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	Major Funds		Nonmajor	
	Infrastructure	Civic Center	Other	Total
City	Renovation and	Capital Project	Governmental	Governmental
Projects	Replacement		Funds	Funds
-	-	-	\$ -	\$ 129,062,478
-	-	-	-	40,715,387
-	-	-	-	36,206,336
-	-	-	-	7,834,916
11,975,906	1,297,852	-	26,537,874	42,212,462
-	-	-	-	2,283,339
-	-	-	-	622,766
-	-	-	-	-
381,108	-	-	241,660	9,571,183
406,156	-	-	-	2,759,310
-	-	-	-	3,997,618
3,625,130	4,130,872	19,935	1,468,255	26,568,074
300,000	-	-	260,371	1,540,958
16,688,300	5,428,724	19,935	28,508,160	303,374,827
-	-	-	-	23,129,701
-	-	-	336,005	130,834,432
-	-	-	2,939,028	10,482,606
20,737	-	-	1,123,950	32,265,838
-	-	-	-	3,712,946
-	-	-	-	25,756,906
-	-	-	9,905,637	9,905,637
13,599,152	13,638,427	845,868	8,472,352	59,051,170
-	-	-	2,455,000	2,502,822
-	-	-	5,055,425	5,067,225
-	-	-	-	4,500
13,619,889	13,638,427	845,868	30,287,397	302,713,783
3,068,411	(8,209,703)	(825,933)	(1,779,237)	661,044
-	3,156,100	-	7,525,572	24,154,812
(455,790)	(206,653)	(244,361)	(1,714,007)	(23,843,651)
(455,790)	2,949,447	(244,361)	5,811,565	311,161
2,612,621	(5,260,256)	(1,070,294)	4,032,328	972,205
100,479,211	93,013,917	1,070,294	47,380,743	664,917,558
103,091,832	\$ 87,753,661	\$ -	\$ 51,413,071	\$ 665,889,763

CITY OF SUNNYVALE

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities
Year Ended June 30, 2024**

Net Change in Fund Balances - Total Governmental Funds	\$ 972,205
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. In the government-wide financial statements, the cost of the assets is allocated over their estimated useful lives as depreciation expense.	
Capital asset additions - governmental activities	42,555,806
Depreciation recorded in the current year - governmental activities	(14,825,028)
Contributions of capital assets are not recorded in the governmental funds	3,549,600
Timing difference in revenue recognition: Certain earned yet not available revenues are deferred in the fund financials but are recognized as revenues in the government-wide financial statements.	
Interest accrued on advances to business-type activities	119,677
Interfund interest previously deferred in the fund was received in current year	(3,997,618)
Interest accrued on long-term housing loan receivables and allowance for uncollectible accounts	2,611,179
Various cost sharing	147,731
Various grants	(1,769,876)
Proposition 172 revenue	(87)
Repayment of principal on the bonds is reported in the fund as expenditures.	2,502,822
Amortization of bond premium	625,059
This amount represents the change in accrued interest on bonds payable from prior year.	31,912
Internal service funds are primarily to serve governmental activities. The change in net position of the Internal Service Funds is reported with governmental activities.	9,554,702
This amount represents the portion of change in Internal Service Fund net position attributable to business-type activities. Business-type activities paid \$724,118 for internal services during the year.	
At year end, the internal service lookback adjustment was determined to be \$3,417,491	2,693,373
Changes to net pension liability and pension-related deferred outflows and inflows of resources do not require current financial resources and are only reported in the government-wide financial statements.	(15,257,856)
Changes to net OPEB liability and OPEB-related deferred outflows and inflows of resources do not require current financial resources and are only reported in the government-wide financial statements.	6,714,297
Change in Net Position of Governmental Activities	\$ 36,227,898

See Accompanying Notes to the Basic Financial Statements

Proprietary Fund Financial Statements

The ***Water Supply and Distribution Fund*** accounts for all revenues and expenses related to the City-operated water utility.

The ***Wastewater Management Fund*** accounts for all revenues and expenses related to the City-operated sewer collection and Water Pollution Control Plant systems.

The ***Solid Waste Management Fund*** accounts for the revenues and expenses related to the City's refuse collection and solid waste disposal services.

The ***SMaRT Station® Fund*** accounts for the revenues and expenses associated with the operations of the Sunnyvale Materials and Recovery Transfer Station.

The ***Development Fund*** accounts for user fees and costs of services related to planning, engineering and inspection of public and private development construction projects. This Fund began in fiscal year 2015, carrying over development-related fee revenues in excess of what had been budgeted from the General Fund. Expenses related to these highly volatile fees normally occur later than the revenue collection. This separate fund will assist the City to identify direct and indirect costs to ensure full cost recovery.

The ***Golf and Tennis Operations Fund*** accounts for revenues and expenses related to the golf course and tennis center operations. Other recreation operations were moved and presented in the General Fund starting with the fiscal year 2013 Budget.

The ***Internal Service Funds*** account for charges to City departments, on a cost reimbursement basis, for provision of facilities, equipment, benefits, insurance, and project administration services. The Internal Service Funds predominantly serve governmental activities of the City.

CITY OF SUNNYVALE

**Statement of Net Position
Proprietary Funds
June 30, 2024**

	Business-Type Activities		
	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Assets:			
Current Assets:			
Deposits and Investments Held by City (Note 3)	\$ 94,027,758	\$ 64,194,283	\$ 12,368,488
Receivables, Net (Note 4)	10,404,576	8,944,065	8,548,229
Intergovernmental Receivables (Note 5)	-	5,413	229,019
Leases Receivables (Note 14)	-	-	165,403
Inventories and Prepaid Items (Note 1)	-	-	-
Restricted Assets:			
Deposits and Investments Held by City (Note 3)	-	13,466,429	-
Deposits and Investments Held by Fiscal Agent and Trustee (Note 3)	1,673	2,996	-
Total Current Assets	104,434,007	86,613,186	21,311,139
Noncurrent Assets:			
Receivables from Employees (Note 6)	-	-	-
Service Concession Arrangement Receivable (Note 1)	-	-	-
Lease Receivable (Note 14)	-	-	4,061,823
Capital Assets (Note 11):			
Land & Nondepreciable Assets	2,992,507	286,281,423	36,134
Depreciable Assets, Net	51,478,168	62,146,206	1,582,233
Total Noncurrent Assets	54,470,675	348,427,629	5,680,190
Total Assets	158,904,682	435,040,815	26,991,329
Deferred Outflows of Resources (Note 9)	3,638,045	8,837,270	1,816,872
Liabilities:			
Current Liabilities:			
Wages Payable	-	-	-
Accounts Payable and Accrued Liabilities	4,469,447	16,822,636	2,238,122
Advances from Other Funds (Note 10)	-	949,615	-
Refundable Deposits	764,052	560,025	1,045,807
Interest Payable	140,270	4,083,514	-
Unearned Revenues (Note 8)	-	30,000	-
Service Concession Arrangement Maintenance Liability (Note 12)	-	-	-
Claims and Judgments Payable - Due Within One Year (Note 12)	-	-	-
Compensated Absences Payable - Due Within One Year (Note 12)	-	-	-
Landfill Closure and Postclosure Costs (Note 12)	-	-	1,143,962
Bonds, Leases, Subscriptions and Loan Payable - Due Within One Year (Note 12)	595,000	4,591,969	-
Total Current Liabilities	5,968,769	27,037,759	4,427,891
Noncurrent Liabilities:			
Advances from Other Funds (Note 10)	-	2,209,647	-
Service Concession Arrangement Maintenance Liability (Note 12)	-	-	-
Claims and Judgments Payable - Due in More than One Year (Note 12)	-	-	-
Compensated Absences Payable - Due in More than One Year (Note 12)	-	-	-
Landfill Closure and Postclosure Costs (Note 12)	-	-	6,514,491
Bonds, Leases, Subscriptions and Loan Payable - Due in More than One Year (Note 12)	13,901,746	156,678,759	-
Net Pension Liability - Due in More than One Year (Note 16)	9,896,538	26,763,279	3,913,475
Net OPEB Liability - Due in More than One Year (Note 17)	1,157,966	3,087,285	330,450
Total Noncurrent Liabilities	24,956,250	188,738,970	10,758,416
Total Liabilities	30,925,019	215,776,729	15,186,307
Deferred Inflows of Resources (Note 9)	512,195	1,395,701	4,393,490
Net Position (Note 19):			
Net Investment in Capital Assets	39,973,929	178,919,026	1,618,367
Restricted for Debt Service	1,673	5,273,930	-
Unrestricted	91,129,911	42,512,699	7,610,037
Total Net Position	\$ 131,105,513	\$ 226,705,655	\$ 9,228,404

See Accompanying Notes to the Basic Financial Statements

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CITY OF SUNNYVALE

***Reconciliation of the Enterprise Funds Statement of Net Position
to the Government-Wide Statement of Net Position
June 30, 2024***

Total Net Position - Total Enterprise Funds	\$ 428,770,024
Adjustment to reflect the amount owed to Business-Type Activities for internal service fund activities.	<u>454,642</u>
Net Position of Business-Type Activities	<u><u>\$ 429,224,666</u></u>

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE

**Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2024**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Operating Revenues:			
Charges for Services	\$ 59,793,648	\$ 56,169,929	\$ 62,473,344
Operating Expenses:			
Personnel Services	6,944,139	15,700,042	3,087,871
Contractual Services	964,563	7,662,860	52,933,462
Materials and Supplies	1,513,486	5,535,180	54,734
Utilities	527,492	1,571,780	108,783
Taxes, Licenses, and Fees	455,276	365,635	33,036
Equipment and Building Rental	1,298,118	2,067,124	597,030
Water Purchased for Resale	42,298,357	-	-
Insurance Premiums and Claims	-	-	-
Retirement Premiums	-	-	-
Other Operating Expenses	707,941	873,365	89,391
General Fund Administration	3,902,359	2,951,979	4,226,607
Depreciation and Amortization (Note 11)	3,006,451	3,539,854	177,381
Total Operating Expenses	61,618,182	40,267,819	61,308,295
Operating Income (Loss)	(1,824,534)	15,902,110	1,165,049
Nonoperating Revenues (Expenses):			
Investment Earnings (Loss)	4,456,396	3,687,495	812,041
Interest Expense	(496,892)	(3,062,938)	-
Total Nonoperating Revenues (Expenses)	3,959,504	624,557	812,041
Income (Loss) before Capital Contributions and Transfers	2,134,970	16,526,667	1,977,090
Capital Contributions	866,200	448,300	-
Transfers In (Note 18)	-	-	-
Transfers Out (Note 18)	(813,402)	(2,366,119)	(1,340,303)
Change in Net Position	2,187,768	14,608,848	636,787
Net Position - Beginning of Year	128,917,745	212,096,807	8,591,617
Net Position, End of Year	\$ 131,105,513	\$ 226,705,655	\$ 9,228,404

See Accompanying Notes to the Basic Financial Statements

Major Enterprise Funds			Total Enterprise Funds	Governmental Activities
SMaRT Station®	Development	Golf and Tennis Operations		Internal Service Funds
\$ 31,658,465	\$ 17,065,173	\$ 5,298,655	\$ 232,459,214	\$ 134,262,102
768,897	14,873,482	3,337,035	44,711,466	30,472,866
21,654,804	1,211,281	271,827	84,698,797	7,401,153
65,466	114,610	418,021	7,701,497	6,285,761
666,399	-	909,976	3,784,430	2,879,589
6,525,823	-	60	7,379,830	-
72,759	1,293,582	600,798	5,929,411	2,357,128
-	-	-	42,298,357	-
-	-	-	-	28,600,443
-	-	-	-	50,835,351
1,449	30,901	114,838	1,817,885	678,924
-	1,893,006	398,652	13,372,603	-
91,927	3,161	295,132	7,113,906	4,587,162
29,847,524	19,420,023	6,346,339	218,808,182	134,098,377
1,810,941	(2,354,850)	(1,047,684)	13,651,032	163,725
(70,139)	2,895,502	-	11,781,295	3,925,392
-	-	(19,356)	(3,579,186)	(95,186)
(70,139)	2,895,502	(19,356)	8,202,109	3,830,206
1,740,802	540,652	(1,067,040)	21,853,141	3,993,931
-	-	-	1,314,500	-
-	-	2,135,000	2,135,000	11,744,952
(623,670)	(2,530,951)	(332,487)	(8,006,932)	(6,184,181)
1,117,132	(1,990,299)	735,473	17,295,709	9,554,702
4,871,223	46,133,689	10,863,234	411,474,315	41,194,672
\$ 5,988,355	\$ 44,143,390	\$ 11,598,707	\$ 428,770,024	\$ 50,749,374

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CITY OF SUNNYVALE

***Reconciliation of the Enterprise Funds Statement of Revenues, Expenses,
and Changes in Net Position to the Government-Wide Statement of Activities
Year Ended June 30, 2024***

Change in Net Position - Total Enterprise Funds	\$	17,295,709
Internal service funds look-back adjustments for the year		(3,417,491)
Payment made to governmental activities		<u>724,118</u>
Change in Net Position of Business-Type Activities	\$	<u><u>14,602,336</u></u>

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2024**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Cash Flow from Operating Activities:			
Cash Received from Customers	\$ 59,389,822	\$ 55,797,457	\$ 62,465,879
Cash Received for Interfund Service Provided	-	-	-
Cash Paid for General Fund Administration	(3,902,359)	(2,951,979)	(4,226,607)
Cash Payments to Suppliers of Goods and Services	(48,344,181)	(14,670,229)	(53,451,309)
Cash Payments for Employee Services	(6,913,416)	(15,154,989)	(3,052,398)
Insurance and Claims Paid	-	-	-
Net Cash Provided by (Used For) Operating Activities	229,866	23,020,260	1,735,565
Cash Flows from Noncapital Financing Activities:			
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(813,402)	(2,366,119)	(1,340,303)
Net Repayment of Advance from (to) Other Funds	-	(949,615)	(3,048,004)
Net Cash Provided by (Used for) Noncapital Financing Activities	(813,402)	(3,315,734)	(4,388,307)
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Long-Term Debt	(574,999)	(1,590,499)	-
Principal Paid on Lease Liabilities	-	-	-
Interest Paid on Long-Term Debt	(578,501)	(5,971,362)	-
Loans Payable Drawdown	-	15,077,939	-
Acquisition and Construction of Capital Assets	(158,612)	(54,944,225)	(1)
Net Cash Used for Capital and Related Financing Activities	(1,312,112)	(47,428,147)	(1)
Cash Flows from Investing Activities:			
Interest (Loss) on Investments	4,456,396	3,687,495	812,042
Net Increase (Decrease) in Cash and Cash Equivalents	2,560,748	(24,036,126)	(1,840,701)
Cash and Cash Equivalents - Beginning of Year	91,468,683	101,699,834	14,209,189
Cash and Cash Equivalents - End of Year	\$ 94,029,431	\$ 77,663,708	\$ 12,368,488
Reconciliation to Statement of Net Position:			
Cash and Investments Held by City	\$ 94,027,758	\$ 64,194,283	\$ 12,368,488
Cash and Investments Held by City - Restricted	-	13,466,429	-
Cash and Investments Held by Fiscal Agent and Trustee	1,673	2,996	-
Total Cash and Investments	\$ 94,029,431	\$ 77,663,708	\$ 12,368,488

See Accompanying Notes to the Basic Financial Statements

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Major Enterprise Funds			Total Enterprise Funds	Governmental Activities
SMaRT Station	Development	Golf and Tennis Operations		Internal Service Funds
\$ 32,750,997	\$ 16,979,257	\$ 5,781,626	\$ 233,165,038	\$ 856,858
-	-	-	-	130,698,380
-	(1,893,006)	(398,652)	(13,372,603)	-
(29,699,761)	(3,186,834)	(2,113,609)	(151,465,923)	(69,220,147)
(772,948)	(13,911,717)	(3,662,424)	(43,467,892)	(30,352,282)
-	-	-	-	(28,123,443)
2,278,288	(2,012,300)	(393,059)	24,858,620	3,859,366
-	-	2,135,000	2,135,000	11,744,952
(623,670)	(2,530,951)	(332,487)	(8,006,932)	(6,184,181)
-	-	-	(3,997,619)	-
(623,670)	(2,530,951)	1,802,513	(9,869,551)	5,560,771
-	-	(134,320)	(2,299,818)	-
-	-	-	-	-
-	-	(19,356)	(6,569,219)	(1,298,134)
-	-	-	15,077,939	(115,933)
(5,259,200)	1	(5,879)	(60,367,916)	(4,616,064)
(5,259,200)	1	(159,555)	(54,159,014)	(6,030,131)
(70,139)	2,895,501	-	11,781,295	3,925,392
(3,674,721)	(1,647,749)	1,249,899	(27,388,650)	7,315,398
4,110,992	62,026,440	4,455,808	277,970,946	67,424,145
\$ 436,271	\$ 60,378,691	\$ 5,705,707	\$ 250,582,296	\$ 74,739,543
\$ 436,271	\$ 60,378,691	\$ 5,705,707	\$ 237,111,198	\$ 53,524,189
-	-	-	13,466,429	-
-	-	-	4,669	21,215,354
\$ 436,271	\$ 60,378,691	\$ 5,705,707	\$ 250,582,296	\$ 74,739,543

Continued

CITY OF SUNNYVALE

Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2024

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:			
Operating Income (Loss)	\$ (1,824,534)	\$ 15,902,110	\$ 1,165,049
Adjustments to Reconcile Operating Income (Loss) to Net Cash			
Provided by (Used For) Operating Activities:			
Depreciation and amortization	3,006,451	3,539,854	177,381
Loss on Disposal of Capital Assets	-	-	-
Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows:			
Receivables, Net	(403,826)	(371,715)	(133,816)
Intergovernmental Receivables	-	(757)	(36,298)
Lease Receivable	-	-	162,649
Deferred Inflows Related to Leases	-	-	-
Inventories and Prepayments	-	-	-
Refundable Deposits	(48,811)	(5,812)	14,295
Accounts Payable and Accrued Liabilities	(530,137)	3,411,527	84,708
Wages Payable	-	-	-
Landfill Postclosure Care	-	-	266,124
Service Concession Arrangement Receivable	-	-	-
Service Concession Arrangement Maintenance Liability	-	-	-
Deferred Inflows Related to Service Concession	-	-	-
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	-	-	-
Deferred Outflows Related to Pensions and OPEB	86,450	724,382	236,565
Deferred Inflows Related to Pensions and OPEB	(214,452)	(584,823)	(289,132)
Net Pension Liability	395,371	1,010,598	219,043
Net OPEB Liability	(236,646)	(605,104)	(131,003)
Net Cash Provided by (Used For) Operating Activities	\$ 229,866	\$ 23,020,260	\$ 1,735,565
Noncash Capital and Related Financing Activities:			
Amortization of Bond Premium	\$ 77,254	\$ 103,380	\$ -
Amortization of Deferred Inflows of Resources for Gain on Debt Refunding	-	18,836	-
Noncash Capital Contributions	866,200	448,300	-
Addition of Intangible-Right To Use Assets	-	-	-
Addition of Subscriptions	-	-	-

See Accompanying Notes to the Basic Financial Statements

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Major Enterprise Funds			Total Enterprise Funds	Governmental Activities	
SMaRT Station	Development	Golf and Tennis Operations		Internal Service Funds	
\$ 1,810,941	\$ (2,354,850)	\$ (1,047,684)	\$ 13,651,032	\$ 163,725	
91,927	3,161	295,132	7,113,906	4,587,162	
-	-	-	-	-	
1,159,480	(80,586)	(4,119)	165,418	(2,706,864)	
(66,948)	-	-	(104,003)	-	
-	-	487,090	649,739	-	
-	-	-	-	-	
-	-	13,549	13,549	69,112	
-	-	375	(39,953)	-	
(713,061)	(536,460)	59,548	1,776,125	1,148,647	
-	-	-	-	365,507	
-	-	-	266,124	-	
-	-	129,735	129,735	-	
-	-	(1,296)	(1,296)	-	
-	-	-	-	-	
-	-	-	-	477,000	
-	-	-	-	(1,527,402)	
4,825	1,059,700	251,936	2,363,858	1,437,780	
(28,409)	(513,289)	(675,571)	(2,305,676)	(740,130)	
48,581	1,013,954	235,042	2,922,589	1,412,241	
(29,048)	(598,600)	(136,796)	(1,737,197)	(827,412)	
<u>\$ 2,278,288</u>	<u>\$ (2,012,300)</u>	<u>\$ (393,059)</u>	<u>\$ 24,858,620</u>	<u>\$ 3,859,366</u>	
\$ -	\$ -	\$ -	\$ 180,634	\$ -	
-	-	-	18,836	-	
-	-	-	1,314,500	-	
-	-	-	-	-	
-	-	-	-	-	
				Concluded	

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Fiduciary Fund Financial Statements

Fiduciary Funds are used to report assets held in a trust or custodial capacity for others and therefore cannot be used to support the City's own programs. The City reports the following three types of fiduciary funds:

Other Postemployment Benefit Trust Fund is used to report resources that are required to be held in trust for the members and beneficiaries of the City of Sunnyvale Retiree Healthcare Plan.

Private-Purpose Trust Funds are used to report resources held and administered under trust or similar arrangement for the benefits of individuals, private organizations or other governments. In fiscal year 2012, the City elected to serve as the Redevelopment Successor Agency (RSA) of the former Redevelopment Agency. The RSA is controlled by the Oversight Board whose members represent various taxing entities of the Town Center Redevelopment Project area. In fiscal year 2013, the CFD 3 Estates at Sunnyvale Trust Fund was created to report resources held and administered for the Community Facility District (CFD) No. 3 (Estates at Sunnyvale).

Custodial Funds are used to account for fiduciary activities that are not required to be reported in pension, OPEB, other employee benefit trust funds, investment trust funds, or private purpose trust funds. The City's Custodial Funds account for financial transactions for the Community Facilities District No. 1, the Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP), and the NOVAworks Foundation.

CITY OF SUNNYVALE

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2024

	Other Postemployment Benefit Trust Fund	Private-Purpose Trust Funds	Custodial Funds
Assets:			
Deposits and Investments in City Treasury Pool (Notes 3 and 20)	\$ -	\$ 84,345	\$ 2,069,804
Deposits and Investments Outside of City Treasury Pool (Notes 3 and 20)	-	202,369	3,210,828
Deposits and Investments with Fiscal Agent and Trustee (Notes 3 and 20):			
Cash and Cash Equivalents	432,852	-	1,913,620
Mutual Funds-Fixed Income	101,258,479	-	-
Mutual Funds-Equity	66,659,206	-	-
Receivables (Notes 4 and 20)	30,119	12,457,419	53,202
Capital Assets (Note 20):			
Nondepreciable Assets	-	13,959,752	-
Total Assets	<u>168,380,656</u>	<u>26,703,885</u>	<u>7,247,454</u>
Liabilities:			
Accounts Payable and Accrued Liabilities	3,038	745	-
Accrued Interest Payable	-	-	-
Long-term Obligations (Note 20):			
Due Within One Year	-	70,000	-
Due in More Than One Year	-	40,232,123	-
Total Liabilities	<u>3,038</u>	<u>40,302,868</u>	<u>-</u>
Net Position:			
Restricted for Employee Benefits Other Than Pensions	168,377,618	-	-
Restricted for Private Purpose Held in Trust	-	69,655	-
Restricted for Others	-	-	7,247,454
Unrestricted for Private Purpose Held in Trust	-	(13,668,638)	-
Total Net Position	<u>\$ 168,377,618</u>	<u>\$ (13,598,983)</u>	<u>\$ 7,247,454</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2024

	Other Postemployment Benefit Trust Fund	Private-Purpose Trust Funds	Custodial Funds
Additions:			
<i>Contributions:</i>			
Employer Contributions - Direct	\$ 3,198,620	\$ -	\$ -
Employer Contributions - Outside of OPEB Trust	7,147,518	-	-
Employer Contributions - Implied Subsidy	1,839,000	-	-
Special Tax Collected	-	32,039	1,591,742
Receipt from County Redevelopment Property Tax Trust Fund	-	-	-
Contributions from Participating Government Agencies	-	-	5,748,788
Contributions from Non-Government Agencies	-	-	113,671
<i>Total contributions:</i>	<u>12,185,138</u>	<u>32,039</u>	<u>7,454,201</u>
<i>Investment Earnings:</i>			
Net Appreciation in Fair Value of Investments	14,453,677	12,608	-
Interest	35,738	-	113,460
Dividends	3,887,806	-	-
<i>Total investment earnings:</i>	<u>18,377,221</u>	<u>12,608</u>	<u>113,460</u>
<i>Less Investment Expenses</i>	<u>54,996</u>	<u>-</u>	<u>-</u>
<i>Net Investment earnings</i>	<u>18,432,217</u>	<u>12,608</u>	<u>113,460</u>
Total Additions	<u>30,617,355</u>	<u>44,647</u>	<u>7,567,661</u>
Deductions:			
Benefit Payments with Implied Subsidy	8,986,518	-	-
Projects Management	-	110,623	-
City Loan Interest Added to Loan Principal	-	465,537	-
Debt Service Payments	-	-	1,715,825
Fiscal Agent Trustee Fees	-	8,989	-
Program Expenses	-	-	154,140
Agreements, Fees and Monitoring	-	-	4,983,255
Administrative Expenses	-	48,034	243,833
Total Deductions	<u>8,986,518</u>	<u>633,183</u>	<u>7,097,053</u>
Change in Net Position	<u>21,630,837</u>	<u>(588,536)</u>	<u>470,608</u>
Net Position:			
Beginning of Year	<u>146,746,781</u>	<u>(13,010,447)</u>	<u>6,776,846</u>
End of Year	<u>\$ 168,377,618</u>	<u>\$ (13,598,983)</u>	<u>\$ 7,247,454</u>

See Accompanying Notes to the Basic Financial Statements

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CITY OF SUNNYVALE

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2024

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CITY OF SUNNYVALE

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Fiscal Year Ended June 30, 2024

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Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Sunnyvale, California (City) have been prepared in accordance with accounting principles generally accepted in the United States of America (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 significant accounting policies of the City are described below.

Reporting Entity

The City of Sunnyvale was incorporated on December 24, 1912. The original charter of the City was prepared in accordance with the provisions of Section 8, Article XI of the Constitution of the State of California (State) and became effective on May 18, 1949. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), library, parks, recreation, water, sewer, refuse collection and disposal, golf, tennis, traffic engineering, street maintenance, community development (planning and zoning), public improvements, and general administrative services.

As required by GAAP, these basic financial statements present the City and its component units, for which the City is considered to be financially accountable. Though they are legally separate entities, blended component units are, in substance, part of the City's operations and are reported as an integral part of the City's financial statements. The City's component units, which are described below, are either blended or fiduciary in nature.

Sunnyvale Financing Authority

The Sunnyvale Financing Authority (Authority) was formed on September 22, 1992 by the Joint Exercise of Powers Agreement between the City and the former Redevelopment Agency (RDA) of the City of Sunnyvale. The RDA was established under the provisions of the community redevelopment laws of the State by a resolution of the City Council adopted on November 19, 1957. The RDA was dissolved on February 1, 2012 pursuant to ABx1 26 (the "Dissolution Act").

The Authority was created to facilitate financing of public improvements within the City. In no event, shall this Agreement be terminated while any bonds of the Authority remain outstanding or any facilities constructed are owned, maintained or operated by the Authority.

The Authority's governing board has the same members as those on the City Council. City staff performs all administrative and accounting functions for the Authority. The Authority's transactions are blended into the City's financial statements. Separately issued financial statements for the Authority can be obtained from the City website at www.sunnyvale.ca.gov.

Redevelopment Successor Agency (RSA)

Pursuant to the Dissolution Act, on January 10, 2012, the City Council adopted a resolution electing to serve as the Redevelopment Successor Agency (RSA) of the former Redevelopment Agency.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

The RSA is a separate legal entity from the City of Sunnyvale. ABx1 26 establishes the oversight boards to review and approve the successor agency actions. Upon dissolution and under the control of the oversight board, the RDA's non-housing funds and assets were turned over to the RSA which is charged with the responsibility of paying off the RDA's existing debts, disposing of the RDA's properties and assets to help pay off debts and winding down the affairs of the RDA. The RSA's financial transactions are accounted for in a private-purpose trust fund under the fiduciary fund type.

The Community Facilities District No. 1

The Community Facilities District No. 1 (the "CFD No. 1") was created by resolutions of the City Council on February 23, 1999, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The purpose is to provide financing for the construction of parking facilities required by the redevelopment of the Sunnyvale Town Center. The CFD No.1's governing board has the same members as those on the City Council. The City is not obligated in any manner for the debt of the CFD No. 1. The assets associated with the CFD No.1 are for the benefit of CFD No.1 and are not derived from the City's provision of goods or services to the CFD No.1. The CFD No. 1 is a fiduciary component unit and are accounted for in the Community Facilities District No. 1 Custodial Fund.

The Community Facilities District No. 3 (Estates at Sunnyvale)

The Community Facilities District No. 3 (Estates at Sunnyvale) (the "CFD No. 3") was created by resolutions of the City Council on April 23, 2013, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The purpose is to finance the maintenance and replacement of publicly owned infrastructure and other improvements planned for in a 10-acre residential subdivision. Under the Santa Clara Valley Storm Water Permit C.3 Provisions, the developer was required to install storm water facilities (bio-retention basins) that reduce storm water pollutants and flow from the site.

The CFD No. 3's governing board has the same members as those on the City Council. The City Council approves the rate and method of the apportionment of the special tax and the authorized services that may be funded by the special tax. The special tax is levied to fund the maintenance and future capital replacement of the CFD No. 3 facilities. The City's administrative costs incurred for the CFD No. 3 is also covered by the special tax. The assets associated with the CFD No.3 are for the benefit of CFD No. 3, are held in a trust arrangement, and are not derived from the City's provision of goods or services to the CFD No.3. The CFD No. 3 is a fiduciary component unit and are accounted for in the Community Facilities District No. 3 (Estates at Sunnyvale) Private Purpose Trust Fund.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the City and its component units. All fiduciary activities are only reported in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes or other interfund charges where the amounts are reasonably equivalent in value to the services provided. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including the blended component units and fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds. Each major fund is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The determination of a given fund as a major fund is generally based on its relative size in any of the following four groupings of financial statement elements: assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, and expenditures/expense. An individual fund is a major fund if it reports, for at least one of the above groupings, both at least 10% of the fund type and at least 5% of the combined total for governmental and enterprise funds.

In spite of the quantitative criteria, an individual fund may still be presented separately as a major fund if the City believes that the fund is particularly important for financial statement users.

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund, always classified and presented separately as a major fund. It accounts for all financial resources of the general government, except those required to be accounted for in any other fund.
- The *Housing Special Revenue Fund* accounts for financial resources primarily from housing impact fees from developers. Expenditures are incurred to support the provision of affordable housing within the City.
- The *Park Dedication Special Revenue Fund* accounts for financial resources from park dedication fee revenues paid by developers in order to fund park-related projects.
- The *City Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

- The *Infrastructure Renovation and Replacement Fund* accounts for financial resources related to the City's Long-Range Infrastructure Plan for the renovation and replacement of existing general capital assets.
- The *Civic Center Capital Project Fund* accounts for 2020 Lease Revenue Bonds proceeds issued to finance construction costs of the Civic Center Modernization Project.

The City reports the following major enterprise funds:

- The *Water Supply and Distribution Fund* accounts for the activities of the City-operated water utility.
- The *Wastewater Management Fund* accounts for the activities related to the City-operated sewer collection and water pollution control systems.
- The *Solid Waste Management Fund* accounts for the activities of the City's solid waste collection and disposal services.
- The *SMaRT Station Fund* accounts for the activities related to the operations of the Sunnyvale Materials and Recovery Transfer Station.
- The *Development Fund* accounts for user fees and costs of services related to planning, engineering and inspection of public and private development construction projects.

The following fund, though not quantitatively meeting the major fund criteria in this reporting year, has been included as a major enterprise fund for consistency:

- The *Golf and Tennis Operations Fund* accounts for the activities related to the City's golf course and tennis center operations.

Additionally, the City reports the following fund types:

- *Internal Service Funds* account for services provided to other City funds, on a cost reimbursement basis, in the following areas: fleet equipment, building services, computers, office equipment, communication equipment, print shop, project administration, employee benefits (leaves, workers' compensation, retirement, and insurance) and property and liability insurance services.
- *Other Postemployment Benefit Trust Fund* is a fiduciary fund type that account for resources required to be held in trust for the members and beneficiaries of defined other postemployment benefit plans. The City of Sunnyvale Retiree Healthcare Plan is a single employer defined benefit retiree healthcare plan administered by the City through a trust arrangement.
- *Private-Purpose Trust Fund* is a fiduciary fund type that accounts for resources held and administered under trust or similar arrangement for the benefits of individuals, private organizations, or other governments. The financial activities of the RSA and the CFD No. 3 are accounted for in the private-purpose trust funds.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

- *Custodial Funds* are a fiduciary fund type that account for fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private purpose trust funds. The financial activities of the CFD No. 1, Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP), and NOVAworks Foundation are accounted for in the custodial funds.

In the fund financial statements, any residual balances outstanding at year end from interfund activity are reported as due from/to other funds and advances to/from other funds. In contrast, certain eliminations are made in the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances related to business-type activities in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances related to governmental activities in the business-type activities column.

In the fund financial statements, amounts involving transfer of resources between funds are reported as transfers in/out. In contrast, certain eliminations are made in the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount transferred from business-type activities is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount transferred to governmental activities is included as transfers in the business-type activities column.

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

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for debt service expenditures which are recorded when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

The City considers revenues including property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Exceptions are made for sales tax and grant revenues as explained below.

The City uses a ninety-day availability period for sales taxes as the State would always disburse final distribution of sales taxes revenue for the previous quarter in ninety days. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 90 days of year-end).

Property taxes, sales taxes, other local taxes, grants and subventions, licenses, reimbursements on contractual agreements, and interest earned within the current fiscal year are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. All other revenues items are considered to be measurable and available only when cash is received.

The proprietary funds and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is also an exit price at a measurement date from the perspective of a market participant that controls the asset or is obligated for the liability.

The City uses fair value measurements for the initial recording and subsequent periodic re-measurement of certain assets on a recurring basis. Additionally, the City may be required to record at fair value other assets on a nonrecurring basis. The nonrecurring fair value adjustments typically involve application of lower-of-cost-or-fair-value or asset-impairment accounting.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash, Cash Equivalents, and Investments

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balance.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of acquisition.

Certain disclosure requirements for deposits and investment risks are required in the following areas:

- Interest Rate Risk
- Credit Risk
- Concentration of Credit Risk
- Custodial Credit Risk

Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one-year or less are measured at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of credit rating of the issuer. Non-participating interest-earning investment contracts are reported using a cost-based measure. All other investments are stated at fair value, which is explained in the following paragraph.

For investments in open-end mutual funds, fair value is the fund's current share price. The City measures its investment positions in an external investment pool at the fair value per share of the pool's underlying portfolio. All other investments stated at fair value are also presented in accordance with the fair value hierarchy.

Additional information on the City's investments and fair value measurement can be found in Note 3, *Deposits and Investments*.

Receivables

All receivables are shown net of an allowance for doubtful accounts. Utility revenues (water, sewer and solid waste collection) are recorded as billed to customers on a cyclical basis. All utility customers are billed either monthly or bi-monthly. Charges for utility services rendered but unbilled at June 30 are accrued and recognized as revenues in the respective enterprise funds.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Lease Receivables

Lease receivables are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreements, the City may receive variable/fixed lease payments. The lease payments are recorded as inflow of resources in the period the payment is received.

Interfund Balances/Internal Balances

Advances to and advances from other funds are presented in the fund financial statements. The borrower is charged interest annually based on the initially stipulated rate and the repayment amount often varies with the borrower's cash flow needs. Any unpaid interest due to the borrower's lack of funds increases the principal owed, with the lender (General Fund) recognizing a corresponding amount of deferred inflows of resources. Since the late 1970s, General Fund has made numerous advances to other City funds (see Note 10) and thus accumulated significant amounts of deferred inflows of resources. When the cumulative amounts of repayment in advances by the borrower exceed the original principal, the lender (General Fund) recognizes the excess portion of current repayment as interfund interest revenue with a corresponding reduction of deferred inflows of resources.

When the lender is an enterprise fund, the interest charged to the borrower fund is recognized as revenue in the current year.

Other outstanding balances between funds are reported as due to and due from other funds.

Any balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventory and Prepaid Items

The consumption method is used to account for inventory and inventory is valued at average cost. Inventory in governmental activities consists of expendable supplies held for consumption by all departments; user programs are charged when inventory items are withdrawn for use.

Inventory in the Golf and Tennis Operations Enterprise Fund consists of golf merchandise held for resale to customers; the cost of goods sold is recorded at the end of the accounting period, adjusted by physical inventory results that reflect the lower of cost or market value.

The consumption method is also used to account for prepaid items under the modified accrual basis of accounting. Expenditures are recorded proportionately over the periods that service is provided.

Assets Held for Resale

Assets held for resale are carried at the lower of cost or net realizable value which is defined as the estimated selling price in an orderly transaction minus any cost to complete and to sell. In fiscal years 1999 and 2000, the City acquired certain residential properties for \$1,381,077, with the intention to assemble with other parcels for the Downtown redevelopment project.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Capital Assets

Capital assets, which include land (including easements), buildings, improvements, equipment (including computer software), construction in progress, and infrastructure assets (e.g., streets, sidewalks, curbs, gutters, street lights, traffic signals, water supply and distribution system, wastewater treatment and collection system), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The City reports infrastructure assets on a system basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at their acquisition value. The acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Since there is no ready market for capital assets from developer contributions, the City would always use the developer's own costs as estimated acquisition value.

The City has chosen the modified approach for reporting the street pavement system, and as a result depreciation is not recorded for that system. For all other assets, depreciation is recorded on a straight-line method (with mid-month convention applied to the first month of acquisition) over the useful lives of the assets as follows:

• Buildings	10 - 50 years
• Traffic signals	15 - 30 years
• Sidewalks, Curbs, Gutters, and Street Lights	30 - 40 years
• Water Supply and Distribution System	5 - 80 years
• Wastewater Treatment and Collection System	10 - 80 years
• Storm drains	30 – 50 years
• Other land improvements	5 - 80 years
• Equipment, Software, Vehicles and Machinery	2 - 30 years
• Intangible Right-to-use Assets	Lease/SBITA service period

The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date was computed on a straight-line method using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued**

Using the modified approach to report the City’s street pavement system, each homogeneous segment of City-owned streets was assigned a physical condition based on potential defects. A pavement condition index (PCI) was assigned to each street segment. The index is expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned to segments of streets that have the physical characteristics of a new street. The following conditions were defined:

Condition	Rating
Excellent	90-100
Very Good	80-89
Good	70-79
Fair	60-69
At Risk	50-59
Poor	25-49
Failed	0-24

The City’s policy relative to maintaining the street assets is to achieve a PCI rating of 75 or over for all street segments, which is in the “good” range or better. For detailed description of the modified approach, see the required supplementary information section of this report.

Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of net position and balance sheet report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports the following deferred items:

Gain or Loss on Refunding:

A gain or loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt and reported in the government-wide and enterprise fund statements of net position.

Deferred Outflows and Inflows of Resources Related to Pensions or OPEB:

These deferred items are recognized and measured in financial statements prepared using the economic resources measurement focus and the accrual basis of accounting. The deferral is for changes in the net pension or OPEB liability that are not included in pension or OPEB expense for the current year. These deferred items may include changes of future economic and demographic assumptions or other inputs, differences between expected and actual experience, differences between projected and actual earnings on investments, and any employer contributions made subsequent to the measurement date of the net pension or OPEB liability are required to be reported as deferred outflows of resources.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Deferred Inflows of Resources Related to Leases:

Deferred inflow of resources is recognized at the initiation of the lease in an amount equal to the amount of initial recognition of the lease receivables. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Unavailable Revenue:

Unavailable revenue is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from sources such as housing loans, State-mandated cost reimbursements, expenditure-driven grants, etc.

Imposed Nonexchange Revenue:

Imposed nonexchange business license tax revenues are reported in the government-wide statement of net position and governmental fund balance sheet.

Another item recognized as deferred inflows of resources are related to a service concession arrangement as discussed below.

Service Concession Arrangement

In April 2012, the City executed an Agreement with Lifetime Tennis, Inc. (name changed to Lifetime Activities, Inc. in 2014), in which Lifetime has agreed to operate, manage, and collect the related fees from the Sunnyvale Tennis Center for a term of 15 years. In February 2017, the term of this Agreement was amended to extend to March 31, 2032. The amendment also specifies that the licensee shall not permit any employee to provide instruction to children under this Agreement until such employee has undergone criminal background screening through the California Department of Justice as provided in Penal Code 11105.3.

Lifetime has agreed to pay the City installment payments over the course of the arrangement; the present value of the remaining installment payments is estimated to be \$1,276,732, reported as a service concession arrangement receivable by the City. The City has agreed to maintain the grounds surrounding the courts and buildings at the Tennis Center, as well as the ancillary tennis courts. At June 30, 2024, the present value of the City's maintenance obligation is estimated to be \$1,223,137 reported as a service concession arrangement maintenance liability. The difference between the present value of the installments receivable and maintenance obligations was \$53,594, which was reported as deferred inflows of resources in the Golf and Tennis Operations Enterprise Fund.

Subscription-Based Information Technology Arrangements (SBITAs)

A Subscription-Based Information Technology Arrangement (SBITA) is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

At the commencement of a SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the contract term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over shorter of the subscription term or the useful life of the underlying IT assets. The City recognizes SBITA liabilities with an initial, individual value of \$100,000 or more for all funds, based on the future SBITA payments remaining at the start of the contract.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments as follows:

- The City uses the interest rate charged by a SBITA vendor as the discount rate. When the interest rate charged by a SBITA vendor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for subscription liabilities.
- The subscription term includes the noncancellable period of the subscription.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price (if offered) that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with capital assets and subscription liabilities are reported with liabilities on the statement of net position.

Unearned Revenue

Unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions for which unearned revenue is recorded are unearned grant revenues and prepayments from customers.

Noncurrent Liabilities

Net pension liability and net OPEB liability are reported separately from noncurrent liabilities because of the significance of the balances.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Government-Wide and Enterprise Fund Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of premium or discount. Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs are reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

Governmental Fund Financial Statements

Long-term debt is not reported in the governmental fund financial statements but is shown in the reconciliation of the governmental funds balance sheet to the government-wide statement of net position. In the fund financial statements, governmental funds recognize bond premiums and discounts and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. All debt issuance costs are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expenses, information about the fiduciary net position of the City’s California Public Employees’ Retirement System (CalPERS) plans and additions to/deductions from the City’s CalPERS Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The governmental activities’ share of net pension liability is typically liquidated by the General Fund.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the City’s Retiree Healthcare Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The governmental activities’ share of net OPEB liability is typically liquidated by the General Fund.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any constraints requiring the use of resources for specific purposes.

The nonspendable fund balance includes the portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include inventories, prepaid items, long-term receivable and lease receivable net of deferred inflows of resources, nonfinancial assets held for resale, and principal of endowments and permanent funds.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

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 enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources from external resource providers; those resources can be used only for the specific purposes stipulated in the legislation. The City's restricted fund balance is comprised of fee revenue generated through enabling legislation including housing impact fees reported under the Major Housing Special Revenue Fund, park dedication fees reported under the Major Park Dedication Special Revenue Funds, and transportation impact fees reported under the Major City Projects Fund.

The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that, by adoption of a resolution prior to the end of the fiscal year, commits fund balance for the next fiscal year. Once adopted, the limitation imposed by the resolution remains in place until an action is taken (Council-approved budget modification) to remove or revise the limitation.

The assigned fund balance includes amount intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. Such intent is expressed by the City Council or its designees and may be changed at the discretion of the City Council or its designees. The City Council has not delegated the authority to make assignments of fund balance and action has been taken by the City Council to assign fund balance for specific purpose.

Unassigned fund balance is the residual amount that have not been restricted, committed, or assigned for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if residual fund balance is less than the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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 differ from these estimates and assumptions.

Program Revenues

Amounts reported as program revenues on the statement of activities include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of one particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Tax 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% of market value as defined by Article XIII A and may be increased by the lessor of the California Consumer Price Index or 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.

The County of Santa Clara (County) assesses properties and distributes property taxes to the City. Liens for property taxes attach on January 1 preceding the fiscal year for which taxes are levied. Taxes are levied on property as it exists on January 1. Secured property taxes are due in two installments on November 1 and February 1. If unpaid, such taxes become delinquent after 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Unsecured property tax is disbursed in July and are due upon receipt and become delinquent after 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. Collection of property tax is the responsibility of the County.

Compensated Absences

The City's compensated absences consist of accrued paid time off, compensatory time and other paid leave, with benefits varying by employee group. The total amount of accrued paid leaves is recorded in the Employee Payroll & Benefits Internal Service Fund and is also reported under governmental activities in the government-wide financial statements. The governmental activities' share of compensated absences are typically liquidated by the General Fund.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Effects of New Pronouncements

As of July 1, 2023, the City implemented the following GASB Statement:

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The requirements related to leases, public-private partnerships (PPPs), and SBITAs are effective for the City's fiscal year ending June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for the City's fiscal year ending June 30, 2024. Implementation of this statement did not have a significant impact on the City's financial statements for the fiscal year ended June 30, 2024.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant consistent, and comparable information for making decisions or assessing accountability. Implementation of this statement did not have a significant impact on the City's financial statements for the fiscal year ended June 30, 2024.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

The City is currently analyzing its accounting practices to identify the potential impact on the financial statements for the GASB statements as follows:

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for the City’s fiscal year ending June 30, 2025.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risk related to government’s vulnerabilities due to certain concentrations or constraints. This statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending. The requirements of this statement are effective for the City’s fiscal year ending June 30, 2025.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This statement also addresses certain application issues. The requirements of this statement are effective for the City’s fiscal year ending June 30, 2026.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. This statement requires certain capital assets to be disclosed separately in the capital assets note disclosures required by statement 34. The requirements of this statement are effective for the City’s fiscal year ending June 30, 2026.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The budgetary control and required budgetary comparison schedules are presented in the Required Supplementary Information section.

Deficit Net Position and Fund Balances

Although the combined net position for all internal service funds was \$50,749,374, one of the internal service funds, Property and Liability Insurance Fund, had a deficit net position of \$3,726,688 at year end. The deficit was caused by the claims and judgments payable for the general liability program. The deficit is expected to be funded by future internal service charges to other City funds.

The deficit net position of \$13,598,983 in the Private Purpose Trust Fund was the combined total of the CFD No. 3 positive net position of \$69,655 and the RSA negative net position of \$13,668,638. The RSA has significant noncurrent liabilities which will be liquidated by future receipts from the Redevelopment Property Tax Trust Fund (RPTTF) determined by the State of California and distributed by the County. Note 20 provides a detailed explanation of those liabilities.

The deficit fund balance for the 2016 Measure B Santa Clara VTA Nonmajor Governmental Fund was \$135,580. The deficit is expected to be funded by the receipt of intergovernmental revenues during the following fiscal year.

NOTE 3 – DEPOSITS AND INVESTMENTS

Except for funds required to be held separately by fiscal agents under the provisions of bond indentures or trust arrangements, the City maintains a deposits and investment pool, which includes cash balances and authorized investments of all funds. This pool is managed by the City Treasurer to preserve capital and enhance interest earnings.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

Summary of Deposits and Investments

	Government-Wide Statement of Net Position			Fund Financials
	Governmental Activities	Business-Type Activities	Total	Fiduciary Statement of Net Position
Deposits and Investments Held by the City	\$ 316,875,565	\$ 237,111,198	\$ 553,986,763	
Restricted Deposits and Investments:				
Held by the City	\$ 312,655,514	13,466,429	326,121,943	
Held by the Fiscal Agent	21,238,097	4,669	21,242,766	
Total Government-Wide Deposits and Investments	\$ 650,769,176	\$ 250,582,296	\$ 901,351,472	
Deposits and Investments in City Treasury Pool				\$ 2,154,149
Deposits and Investments Outside of City Treasury Pool				3,413,197
Deposits and Investments Held by the Fiscal Agent and Trustee				170,264,157
Total Fiduciary Deposits and Investments				\$ 175,831,503
Grand Total				\$ 1,077,182,975

Deposits and Cash on Hand in the City Treasury Pool

The carrying amount of the cash and deposits in the City pool totaled \$39,119,808 at June 30, 2024. Bank balances before reconciling items (i.e., deposits in transit and outstanding checks) were \$50,4066,620, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City's name.

Investments

Investments are stated at fair value with certain exceptions. For the City, the exception means to apply a cost-based measure to investments in nonparticipating interest-earning investment contracts and to money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less.

The City recognizes the change in fair value of investments in the year the change occurred. The City's portfolio value fluctuates in an inverse relationship to any change in interest rate. Net change in the fair value of investments takes into account all changes in fair value (including purchases and sales) that occurred during the year. These portfolio value changes are unrealized unless sold. These unrealized value changes do not represent actual market fluctuations or losses since the City's policy is to buy and hold investments until their maturity dates and the investment is redeemed at face value.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

Investment Policy

Under the provisions of the City's Investment Policy, and in accordance with the California Government Code, the following investments were authorized:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Securities issued by the U.S. Treasury	7 years	100%	N/A
Government Agency and Sponsored Enterprise Securities	7 years	100%	30% *
Banker's Acceptances	180 days	40% *	5% *
Federally Insured Bank Deposits	5 year	20% *	\$250,000
Collateralized Bank Deposits	1 year*	20% *	5% *
Negotiable Certificates of Deposit	5 year *	30%	5% *
Certificates of Deposits Placement Service	5 year *	30%	N/A
Repurchase Agreements	15 days *	10% *	N/A
Commercial Paper	270 days *	25%	5% *
Corporate Medium-term Notes	5 years	30%	5% *
Mortgage Backed, Mortgage Pass-through Securities, Collateralized Mortgage Obligations, and Asset-backed Securities	5 years	20%	5% *
Money Market Mutual Funds	N/A	20% *	N/A
Municipal Bonds	5 years	30%	5% *
Local Agency Investment Fund	N/A	N/A	N/A
Supranational Securities	5 years	30%	10%

* Represents items in which the City's Investment Policy is more restrictive than the California Government Code.

The City's Investment Policy does not apply to trust accounts held by the fiscal agents, which are invested as directed by separate trust arrangements.

Fair Value Hierarchy

The City holds less complex types of investments, which are measured at fair value on a recurring basis. The City categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The City uses brokers to obtain fair value measurements developed in accordance with GASB Statement No. 72. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs include inputs that are directly observable for the investment (including quoted price for similar investments) and inputs that are not directly observable but are derived from observable market data through correlation. Level 3 inputs are significant unobservable inputs.

Investment securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques by the pricing vendors for these securities. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

The City had the following recurring fair value measurements as of June 30, 2024:

Investments	Balance at June 30, 2024	Significant Other Observable Inputs (Level 2)
City Treasury Pooled Investments		
Investments Subject to Fair Value Hierarchy:		
Corporate Notes	\$ 217,759,034	\$ 217,759,034
ABS - Asset Back Securities	68,807,685	68,807,685
CMBS - Commercial Mortgage-Backed Securities	100,228,402	100,228,402
Supranational	17,829,090	17,829,090
Federal Agency Issues	130,873,422	130,873,422
U.S. Treasury Securities	286,000,233	286,000,233
Investments Subject to Fair Value Hierarchy	821,497,866	821,497,866
Investments Not Subject to Fair Value Hierarchy:		
Cash Equivalent Mutual Funds/Accounts	3,617,139	
Local Agency Investment Funds	18,028,042	
Total City Treasury Pooled Investments*	\$ 843,143,047	
City Investments Held by Fiscal Agent		
Investments Not Subject to Fair Value Hierarchy:		
Cash Equivalent Mutual Funds/Accounts	\$ 119,927	
Open-End Mutual Funds (Fixed Income/Equity)	21,122,839	
Total Investments Held by Fiscal Agent	\$ 21,242,766	
Fiduciary Fund Investments Outside of City Treasury Pool		
Investments Not Subject to Fair Value Hierarchy:		
Cash Equivalent Mutual Funds/Accounts	\$ 3,210,828	
Local Agency Investment Funds	202,369	
	\$ 3,413,197	
Fiduciary Fund Investments Held by Fiscal Agent		
Investments Not Subject to Fair Value Hierarchy:		
Cash Equivalent Mutual Funds/Accounts	\$ 598,332	
Open-End Mutual Funds (Fixed Income/Equity)	167,917,685	
Guaranteed Investment Contract	1,748,140	
Fiduciary Fund Investments with Fiscal Agent	\$ 170,264,157	

* The City Treasury included \$2,154,149 of Fiduciary Fund's deposits and investments.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

Risk Disclosures

Credit Risk

This is risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. If a security is downgraded by either Moody's or Standard & Poor's (S&P) to a level below the minimum quality required by the City, it is the City's policy to sell that security as soon as practicable.

The following table provides credit rating information for applicable investments:

	Credit Ratings S&P/Moody's	Fair Value	Total
City Treasury Pooled Cash and Investments:			
Bank Deposits and Cash on Hand			\$ 39,119,808
Investments:			
Corporate Notes:			
Amazon	AA / A1	\$ 9,293,939	
Apple	AA+ / Aaa	9,518,297	
Bank of America Corp	A- / A1	9,325,295	
Bank of Montreal	A- / A2	8,260,457	
Bank of NY Mellon	A / A1	4,214,570	
Berkshire Hathaway	AA / Aa2	5,999,187	
Charles Schwab Corp	A- / A2	5,204,243	
Cisco Systems Inc.	AA- / A1	4,474,210	
Costco Wholesale Corp	A+ / Aa3	5,066,140	
Eli Lilly and Co.	A+ / A1	6,147,706	
Florida Power & Light Co.	A+ / Aa2	5,041,880	
John Deere Capital	A / A1	9,146,199	
JP Morgan Chase & Co	A- / A1	9,506,452	
Mass Mutual Global	AA+ / Aa3	5,161,967	
Merck & Co	A+ / A1	4,703,946	
Metropolitan Life Global	AA- / Aa3	6,092,873	
Met Tower Global Funding	AA- / Aa3	3,703,531	
Morgan Stanley	A- / A1	4,390,034	
New York Life Global	AA+ / Aaa	7,453,976	
Northern Trust Company	A+ / A2	2,904,017	
Northwestern Mutual Global Funding	AA+ / Aaa	4,454,624	
Northwestern Mutual Life	AA+ / Aaa	4,963,794	
Paccar Financial	A+ / A1	6,598,314	
Procter & Gamble Co	AA- / Aa3	9,307,795	
Prologis LP	A / A3	9,506,318	
Realty income Corp	A- / A3	10,338,621	
Royal Bank of Canada	A / A1	4,875,438	
Target Corp	A / A2	3,578,165	
Toronto Dominion Bank	A / A1	11,373,803	
Toyota Motor	A+ / A1	8,121,390	
Truist Bank	A / A3	7,333,516	
United Health Group	A+ / A2	10,214,179	
Wal-Mart Stores	AA / Aa2	1,484,158	
Total Corporate			217,759,034

(continued)

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

Government Sponsor Enterprise, Asset-Back, Money Market & Supranational:

ABS (Hart, Taot, Harot, Gmcar, Halst, Amxca, Gmalt, Chait, Hondo)	AAA / NR	36,699,493
ABS (Harot, Bmwot, Taot, Gmcar, Bacct)	AAA / Aaa	14,908,392
ABS (Jdot, Harot, Amxca, Mbalt)	NR / Aaa	17,199,800
Agency CMBS (FHMS)	AA+ / Aaa	74,405,158
Agency CMBS (FHMS)	AAA / Aaa	25,823,244
Supranational Securities (IBRD, IADB)	AAA / Aaa	17,829,090
Federal Farm Credit Bank	AA+ / Aaa	9,808,565
Federal Home Loan Bank	AA+ / Aaa	24,177,817
Federal Home Loan Mortgage Corporation	AA+ / Aaa	34,792,984
Federal National Mortgage Association	AA+ / Aaa	57,429,017
Tennessee Valley Authority	AA+ / Aaa	4,665,039
Total Government Sponsor Enterprise, Asset-Back, Supranational		<u>317,738,599</u>
USTreasuries	AA+ / Aaa	286,000,233
Money Market Funds	AAA / Aaa	3,617,139
Local Agency Investment Funds	Not Rated	18,028,042
City Pooled Cash and Investments (including \$2,154,149 from Fiduciary Funds)		<u><u>\$ 882,262,855</u></u>

	Credit Ratings S&P/Moody's	Fair Value	Total
City Cash and Investments with Fiscal Agents:			
Treasury Obligation and Money Market Mutual Funds	Not Rated	\$ 119,927	
Open-Ended Mutual Funds (Fixed Income/Equity)	Not Rated	21,122,839	
Total City Cash and Investments with Fiscal Agents			<u><u>\$ 21,242,766</u></u>
Fiduciary Funds Cash and Investments Outside of City Treasury Pool			
Cash Equivalent Mutual Funds/Accounts	Not Rated	\$ 3,210,828	
Local Agency Investment Funds	Not Rated	202,369	
Fiduciary Fund Deposits and Investments not in the City Treasury Pool			<u><u>\$ 3,413,197</u></u>
Fiduciary Funds Cash and Investments Held by Fiscal Agent			
Cash Equivalent Mutual Funds/Accounts	Not Rated	\$ 598,332	
Open-End Mutual Funds (Fixed Income/Equity)	Not Rated	167,917,685	
Guaranteed Investment Contracts	Not Rated	1,748,140	
Fiduciary Fund Deposits and Investments not in the City Treasury Pool			<u><u>\$ 170,264,157</u></u>
			(concluded)

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

Interest Rate Risk - To minimize the City's exposure to fair value losses caused by rising interest rates, the City's investment policy limits its investment portfolio in debt securities to the duration of a Market Benchmark selected by the City. Investments held in the City Treasury grouped by maturity date at June 30, 2024 are as follows:

	Maturity (in years)				Total
	1 year or less	1 to 2 years	2 to 5 years	5 to 10 years	Fair Value
Investments Held by the City:					
Corporate Notes:					
Amazon	\$ -	\$9,293,939	\$ -	\$ -	\$ 9,293,939
Apple	-	-	9,518,296	-	9,518,296
Bank of America Corp	-	5,940,897	3,384,399	-	9,325,296
Bank of Montreal	5,512,528	-	2,747,929	-	8,260,457
Bank of NY Mellon	-	4,214,570	-	-	4,214,570
Berkshire Hathaway	-	-	5,999,187	-	5,999,187
Charles Schwab Corp	-	-	5,204,243	-	5,204,243
CISCO Systems Inc	-	-	4,474,211	-	4,474,211
Costco Wholesale Corp	-	-	5,066,140	-	5,066,140
Eli Lilly and CO.	-	-	6,147,706	-	6,147,706
Florida Power and Light	-	-	5,041,880	-	5,041,880
John Deere Capital	-	-	9,146,199	-	9,146,199
JP Morgan Chase & Co	-	1,941,150	7,565,302	-	9,506,452
Mass Mutual Global	-	-	5,161,967	-	5,161,967
Merck & Co	-	-	4,703,946	-	4,703,946
Metropolitan Life Global	-	-	6,092,873	-	6,092,873
MET Tower Global Funding	-	-	3,703,531	-	3,703,531
Morgan Stanley	-	-	4,390,034	-	4,390,034
New York Life Global	-	-	7,453,976	-	7,453,976
Northern Trust Company	-	-	2,904,017	-	2,904,017
Northwestern Mutual Life	-	-	9,418,418	-	9,418,418
Paccar Financial	-	-	6,598,313	-	6,598,313
Procter & Gamble Co	-	-	9,307,795	-	9,307,795
Prologis LP	-	-	9,506,318	-	9,506,318
Realty income Corp	-	3,963,808	6,374,813	-	10,338,621
Royal Bank of Canada	-	-	4,875,438	-	4,875,438
Target Corp	-	-	3,578,165	-	3,578,165
Toronto Dominion Bank	-	-	11,373,803	-	11,373,803
Toyota Motor	1,787,033	6,334,357	-	-	8,121,390
Truist Bank	7,333,516	-	-	-	7,333,516
United Health Group	-	1,543,085	8,671,094	-	10,214,179
Wal-Mart Stores	-	-	1,484,158	-	1,484,158
ABS (Asset Back-Securities)	-	6,213,256	62,594,429	-	68,807,685
Agency CMBS (FHMS)	-	-	91,097,172	9,131,230	100,228,402
Supranational Securities	-	17,829,090	-	-	17,829,090
Federal Farm Credit Bank	-	-	9,808,565	-	9,808,565
Federal Home Loan Bank	-	5,241,655	18,936,162	-	24,177,817
Federal Home Loan Mortgage Corporation	14,884,464	19,908,520	-	-	34,792,984
Federal National Mortgage Association	25,868,462	24,480,306	7,080,249	-	57,429,017
Tennessee Valley Authority	-	-	4,665,039	-	4,665,039
U. S. Treasuries	37,368,473	40,152,051	192,453,576	16,026,133	286,000,233
Cash Equivalent Mutual Funds/Accounts	3,617,139	-	-	-	3,617,139
Local Agency Investment Funds	18,028,042	-	-	-	18,028,042
Total	\$ 114,399,657	\$ 147,056,684	\$ 556,529,343	\$ 25,157,363	\$843,143,047

(continued)

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

City Investments Held by Fiscal Agents:

Treasury Obligation Mutual Funds	\$ 119,927	-	-	-	\$ 119,927
Open-Ended Mutual Funds (Fix Income)	10,452,134	-	-	-	10,452,134
Open-Ended Mutual Funds (Equity)	10,670,705	-	-	-	10,670,705
Total	<u>\$ 21,242,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,242,766</u>

Fiduciary Fund Investments Outside of City Treasury Pool

Cash Equivalent Mutual Funds/Accounts	\$ 3,210,828	\$ -	\$ -	\$ -	\$ 3,210,828
Local Agency Investment Funds	202,369	-	-	-	202,369
Total	<u>\$ 3,413,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,413,197</u>

Fiduciary Fund Investments Held by Fiscal Agent

Cash Equivalent Mutual Funds/Accounts	\$ 598,332	\$ -	\$ -	\$ -	\$ 598,332
Open-End Mutual Funds (Fixed Income)	66,659,206	-	-	-	66,659,206
Open-End Mutual Funds (Equity)	101,258,479	-	-	-	101,258,479
Guaranteed Investment Contracts	-	-	-	1,748,140	1,748,140
Total	<u>\$ 168,516,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,748,140</u>	<u>\$ 170,264,157</u>

(concluded)

Custodial Credit Risk – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires California depositories to secure the City’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The fair value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure the City’s deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits or letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% in excess of the total amount of deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. To mitigate this risk, all the City’s investments in securities are held in the name of the City. The City’s custodial agreement policy prohibits counterparties holding securities not in the City’s name.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of investment in any single issuer, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds and external investment pools.

The City’s investment policy is that no more than 5% of the total portfolio may be invested in securities of any single issuer, other than the U.S. Government, its agencies and instrumentalities, and Local Agency Investment Fund (LAIF). Additionally, no more than 10% may be invested in short-term repurchase agreements or money market mutual funds.

According to GASB Statement No. 40, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools are excluded from this requirement. At June 30, 2024, investments in the following issuers represented 5% or more of investments in the City Treasury pool.

Issuer	Amount
Federal National Mortgage Association	\$ 57,429,017
Asset-Backed Securities	68,807,685
Commercial Mortgage-Backed Security-FHMS	100,228,402
Total	<u>\$ 226,465,104</u>

Investments in Local Agency Investment Fund

The State Treasurer administers a single pooled investment program comprising both an internal investment pool and an external investment pool (LAIF). The City is a participant in LAIF. LAIF offers local agencies within California the opportunity to participate in a major portfolio using the expertise of the State Treasurer’s Office investment staff at no additional cost to taxpayers. Oversight of LAIF is provided by the Pooled Money Investment Board and the Local Agency Investment Advisory Board. These boards review LAIF investment policies annually. In addition, the Bureau of State Audits has a continuing audit process throughout the year.

The State Treasurer’s Office reports its investments at fair value. The fair value of securities in the pooled investment program generally is based on quoted market prices. The fair market valuations of the pooled investment program portfolio can be obtained from the State Treasurer’s Office website at www.treasurer.ca.gov.

The City’s LAIF account balance available for withdrawal is based on amortized cost. LAIF values participants’ shares on an amortized cost basis, which is not designed to distribute to participants all unrealized gains and losses in the fair value of the pool’s investments. There are no significant limitations or restrictions on participant withdrawals.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

According to the LAIF Performance Report for the quarter ending June 30, 2024, the weighted average life of the securities in the pooled investment program administered by the State Treasurer’s Office was 217 days. A weighted average life measure expresses the length of time that each dollar of principal remains unpaid without taking into account the maturing shortening features used in calculating the weighted average maturity.

The State Treasurer’s Office also reports participant fair value as a ratio of amortized cost on a quarterly basis. The total difference between the fair value of the investments in the pool and the value distributed to pool participants using the amortized cost method is not considered material.

The City valued its investments in LAIF at fair value as of June 30, 2024, by multiplying its account balance with LAIF by the fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants’ total aggregate fair value by total aggregate amortized cost resulting in a factor of 0.996316042.

LAIF is part of the State’s Pooled Money Investment Account (PMIA). The total balance of the PMIA is approximately \$178.3 billion as of June 30, 2024. Of that amount, 99% was invested in nonderivative financial products and 1% in structured notes and asset backed securities.

NOTE 4 – RECEIVABLES

Government Wide Financial Statements

At June 30, 2024, the government-wide financial statements show the following current receivables net of allowances for uncollectible amounts:

	Governmental Activities	Business-Type Activities	Total
Unrestricted:			
Accounts	\$ 1,330,549	\$ 28,481,431	\$ 29,811,980
Taxes	12,656,893	-	12,656,893
Interest	2,072,542	1,634,889	3,707,431
Other	896,296	25,906	922,202
Allowance	(417,292)	(1,825,904)	(2,243,196)
Total Unrestricted	16,538,988	28,316,322	44,855,310
Restricted:			
Accounts	120,264	-	120,264
Interest	1,793,030	-	1,793,030
Other	31,899	-	31,899
Total Restricted	1,945,193	-	1,945,193
Total Current Receivables, Net	\$ 18,484,181	\$ 28,316,322	\$ 46,800,503

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 4 – RECEIVABLES, Continued

Fund Financial Statements

At June 30, 2024, the fund financial statements show the following current receivables net of allowances for uncollectible amounts:

	Accounts Receivable	Taxes	Interest	Other	Less: Allowance for Uncollectible	Total
Governmental Funds:						
General	\$ 1,433,390	\$ 12,656,893	\$ 1,291,916	\$ 550,208	\$ (417,292)	\$ 15,515,115
Housing	-	-	465,665	-	-	465,665
Park Dedication	-	-	715,326	25,700	-	741,026
City Projects	-	-	386,880	-	-	386,880
Infrastructure Renovation and Replacement	-	-	568,723	-	-	568,723
Capital Project Civic Center	-	-	-	-	-	-
Nonmajor Governmental	-	-	208,528	-	-	208,528
Total Governmental Funds	\$ 1,433,390	\$ 12,656,893	\$ 3,637,038	\$ 575,908	\$ (417,292)	\$ 17,885,937
Proprietary Funds:						
Water Supply and Distribution	\$ 10,397,538	\$ -	\$ 605,940	\$ 4,598	\$ (603,500)	\$ 10,404,576
Wastewater Management	8,997,317	-	535,471	808	(589,531)	8,944,065
Solid Waste Management	9,060,762	-	114,787	5,553	(632,873)	8,548,229
SMART Station	-	-	-	-	-	-
Development	25,814	-	378,691	-	-	404,505
Golf and Tennis Operations	-	-	-	14,947	-	14,947
Internal Service Funds	17,423	-	228,534	352,287	-	598,244
Total Proprietary Funds	\$ 28,498,854	\$ -	\$ 1,863,423	\$ 378,193	\$ (1,825,904)	\$ 28,914,566
Fiduciary Funds:						
OPEB Trust Fund	\$ 26,451	\$ -	\$ -	\$ 3,668	\$ -	\$ 30,119
Private-Purpose Trust Funds	-	-	3,541	12,453,878	-	12,457,419
Custodial Funds	-	-	53,202	-	-	53,202
Total Fiduciary Funds	\$ 26,451	\$ -	\$ 56,743	\$ 12,457,546	\$ -	\$ 12,540,740

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024**NOTE 5 – INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables are incurred as a result of grants and other intergovernmental revenue the City has earned but not yet received. At June 30, 2024, the City had intergovernmental receivables in the following major funds and nonmajor funds in the aggregate:

Governmental Activities:*Governmental Funds:*

General Fund	\$ 1,939,973
City Projects Fund	6,213,162
Nonmajor Funds	4,998,023
Total Governmental Activities	\$ 13,151,158

Business-Type Activities:

Wastewater Management Enterprise Fund	\$ 5,413
Solid Waste Management Enterprise Fund	229,019
SMaRT Station Enterprise Fund	66,948
Total Business-Type Activities	\$ 301,380

NOTE 6 – LONG-TERM RECEIVABLES**From Employees**

In 1981, the City Council established a mortgage loan program for Council-appointed officers and department heads. The program was designed to keep the cost of housing from limiting the number of qualified applicants for senior executive positions. All loans are secured by a deed of trust, carry interest at rates ranging from 0.76% to 3.147%, and have repayment terms of 45 years. At June 30, 2024, the City had four loans to City employees in the amount of \$562,010 and \$5,698,544 reported under the General Fund and the Employee Payroll & Benefits Internal Service Fund, respectively, which totaled to \$6,260,554.

From Sunnyvale Community Services, an Outside Nonprofit Agency

In July 2021, the City executed a loan agreement with the Sunnyvale Community Services (SCS), a nonprofit agency, for capital improvements to their building property at 1160 Kern Avenue, Sunnyvale. The City issued a conditional loan in the amount of \$1,500,000, with no interest or principal payments. The loan will be forgiven after ten years if the SCS remains at the same property and continues to be a local nonprofit agency serving Sunnyvale residents. The City accounted the transaction as a conditional long-term loan receivable and established an uncollectible receivable allowance in the amount of \$1,500,000 in the General fund.

In October 2023, the City executed an equity sharing agreement with the SCS and contributed \$4,000,000 to pay off an outstanding bank loan related to the purchase of the building property located at 1160 Ken Avenue, Sunnyvale. Per the agreement, the City has an equity interest share of 16.19% in the property. The conditional loan has no interest or principal payments due to the City as long as the SCS continues to use the property to provide services to vulnerable residents of Sunnyvale. The City accounted the transaction as a conditional long-term loan receivable and established an uncollectible receivable allowance in the amount of \$4,000,000 in the General fund.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 7 – HOUSING LOANS RECEIVABLE

The maturity schedule for the housing loans receivable reported in the governmental activities as of June 30, 2024 were as follows:

Maturity Date	Community	HOME	Housing	Other	
Year Ending June 30,	Development	Grant	Mitigation	Housing	Total
Block Grant					
2025	\$ 2,016,719	\$ 5,111,014	\$ 32,873,745	\$ 55,100	\$ 40,056,579
2026	474,761	-	-	-	474,761
2027	119,375	-	-	-	119,375
2028	989,777	40,056	-	-	1,029,833
2029	-	-	-	-	-
2030-2034	782,930	2,008,310	1,124,425	-	3,915,666
2035-2039	2,631,152	344,890	235,320	1,086,710	4,298,072
2040-2044	572,611	1,913,579	708,454	274,090	3,468,733
2045-2049	3,141,023	1,804,769	-	518,585	5,464,377
2050-2054	245,256	-	-	445,197	690,453
2055-2059	238,262	-	-	-	238,262
2060-2064	76,392	200,000	-	-	276,392
2065-2069	138,934	-	-	-	138,934
2070-2074	-	2,503,749	9,025,820	-	11,529,570
2075-2080	-	482,837	29,602,682	-	30,085,519
Due Upon Sale or Transfer of Property	1,384,380	-	-	-	1,384,380
	12,811,572	14,409,204	73,570,446	2,379,683	103,170,906
Less: Allowance for Uncollectibles	(256,231)	(288,184)	(1,471,409)	(47,594)	(2,063,418)
Housing Loans Receivables, Net at June 30, 2024	\$ 12,555,341	\$ 14,121,020	\$ 72,099,037	\$ 2,332,089	\$ 101,107,487

All housing loans, excluding mobile home loans, are secured by deeds of trust. Mobile home loans are secured by certificates of title. These loans carry interest rates ranging from 0% to 5% with repayment terms from 10 to 55 years or upon sale or transfer of property. Interest rates are set at below market rates and, in some cases, below the rate of inflation. Repayment of these loans is not assured until cash is received, and in some instances the loans are either not fully recoverable (e.g., mobile home loans due to depreciation) or terms are extended. The City maintains an allowance to reflect both the economic cost of providing loans at low interest rates, which reduces their present value, and for credit risk. In the government-wide financial statements, the housing loans receivable is reported as a restricted asset. The receivable balance is increased by the issuance of new loans and interest accrued on the loans and is decreased by loan repayments.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 7 – HOUSING LOANS RECEIVABLE, Continued

Community Development Block Grant (CDBG) Loans

The City has made a number of loans to qualified applicants using Community Development Block Grants. These loans can be used for the acquisition and development of new affordable housing units. Loans are also available to low-income households for the rehabilitation of single family and mobile homes.

HOME Grant Loans

The City has made loans using Federal HOME funds for the construction, rehabilitation, or acquisition of housing for low-income households, and for First Time Homebuyer Loans.

Housing Mitigation Loans

The City has made housing mitigation loans using housing mitigation and State housing funds. These loans are given to qualified applicants and can be used for acquisition, rehabilitation, new construction and predevelopment costs of affordable housing.

Other Housing Loans

The City has made loans using Below Market Rates (BMR) funds to qualified first time homebuyers.

NOTE 8 – UNEARNED REVENUES

Unearned revenues represent a liability for resources obtained prior to revenue recognition. At June 30, 2024, the City has unearned revenue in the amount of \$942,871 and \$42,641 reported under the governmental activities and business-type activities, respectively, which totaled to \$985,512.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 9 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Government-Wide Financial Statements

Deferred Outflows of Resources	Governmental Activities	Business-Type Activities
Deferred Outflows of Resources Related to Pensions	\$ 109,795,504	\$ 20,454,361
Deferred Outflows of Resources Related to OPEB	15,720,911	5,351,474
Total Deferred Outflows of Resources	<u>\$ 125,516,415</u>	<u>\$ 25,805,835</u>

Deferred Inflows of Resources	Governmental Activities	Business-Type Activities
Imposed Nonexchange Revenue:		
Business License Tax Received for Next Period	\$ 974,610	\$ -
Gain on Debt Refunding	-	42,380
Service Concession Arrangement	-	53,594
Leases	10,680,604	5,126,788
Deferred Inflows of Resources Related to Pensions	491,796	-
Deferred Inflows of Resources Related to OPEB	13,301,998	3,740,896
Total Deferred Outflows of Resources	<u>\$ 25,449,008</u>	<u>\$ 8,963,658</u>

Fund Financial Statements

At June 30, 2024, the following items were recorded in the governmental fund financial statements as deferred inflows of resources:

	General Fund	Housing Special Revenue	Infrastructure Renovation and Replacement	Capital Projects	Nonmajor Governmental	Total
Interest - Interfund Advances	\$ 3,159,268	\$ -	\$ -	\$ -	\$ -	\$ 3,159,268
Interest on Loans to City Employees	38,063	-	-	-	-	38,063
Proposition 172 Revenue	162,865	-	-	-	-	162,865
Intergovernmental Cost Reimbursements	1,671,133	-	-	-	-	1,671,133
Interest - Housing Loans	-	6,989,379	-	-	-	6,989,379
Unavailable Grant Revenues	-	-	-	643,350	8,533,234	9,176,584
Leases	8,856,180	-	-	1,824,424	-	10,680,604
Business License Tax Revenue	974,610	-	-	-	-	974,610
Total	<u>\$ 14,862,119</u>	<u>\$ 6,989,379</u>	<u>\$ -</u>	<u>\$ 2,467,774</u>	<u>\$ 8,533,234</u>	<u>\$32,852,506</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 10– INTERNAL BALANCES/INTERFUND BALANCES

Government-Wide Financial Statements

Internal Balances consist of the following items:

Internal Balances	Amount
Outstanding Advances to/from balances between Governmental and Business-Type Activities	\$ 3,159,262
Amount owed by Business-Type Activities for internal service fund activities	(454,642)
Total	\$ 2,704,620

Fund Financial Statements

Due to/from Other Funds

The composition of due to/due from other funds at year end is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental	\$ 1,859,902
Housing Special Revenue Fund	Nonmajor Governmental	209,832
	Total	\$ 2,069,734

The amounts due to the General Fund from the other funds were due to cash flow needs at year end. These amounts will be repaid shortly after the end of the fiscal year as cash is available for the payable funds.

Advances to/from Other Funds

The following schedule presents the balances of interfund advances at year end:

Receivable Fund	Payable Fund	Amount
General Fund	Wastewater Management	\$ 3,159,262

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 10 – INTERNAL BALANCES/INTERFUND BALANCES, Continued

Refer to Note 1 that explains accounting for interfund advances. Details about interfund advances transactions are provided as follows:

During the fiscal year ended June 30, 1981, the General Fund advanced to the Wastewater Management Fund \$10,700,000 for the purpose of remodeling the primary facilities of the wastewater treatment plant and expanding the plant capacity from 22.5 million gallons per day to 29.5 million gallons per day. During fiscal year 1996, the General Fund advanced an additional \$2,453,635 to the Wastewater Management Fund for cash flow purposes. Starting from fiscal year 2018, the interest rate charged to the Wastewater Management Fund on advances reduces from 7% to rates ranging from 1.25% to 3%. During the current fiscal year, repayment of \$949,615 was made to the General Fund. Annual repayments are budgeted as follows: \$949,615 annually from fiscal year 2025 to fiscal year 2027, and \$517,050 in fiscal year 2028 to pay off the remaining balance. At June 30, 2024, total loan balance was \$3,159,262.

During fiscal years ended June 30, 1985, 1988 and 1989, the General Fund advanced to the Solid Waste Management Fund a total of \$3,680,000 to construct and operate a system to convert methane gas to a marketable form of energy. Between fiscal years 1995 and 1999, the General Fund advanced a total of \$10,505,152 to the Solid Waste Management Fund for the purpose of stabilizing the rates charged to utility customers in the long run. Starting from fiscal year 2018, the interest rate charged to the Solid Waste Management Fund on advances reduces from 7% to rates ranging from 1.25% to 3%. During the current fiscal year, repayment of \$3,048,004 was made to the General Fund. The loan was paid off as of June 30, 2024.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 11 – CAPITAL ASSETS

Modified Approach for Street Pavement System

The City elected to use the modified approach as defined by GASB Statement No. 34 for infrastructure reporting for its street pavement system. As a result, accumulated depreciation or depreciation expense has not been recorded for this system. A more detailed discussion of this approach is presented in the required supplementary information section of this report. All other capital assets were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded.

Donated Capital Assets

During this fiscal year, the City received developers' capital asset contributions with estimated acquisition value approximating \$3.5 million for governmental activities and \$1.3 million for business-type activities.

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2023	Additions	Retirements	Transfers	Balance June 30, 2024
Nondepreciable Assets:					
Land	\$ 194,323,600	\$ 11,718,858	\$ -	\$ -	\$ 206,042,458
Construction in Progress	101,755,987	13,271,663	-	(94,515,580)	20,512,070
Infrastructure - Streets	180,531,016	1,821,200	-	-	182,352,216
Total Nondepreciable Assets	476,610,603	26,811,721	-	(94,515,580)	408,906,744
Depreciable Assets:					
Buildings and Structures	262,443,514	4,276,382	-	7,046,705	273,766,601
Improvements Other than Buildings	195,840,026	13,319,884	-	70,010,960	279,170,870
Machinery and Equipment	58,776,065	4,751,643	(1,161,648)	16,330,855	78,696,915
Infrastructure	110,752,316	1,534,096	-	1,127,060	113,413,472
Total Depreciable Assets	627,811,921	23,882,005	(1,161,648)	94,515,580	745,047,858
Accumulated Depreciation:					
Buildings and Structures	(62,379,168)	(5,668,230)	-	-	(68,047,398)
Improvements Other than Buildings	(76,117,749)	(6,190,813)	-	-	(82,308,562)
Machinery and Equipment	(37,439,096)	(3,761,301)	994,080	-	(40,206,317)
Infrastructure	(73,257,833)	(2,312,931)	-	-	(75,570,764)
Total Accumulated Depreciation	(249,193,846)	(17,933,275)	994,080	-	(266,133,041)
Depreciable Assets, Net	378,618,075	5,948,730	(167,568)	94,515,580	478,914,817
Amortized Assets:					
Intangible right-to-use Subscription	6,684,880	195,309	-	-	6,880,189
Accumulated Amortization	(1,463,892)	(1,478,915)	-	-	(2,942,807)
Amortized Assets, Net	5,220,988	(1,283,606)	-	-	3,937,382
Total Governmental Activities Capital Assets, Net	\$ 860,449,666	\$ 31,476,845	\$ (167,568)	\$ -	\$ 891,758,943

During the year ended June 30, 2024, the City's governmental activities expended \$13.3 million for construction in progress including \$6.7 million for various bike lane, traffic signal and road improvements.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 11 – CAPITAL ASSETS, Continued

Governmental activities' depreciation expense for capital assets for the year ended June 30, 2024, are as follows:

Public Safety	\$ 699,223
Planning and Management	52,438
Community Development	2,237,785
Public Works	10,568,733
Environmental Services	215,133
Library and Recreation Services	1,051,716
Internal Service Funds	4,587,162
Total Depreciation/Amortization Expense	\$ 19,412,190

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2023	Additions	Retirements	Transfers	Balance June 30, 2024
Nondepreciable Assets:					
Land	\$ 16,469,169	\$ -	\$ -	\$ -	\$ 16,469,169
Construction in Progress	230,062,465	60,289,253	-	-	290,351,718
Total Nondepreciable Assets	246,531,634	60,289,253	-	-	306,820,887
Depreciable Assets:					
Buildings and Structures	23,437,545	-	-	-	23,437,545
Improvements Other than Buildings	48,776,210	-	-	-	48,776,210
Machinery and Equipment	8,577,208	78,663	(141,094)	-	8,514,777
Infrastructure	233,584,823	1,314,500	-	-	234,899,323
Total Depreciable Assets	314,375,786	1,393,163	(141,094)	-	315,627,855
Accumulated Depreciation:					
Buildings and Structures	(22,942,211)	(67,908)	-	-	(23,010,119)
Improvements Other than Buildings	(42,984,191)	(501,157)	-	-	(43,485,348)
Machinery and Equipment	(6,929,332)	(217,294)	141,094	-	(7,005,532)
Infrastructure	(117,589,312)	(6,184,360)	-	-	(123,773,672)
Total Accumulated Depreciation	(190,445,046)	(6,970,719)	141,094	-	(197,274,671)
Depreciable Assets, Net	123,930,740	(5,577,556)	-	-	118,353,184
Amortized Assets:					
Intangible right-to-use Assets					
Land	514,662	-	-	-	514,662
Machinery and Equipment	387,428	-	-	-	387,428
Accumulated Amortization					
Land	(131,403)	(65,701)	-	-	(197,104)
Machinery and Equipment	(83,943)	(77,486)	-	-	(161,429)
Amortized Assets, Net	686,744	(143,187)	-	-	543,557
Total Business-Type Activities					
Capital Assets, Net	\$ 371,149,118	\$ 54,568,510	\$ -	\$ -	\$ 425,717,628

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 11 – CAPITAL ASSETS, Continued

During the year ended June 30, 2024, the City’s business-type activities expended \$57.8 million for construction in progress including \$54.9 million incurred by the Wastewater Management Enterprise Fund primarily for the construction of new primary treatment facilities at the Water Pollution Control Plant.

Business-type activities depreciation and amortization expenses for capital assets for the year ended June 30, 2024, are as follows:

Water Supply and Distribution	\$ 3,006,451
Wastewater Management	3,539,854
Solid Waste Management	177,381
SMaRT Station	91,927
Development	3,161
Golf and Tennis Operations	295,132
Total Depreciation/Amortization Expense	<u>\$ 7,113,906</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 12 – NONCURRENT LIABILITIES

The following is a summary of changes in long-term liabilities during the fiscal year ended June 30, 2024:

Description	Beginning Balance, July 1, 2023	Additions	Reductions	Bond Amortization	Ending Balance, June 30, 2024	Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:							
Lease Financing/Certificates of Participation:							
2020 Civic Center Lease	\$ 149,170,436	\$ -	\$ (2,455,000)	\$ (625,059)	\$ 146,090,377	\$ 2,580,000	\$ 143,510,377
Other:							
Risk Management: Self Insurance and							
Contingent Liability	22,842,000	4,579,593	(4,102,593)	-	23,319,000	6,001,118	17,317,882
Subscriptions	4,952,393	180,309	(1,526,264)	-	3,606,438	1,544,495	2,061,943
Compensated Absences	21,854,147	16,558,033	(18,085,435)	-	20,326,745	15,195,350	5,131,395
Total Governmental Activities	\$ 198,818,976	\$ 21,317,935	\$ (26,169,292)	\$ (625,059)	\$ 193,342,560	\$ 25,320,963	\$ 168,021,597
Business-Type Activities:							
Revenue Bonds:							
Water Nontaxable Series 2017A	\$ 13,303,999	\$ -	\$ -	\$ (77,254)	\$ 13,226,745	\$ -	\$ 13,226,745
Water Taxable Series 2017A-T	1,845,000	-	(575,000)	-	1,270,000	595,000	675,000
Wastewater Nontaxable Series 2017A	15,766,623	-	-	(103,380)	15,663,243	-	15,663,243
Wastewater Taxable Series 2017A-T	2,845,000	-	(1,285,000)	-	1,560,000	1,325,000	235,000
Debt from Direct Borrowings and Direct Placements:							
Clean Water State Revolving Fund	116,378,466	7,587,050	(3,174,034)	-	120,791,482	3,266,969	117,524,513
WIFIA Loan	12,896,579	10,359,425	-	-	23,256,004	-	23,256,004
Other:							
Service Concession Arrangement							
Maintenance Liability	1,224,433	-	(1,296)	-	1,223,137	157,824	1,065,313
Leases Liability (Note 14)	699,076	-	(134,320)	-	564,756	139,401	425,355
Landfill Postclosure							
Care Costs	7,392,329	1,151,060	(884,936)	-	7,658,453	1,143,962	6,514,491
Total Business-Type Activities	\$ 172,351,505	\$ 19,097,535	\$ (6,054,586)	\$ (180,634)	\$ 185,213,820	\$ 6,628,156	\$ 178,585,664

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 12 – NONCURRENT LIABILITIES, Continued

Bonded Debt Ratings

The City has an issuer credit rating (ICR) of Aaa from Moody's. This is the highest possible rating and was recently affirmed in October 2020. Standard & Poor's (S&P) Rating Services also affirmed the City's AAA ICR in August 2015. The City has complied with all significant bond covenants and there have been no defaults on any debt service obligations. Below is a summary of the ratings of the City's bonded debt:

Bonded Debt	Outstanding Par Amount	Ratings	
		Moody's	S&P
2020 Civic Center Project, Lease Revenue Bonds	128,745,000	Aa1	AA+
Water Revenue Bonds, Nontaxable Series 2017A	12,010,000	Aa1	AA+
Water Revenue Bonds, Taxable Series 2017A-T	1,270,000	Aa1	AA+
Wastewater Revenue Bonds, Nontaxable Series 2017A	14,035,000	Aa1	AA+
Wastewater Revenue Bonds, Taxable Series 2017A-T	1,560,000	Aa1	AA+

Bonded Debt Obligations

Lease Revenue Bonds

\$131,200,000 2020 Civic Center Lease Revenue Bonds

Issued by the Authority and due in original installments of \$2,455,000-\$4,645,000 until April 1, 2040 and term bonds in the amounts of \$26,165,000, \$31,825,000, and \$14,475,000 due on April 1, 2045, 2050, 2052, respectively. The bonds have fixed interest rates 4.0% until 2050 and 2.5% thereafter until the final payment in 2052. Repayments, secured by a first pledge and lien on least revenue, will be made from the lease revenue received by the Authority under a lease agreement dated November 1, 2020 between the Authority, as lessor and the City, as lessee.

The debt service requirements for the bonds at June 30, 2024 were as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 2,580,000	\$ 4,932,675	\$ 7,512,675
2026	2,680,000	4,829,475	7,509,475
2027	2,790,000	4,722,275	7,512,275
2028	2,900,000	4,610,675	7,510,675
2029	3,015,000	4,494,675	7,509,675
2030-2034	16,995,000	20,564,175	37,559,175
2035-2039	20,675,000	16,882,375	37,557,375
2040-2044	25,160,000	12,402,575	37,562,575
2045-2049	30,600,000	6,952,375	37,552,375
2050-2052	21,350,000	1,181,875	22,531,875
	<u>\$ 128,745,000</u>	<u>\$ 81,573,150</u>	<u>\$ 210,318,150</u>
Add Unamortized Premium	17,345,379	-	17,345,379
Total	<u>\$ 146,090,379</u>	<u>\$ 81,573,150</u>	<u>\$ 227,663,529</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 12 – NONCURRENT LIABILITIES, Continued

Revenue Bonds

\$12,010,000 Water Revenue Refunding Bonds, Series 2017A

Due in annual installments ranging from \$565,000 to \$1,110,000 starting April 1, 2027 to April 1, 2040, interest at 3.0% - 5.0%, with repayments made from net revenues of the Water Supply and Distribution Enterprise Fund.

The debt service requirements for the bonds at June 30, 2024 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	-	\$ 521,350	\$ 521,350
2026	-	521,350	521,350
2027	565,000	521,350	1,086,350
2028	660,000	493,100	1,153,100
2029	695,000	460,100	1,155,100
2030-2034	4,025,000	1,743,750	5,768,750
2035-2039	4,955,000	811,100	5,766,100
2040	1,110,000	44,400	1,154,400
	12,010,000	5,116,500	17,126,500
Add Unamortized Premium	1,216,745	-	1,216,745
Total	<u>\$ 13,226,745</u>	<u>\$ 5,116,500</u>	<u>\$ 18,343,245</u>

\$5,620,000 Water Revenue Refunding Bonds, Series 2017A-T

Due in annual installments ranging from \$65,000 to \$1,115,000 starting April 1, 2018 to April 1, 2027, interest at 1.68% - 3.27%, with repayments made from net revenues of the Water Supply and Distribution Enterprise Fund.

The debt service requirements for the bonds at June 30, 2024 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 595,000	\$ 39,729	\$ 634,729
2026	610,000	21,463	631,463
2027	65,000	2,126	67,126
	<u>\$ 1,270,000</u>	<u>\$ 63,318</u>	<u>\$ 1,333,318</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 12 – NONCURRENT LIABILITIES, Continued

\$14,035,000 Wastewater Revenue Bonds, Series 2017A

Due in annual installments ranging from \$660,000 - \$1,435,000 from April 1, 2026 to April 1, 2040, interest at 4% - 5%, with repayments made from net revenues of the Wastewater Management Enterprise Fund.

The debt service requirements for the bonds at June 30, 2024 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ -	\$ 632,000	\$ 632,000
2026	1,135,000	632,000	1,767,000
2027	1,435,000	575,250	2,010,250
2028	660,000	503,500	1,163,500
2029	695,000	470,500	1,165,500
2030-2034	4,015,000	1,796,500	5,811,500
2035-2039	4,980,000	836,200	5,816,200
2040	1,115,000	44,600	1,159,600
	<u>14,035,000</u>	<u>5,490,550</u>	<u>19,525,550</u>
Add Unamortized Premium	1,628,243	-	1,628,243
Total	<u>\$ 15,663,243</u>	<u>\$ 5,490,550</u>	<u>\$ 21,153,793</u>

\$10,585,000 Wastewater Revenue Bonds, Series 2017A-T

Due in annual installments \$235,000 to \$1,810,000 from April 1, 2018 to April 1, 2026, interest at 1.71% - 3.20%, with repayments made from net revenues of the Wastewater Management Enterprise Fund.

The debt service requirements for the bonds at June 30, 2024 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,325,000	\$ 48,595	\$ 1,373,595
2026	235,000	7,520	242,520
	<u>\$ 1,560,000</u>	<u>\$ 56,115</u>	<u>\$ 1,616,115</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 12 – NONCURRENT LIABILITIES, Continued

Events of Default and Acceleration Clauses

For the City's certificates of participation and revenue bonds, the City is considered to be in default if the City fails to pay the principal of and interest on the outstanding long-term debt when become due and payable. If an event of default has occurred and is continuing, the principal of the long-term debt, together with the accrued interest, may be declared due and payable immediately.

Direct Borrowings and Placements of Debt

\$127,068,522 Clean Water State Revolving Fund Loan Agreement Dated December 9, 2016

On October 4, 2016, the Council adopted Resolution No. 783-16 dedicating and pledging the City's Wastewater Management Fund as the specific revenue source for the repayment of a State loan as explained below. See Note 13 for details about related pledged revenues.

In April 2017, the City executed a loan agreement with the California State Water Resources Control Board (SWRCB) to secure \$127,068,522 in funding from the Clean Water State Revolving Fund (CWSRF) for the Water Pollution Control Plant Rehabilitation - Headworks and Primary Treatment Facilities Phase 1(A) Project. The first \$4 million requested was applied towards the contingent capitalization grant principal forgiveness funds and the amount was immediately forgiven. The term of this agreement is from December 9, 2016 to December 31, 2052. As of June 30, 2024, the City has drawn down \$118,279,618 and accrued unpaid interest of 5,685,898. The unused line of credit in the amount of \$4,788,904 was disencumbered and is no longer available to the City. The loan includes an interest rate of 1.7%, calculated from the date that loans are disbursed. Loan is amortized over a period of 30 years with payments due in annual installments ranging from \$3,174,034 to \$5,221,370 from December 31, 2024 to December 31, 2052. The final payment schedule was forwarded to the City after all loan disbursements were received and construction of the Headworks and Primary Treatment Facilities Phase 1(A) project was completed.

The debt service requirements for the loan at June 30, 2024 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 3,266,969	\$ 2,043,165	\$ 5,310,134
2026	3,312,217	1,997,917	5,310,134
2027	3,368,524	1,941,609	5,310,133
2028	3,425,789	1,884,344	5,310,133
2029	3,484,028	1,826,106	5,310,134
2030-2034	18,328,963	8,221,706	26,550,669
2035-2039	19,940,804	6,609,864	26,550,668
2040-2044	21,694,389	4,856,278	26,550,667
2045-2049	23,602,184	2,948,485	26,550,669
2050-2053	20,367,615	872,918	21,240,533
Total	<u>\$ 120,791,482</u>	<u>\$ 33,202,392</u>	<u>\$ 153,993,874</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 12 – NONCURRENT LIABILITIES, Continued

Direct Borrowings and Placements of Debt

\$220,638,995 WIFIA Loan Agreement Dated October 29, 2020

The City executed a Water Infrastructure Finance Innovation Act (WIFIA) loan agreement with the U.S. Environmental Protection Agency (EPA) up to the amount of \$220,638,995. The WIFIA loan will fund the rehabilitation of the City of Sunnyvale Water Pollution Control Plant existing facilities, construction of new secondary treatment facilities, and reconstruction of support facilities that are necessary to operate the plant. The WIFIA loan allowed the City either to draw down funds of construction or, if economically feasible, issue lower cost bond anticipation notes. The loan has an annual interest rate of 1.56% and a term of 35 years after the completion of the construction period. The interest amount will be capitalized during the construction period. The WIFIA loan payments will be made in semi-annual installments, commencing on October 1, 2054, with final maturity on October 1, 2059. At June 30, 2024, the outstanding loan balance is \$23,256,004.

The debt service requirements for the loan at June 30, 2024 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ -	\$ -	\$ -
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030-2034	-	1,813,970	1,813,970
2035-2039	-	1,813,970	1,813,970
2040-2044	-	1,813,970	1,813,970
2045-2049	-	1,813,970	1,813,970
2050-2054	1,856,260	1,813,970	3,670,230
2055-2059	19,377,858	998,705	20,376,563
2060	2,021,886	15,771	2,037,657
Total	<u>\$ 23,256,004</u>	<u>\$ 10,084,326</u>	<u>\$ 33,340,330</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 12 – NONCURRENT LIABILITIES, Continued

Annual Debt Service Requirements to Maturity-All Bonded Debt and Note Payable

The annual requirements to amortize long-term bonded debt outstanding as of June 30, 2024 by activity are listed below:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 2,580,000	\$ 4,932,675	\$ 5,186,969	\$ 3,284,839
2026	2,680,000	4,829,475	5,292,217	3,180,250
2027	2,790,000	4,722,275	5,433,524	3,040,335
2028	2,900,000	4,610,675	4,745,789	2,880,944
2029	3,015,000	4,494,675	4,874,028	2,756,706
2030-2034	16,995,000	20,564,175	26,368,963	13,575,926
2035-2039	20,675,000	16,882,375	29,875,804	10,071,134
2040-2044	25,160,000	12,402,575	23,919,389	6,759,248
2045-2049	30,600,000	6,952,375	23,602,184	4,762,455
2050-2054	21,350,000	1,181,875	22,223,875	2,686,888
2055-2059	-	-	19,377,858	998,705
2060	-	-	2,021,886	15,771
Subtotal	128,745,000	81,573,150	172,922,486	54,013,201
Add Unamortized Premium	17,345,378	-	2,844,988	-
Total	\$ 146,090,378	\$ 81,573,150	\$ 175,767,474	\$ 54,013,201

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 12 – NONCURRENT LIABILITIES, Continued

Subscription-Based Information Technology Arrangements

In fiscal year 2023, the City implemented the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), which required the City to record an intangible right-to-use subscription asset. As a result, a right-to-use subscription asset was recorded in the amount of \$6,880,190. As of June 30, 2024, the City has recorded a net intangible right-to use subscription asset amounting to \$3,937,383, with accumulated amortization of \$2,942,807. The subscription asset is offset with a subscription liability as discussed in Note 1.

A summary of subscription-based information technology arrangements (SBITA) transactions for the fiscal year ended June 30, 2024, are as follows:

Subscription Liabilities	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024	Current Portion
Library BiblioCommons SAAS product	\$ 127,332	\$ -	\$ (29,080)	\$ 98,252	\$ 30,822
Teller POS system	287,137	-	(40,924)	246,213	43,536
Utility Billing Software	106,932	-	(106,932)	-	-
Oracle Fusion	2,006,180	-	(379,424)	1,626,756	390,029
govAccess	159,036	-	(35,438)	123,598	38,209
Sierra Cloud	119,687	-	(57,669)	62,018	62,018
Energov permitting system	497,929	-	(246,129)	251,800	251,800
Microsoft 365	1,225,992	-	(582,847)	643,145	643,145
FileOnQ	-	180,309	-	180,309	35,777
Laserfiche Electronic Records Management System	422,168	-	(47,822)	374,346	49,158
Total	\$ 4,952,393	\$ 180,309	\$ (1,526,264)	\$ 3,606,438	\$ 1,544,495

At June 30, 2024, the subscription liabilities balance was \$3,606,438. The annual debt service requirement for subscription liabilities is as follows:

Fiscal Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2025	1,544,495	94,759	\$ 1,639,254
2026	605,413	57,112	662,525
2027	626,918	40,442	667,360
2028	566,022	23,189	589,211
2029	149,165	7,368	156,533
2030-2034	114,424	4,820	119,244
Total	\$ 3,606,438	\$ 227,690	\$ 3,834,127

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 12 – NONCURRENT LIABILITIES, Continued

Significant Subscription Arrangements

On September 1, 2018, the City entered into a 10-year SBITA for subscription services for Oracle Fusion Enterprise Resource Planning system. An initial subscription liability was recorded in the amount of \$2,430,487 during fiscal year 2023, at the time GASB 96 was implemented.

As of June 30, 2024, the value of the subscription liability was \$1,626,756. The City is required to make annual principal and interest payments throughout the life of the subscription. The subscription has an annual interest rate of 2.81%. As part of the subscription, the City has recorded an intangible right to use subscription asset and accumulated amortization as disclosed in Note 11.

On November 1, 2022, the City entered into a 3-year and 4-month SBITA for subscription services for Microsoft 365. An initial subscription liability was recorded in the amount of \$1,948,508 during fiscal year 2023, at the time the subscription was placed into service.

As of June 30, 2024, the value of the subscription liability was \$643,145. The City is required to make annual principal and interest payments throughout the life of the subscription. The subscription has an annual interest rate of 2.61%. As part of the subscription, the City has recorded an intangible right to use subscription asset and accumulated amortization as disclosed in Note 11.

Risk Management

There are several pending lawsuits in which the City is involved. The City, however, estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the basic financial statements of the City.

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has established various self-insurance programs and maintained contracts with various insurance companies to manage excessive risks.

The City has \$40,000,000 in excess general liability coverage, subject to \$1,000,000 self-insured retention (SIR) for each occurrence, through the California Joint Powers Risk Management Authority (CJPRMA), a risk-sharing pool. CJPRMA is a joint powers authority created by certain California cities and other joint powers authorities to provide a pooled approach for liability coverage. The CJPRMA is governed by a board of directors composed of officials appointed by each member agency. The activities of the CJPRMA include setting and collecting premiums, administering and paying claims and related expenses, and investing assets.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 12 – NONCURRENT LIABILITIES, Continued

Each member is assessed a contribution based on actuarially determined rates, which is intended to cover the CJPRMA's claims, operating costs and claim settlement expenses. Additional cash contributions may be assessed on the basis of adverse loss experiences. The CJPRMA maintains members' equity accounts for each pool member. Losses and expenses are paid from these pools up to the limit of coverage subject to the self-insured retention. Most recent financial statements for CJPRMA may be obtained from the CJPRMA website.

The City's excess workers' compensation coverage is provided through the Public Risk Innovation, Solutions and Management (PRISM), formally known as California State Association of Counties Excess Insurance Authority, with statutory limits subject to a \$500,000 self-insured retention. The excess workers' compensation coverage is structured by the limits of indemnity as described below:

- \$4,500,000 excess of \$500,000: Coverage provided by PRISM and reinsured by Wesco Insurance Company.
- \$45,000,000 excess of \$5,000,000: Coverage provided by PRISM and reinsured by ACE American Insurance Company.
- Statutory excess of \$50,000,000: Coverage provided by Liberty Insurance Corporation

The PRISM is a member-directed joint powers insurance authority, operating since 1979. PRISM has been providing California's counties, and more recently other public entities, including cities, schools and special districts, with stable cost-effective insurance alternatives and quality risk management services. The City is currently a member of the PRISM Excess Workers Compensation Insurance Program. The PRISM is governed by a board of directors composed of officials appointed by member agencies. Each participating member is required to share all costs of that program, including development charges, premiums, premium surcharge, and administrative costs. Losses and expenses are paid from these pools up to the limit of coverage subject to the self-insured retention. Financial statements for the PRISM may be obtained from the PRISM's website.

The City's risk management activities are accounted for in the internal service funds. Charges to the General Fund and other insured funds are determined from an analysis of claims costs. Estimated liabilities are recorded in the internal service funds when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Claims that have been incurred but not reported (IBNRs) are also included in the liability estimates. Unemployment claims paid by the State are reimbursed dollar-for-dollar by the City.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 12 – NONCURRENT LIABILITIES, Continued

A summary of the changes in general and workers' compensation liabilities for the past two fiscal years follows:

	<u>2024</u>	<u>2023</u>
General:		
Liability at beginning of fiscal year	\$ 2,845,000	\$ 3,358,000
Claims paid	(1,315,091)	(1,350,527)
Current fiscal year claims and changes in estimated liability	<u>2,072,091</u>	<u>837,527</u>
Liability at end of fiscal year	<u><u>\$ 3,602,000</u></u>	<u><u>\$ 2,845,000</u></u>
Workers' Compensation:		
Liability at beginning of fiscal year	\$ 19,997,000	\$ 19,510,000
Claims paid	(2,787,502)	(2,833,632)
Current fiscal year claims and changes in estimated liability	<u>2,507,502</u>	<u>3,320,632</u>
Liability at end of fiscal year	<u><u>\$ 19,717,000</u></u>	<u><u>\$ 19,997,000</u></u>
Total Estimated Claims Payable	<u><u>\$ 23,319,000</u></u>	<u><u>\$ 22,842,000</u></u>

Since the loss and the loss adjustment expense payments associated with the claims liabilities will be spread over several years, the liabilities are discounted to reflect anticipated investment on assets set aside to pay these costs. The claims liabilities are reported at present value, which have been computed using a discount rate of 4.0% through 2033, and 3.5% for 2034 and beyond.

There have been no significant reductions in any insurance coverage, nor have there been any insurance related settlements that exceeded insurance coverage during the past three fiscal years.

Compensated Absences

Accrued paid time off, compensatory time, and other paid leave are recorded in the Employee Payroll & Benefits Internal Service Fund. Sick leave for employees does not vest. The total amount of the liability at June 30, 2024 was \$20,326,745. General Fund, Special Revenue Funds, and Capital Project Funds contribute to liquidate their portion of the compensated absence liability.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 12 – NONCURRENT LIABILITIES, Continued

Landfill Postclosure Care Costs

The Sunnyvale Landfill stopped accepting waste in 1993 and was certified as closed in 1994. State law requires the City to maintain a Financial Assurance Mechanism (FAM) that demonstrates the City's financial ability to maintain the closed landfill as described in the Postclosure Maintenance Plan. This plan was prepared in 1992 and approved by CalRecycle, the state agency that oversees recycling and waste management. A related Water Corrective Action Plan and associated cost estimate for its implementation was similarly submitted to, and approved by, the Regional Water Quality Control Board. The original guaranteed requirement was for 30 years. The City's FAM is structured as a "pledge of revenue" that commits future solid waste rate revenues to guarantee the City's financial ability to manage the landfill in compliance with air and water quality laws and regulations.

Recent changes in State law required the City to review and update the Sunnyvale Landfill's Postclosure Maintenance Plan and the cost of implementing the plan. The updated plan resulted in lower estimates of annual postclosure environmental compliance costs when compared to the CPI-adjusted 1992 estimates. The plans and cost estimates have been reviewed and approved by the necessary regulatory agencies (CalRecycle, the Regional Water Quality Control Board and the County of Santa Clara Department of Environmental Health, which acts as the Local Enforcement Agency for CalRecycle).

Because the landfill has been closed for 20 years, CalRecycle approved the City's request to decrease the number of years for which funds must be guaranteed. The approved amount is for 15 years, the shortest period allowed by law.

At June 30, 2024, liability in the amount of \$7,658,453 was reported based on the estimated remaining postclosure care costs that will be incurred over the next 15 years to meet the regulatory requirements. The estimated liability is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2024. However, the actual cost of postclosure care and corrective action may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

Non-City Obligations

Community Facilities District

On May 16, 2001, the City issued \$36,000,000 of Special Tax Bonds pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, on behalf of Community Facilities District No. 1 (CFD No. 1). The CFD No. 1 bonds bear interest at 7.65% to 7.75% and mature August 1, 2032. Neither the City's General Fund nor the full faith and credit of the City is pledged for the payment of principal or interest on the CFD No. 1 Bonds. The CFD No. 1 Bonds will be repaid solely from the proceeds of a special tax levied upon all taxable real property in CFD No. 1. The bonds are secured by special taxes on the Sunnyvale Town Center Mall property. The proceeds of the bonds were to be used to finance certain public improvements, primarily two new parking garages. The principal balance of outstanding bonds was \$11,015,000 at June 30, 2024.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 13 – PLEDGED REVENUES

In addition to pledging revenues for the landfill postclosure care costs (Note 12), the following disclosures pertain to future revenues that have been pledged and will be unavailable for other purposes.

Description	2017A Water Revenue Bonds	2017A-T Water Revenue Bonds	2017A Wastewater Revenue Bonds	2017A-T Wastewater Revenue Bonds	2017 State Revolving Fund Loan	2020 WIFIA Loan
Net revenue ¹ pledged	Net revenues of the City's Water System	Net revenues of the City's Water System	Net revenues of the City's Wastewater System	Net revenues of the City's Wastewater System	Net revenues of the City's Wastewater System	Net revenues of the City's Wastewater System
Term of commitment	Until 4/1/2040	Until 4/1/2027	Until 4/1/2040	Until 4/1/2026	Until 12/31/2052	Until 10/1/2059
Purpose of the debt secured by the pledge	To advance refund the 2010 Water Revenue Bonds.	To advance refund the 2010 Water Revenue Bonds.	To advance refund the 2010 Wastewater Revenue Bonds.	To advance refund the 2010 Wastewater Revenue Bonds.	Water Pollution Control Plant Rehabilitation - Headworks and Primary Treatment Facilities Phase 1(A) Project	Water Pollution Control Plant Rehabilitation - Sunnyvale Cleanwater Program Phase 2
Amount of the pledge (remaining debt service principal and interest)	\$17,126,500	\$1,333,317	\$19,525,550	\$1,616,115	\$153,993,875	\$220,638,995 ³
Pledged revenues recognized during the period (net of operating expenses and operating transfers, also excluding depreciation and interest expense)	\$5,638,313		\$22,269,707			\$0
Debt service-principal and interest-paid during the period ²	\$521,350	\$632,152	\$632,000	\$1,372,916	\$5,251,439	\$0

¹ Net Revenues are defined as "Gross Revenues" received from the respective systems minus the amount to pay all "Operation and Maintenance Costs" of the systems.

² Net revenues pledged by the Cities Utilities Systems are projected to be sufficient to cover the debt service requirements throughout the terms of the respective commitments; which is demonstrated by the City's periodic update of the 20-year long-term financial plan during the annual budget preparation process.

Debt service during the period presented in this table does not include refunded debt issues in escrow.

³ For the 2020 WIFIA Loan, see Note 15 for details. Amount represents approved loan amount. The City drew \$23,256,004 as of June 30, 2024

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 14 – LEASES

The City entered into various lease agreements as either a lessor or lessee for land, equipment, and other asset classes. As a lessor, the City is required to recognize a lease receivable and a deferred inflow of resources. As a lessee, the City is required to recognize a lease liability and an intangible right-to-use lease asset. The City defines leases as balances with an initial value of more than \$100,000. Intangible right-to-use lease assets are amortized on straight-line method.

City as Lessor

As a lessor, the City entered into lease agreements with lease terms ranging from 3 to 90 years. Most leases include periodic adjustments to the lease amount at determined intervals. For the year ended June 30, 2024, the City received an immaterial amount of variable and other payments from the lease arrangements.

Information about lease revenues and interest revenues recognized during the year ended June 30, 2024, as well as lease receivable and lease related deferred inflows of resources as of June 30, 2024 are as follows:

	General Fund	City Projects	Governmental Activities
Lease revenue for the year	\$ 431,863	\$ 364,885	\$ 796,748
Lease interest revenue for the year	41,009	57,883	98,892
Lease receivable at year end	2,499,056	1,872,755	4,371,811
Deferred inflow of resources at year end	8,856,180	1,824,425	10,680,605

	Solid Waste Management	Golf and Tennis Operations	Business-Type Activities
Lease revenue for the year	\$ 193,052	\$ 146,200	\$ 339,252
Lease interest revenue for the year	72,501	22,993	95,494
Lease receivable at year end	4,227,226	1,072,956	5,300,182
Deferred inflow of resources at year end	4,134,529	992,259	5,126,788

The annual lease receipt schedule for the lease receivables is as follows:

Fiscal Year Ending June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 670,661	\$ 85,308	\$ 755,969	\$ 218,843	\$ 87,604	\$ 306,447
2026	639,877	71,351	711,228	225,688	83,887	309,575
2027	540,348	58,045	598,393	232,683	80,055	312,738
2028	549,068	44,855	593,924	239,831	76,105	315,936
2029	524,045	31,545	555,590	247,136	72,034	319,170
2030-2034	770,567	91,344	861,911	1,351,001	294,686	1,645,687
2035-2039	638,458	22,611	661,070	1,281,993	182,094	1,464,087
2040-2044	38,786	438	39,224	1,174,038	76,048	1,250,086
2045-2049	-	-	-	328,969	4,160	333,130
Total	\$ 4,371,811	\$ 405,497	\$ 4,777,308	\$ 5,300,182	\$ 956,673	\$ 6,256,855

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 14 – LEASES, Continued

City as Lessee – Business type Activities

On June 1, 2022, the City, as a lessee, entered into a lease agreement with a lease term of 5 years for 80 electric golf carts. The City also entered into a lease agreement with a lease term of 7 years and 10 months for 35.4 acres of land (Sunnyvale Golf Course located at Moffett Field). The intangible right-to-use assets are amortized on a straight-line basis. At June 30, 2024, the intangible right-to-use assets balance was \$543,557.

At June 30, 2024, the lease liabilities balance was \$564,756. The annual debt service requirement for lease liabilities is as follows:

Fiscal Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
2025	139,401	14,953	154,354
2026	144,666	10,373	155,039
2027	142,962	5,609	148,572
2028	67,853	2,672	70,525
2029	69,874	1,356	71,231
Total	<u>\$ 564,756</u>	<u>\$ 34,964</u>	<u>\$ 599,721</u>

Significant Lease Arrangements

On December 1, 2015, the City, as a lessor, entered into a 30 year lease with Stevens Creek Quarry, Inc. to operate a concrete and asphalt recycling facility at a portion of the Sunnyvale Landfill. The lease provides for annual rent adjustments to reflect changes in the San Francisco/Oakland/San Jose Metropolitan Area Consumer Price Index. As of June 30, 2024 the lease receivable for the Stevens Creek Quarry lease was recorded in the Solid Waste Management Fund in the amount of \$4,227,226.

On June 26, 2013, the City, as a lessor, entered into a 90 year ground lease contract with Midpen Housing Corporation and Charities Housing Development (Tenants) for the Armory site. The site was used to develop and operate an affordable housing complex. The City currently monitors the Tenant's operations to ensure compliance with the City's affordable housing program requirements, which is to continue throughout the term of the ground lease. At the inception of the lease, the City received a lump sum lease payment in the amount of \$7.4 million for the entire term of the lease from the Tenants. The lease payment received in advance is amortized over the life of the lease. The City recognized \$82,222 annually. As of June 30, 2024, the lease receivable and deferred inflow of resources for the Armory site was \$0 and \$6,536,669 in the General Fund, respectively.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 15 – COMMITMENTS

Participation in the BAWSCA Capital Cost Recovery Prepayment Program

The City and County of San Francisco and wholesale water customers of San Francisco, including the City of Sunnyvale, entered into a 25-year Water Supply Agreement (“WSA”), dated July 2009, providing for the sale of water by San Francisco to the wholesale customers. The City and other wholesale customers are members of the Bay Area Water Supply and Conservation Agency (“BAWSCA”).

The cost of water paid by the wholesale customers includes a component designed to provide San Francisco capital cost recovery for existing regional assets (“ERA Payments”). The WSA provides that the wholesale customers, acting through BAWSCA, may prepay the remaining principal balance of the ERA payments.

On November 20, 2012, the City Council adopted a resolution authorizing the BAWSCA to prepay the City’s portion of the ERA payments. In 2013 BAWSCA issued revenue bonds, under a favorable interest rate environment, to finance the outstanding prepayment obligations of the participants. To pay debt service on the Bonds and to satisfy its other obligations related to the Bonds, BAWSCA imposes charges on prepayment participants in the form of surcharges on water sold by San Francisco to prepayment participants under the WSA. In fiscal year 2023/24, the City paid surcharges (proportional to the amount of water purchased) in the amount of \$1,459,448.

The City has certified that the payment of the surcharge constitutes an operation and maintenance expense of the City’s water enterprise payable from the revenues of the City’s water enterprise prior to the payment of obligations payable from the net revenues of the City’s water enterprise.

The City is committed to pay the BAWSCA bond surcharge through the term of the BAWSCA Revenue Bonds for Sunnyvale’s share under the Capital Cost Recovery Prepayment Program.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 15 – COMMITMENTS, Continued

Outstanding Construction Commitments

At June 30, 2024, the City had outstanding construction commitments for the following projects:

Governmental Activities:

Description	Contract	Unpaid
Civic Center Modernization Phase I	\$ 191,960,000	\$ 204,200
Lakewood Branch Library and Learning Center	23,178,824	23,178,824
Pavement Rehabilitation 2023	5,078,120	3,066,137
SNAIL Neighborhood Improvements	3,890,821	3,832,383
Peery Park Area Transportation Improvements	3,782,663	3,782,663
Playground Equipment Replacement 2022	3,294,117	1,736,045
Sidewalk, Curb Gutter & Driveway 2024	2,989,550	2,040,336
East Sunnyvale Area Sense of Place	2,899,710	1,556,439
Safe Routes To School	2,777,172	1,060,868
Wolfe Road Pavement Rehabilitation	2,562,341	2,562,341
DPS Emergency Generator Replacement	2,095,507	2,095,507
Bicycle Pedestrian and Safe Routes	1,899,843	1,801,422
Traffic Signal Hardware & Wiring	1,798,947	1,798,947
Upgrade Fuel Tanks @ Corp Yard	997,850	324,053
Slurry Seal 2024	781,840	781,840
Preschool Outdoor Play Area-Serra Park	284,527	284,527
	<u>\$ 250,271,832</u>	<u>\$ 50,106,532</u>

Business-Type Activities:

Description	Contract	Unpaid
WPCP Secondary Treatment & Dewatering	\$ 277,872,751	\$ 232,787,054
Primary Treatment Facility Pkge 2 - Reconstruct WPCP	108,129,797	203,209
WPCP Existing Plant Rehabilitation	64,390,000	54,740,565
SCWP - 2.2.1 Site Preparation Package	27,475,000	14,168,097
Citywide Waterline Replacement (Maude & San Aleso)	5,249,820	5,249,820
	<u>\$ 483,117,368</u>	<u>\$ 307,148,745</u>

WIFIA Loan Agreement with the US Environmental Protection Agency

Refer to the Note 12 in the portion concerning direct borrowings and placements of debt.

The City entered into a Water Infrastructure Finance Innovation Act (WIFIA) loan agreement with the EPA up to the amount of \$220,638,995. The WIFIA loan will fund 49% of the Sunnyvale Clean Water Program Phase II, which consists of the rehabilitation of the City of Sunnyvale Water Pollution Control Plant existing facilities, construction of new secondary treatment facilities, and reconstruction of support facilities that are necessary to operate the Plant. The WIFIA loan will allow the City either to draw down funds of construction or, if economically feasible, issue lower cost bond anticipation notes.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 15 – COMMITMENTS, Continued

Major provisions of the loan agreement are as follows:

Security: Requires that the City to pledge the Net Revenue of the Wastewater Management System, which equals to Gross Revenues minus the amount requires to pay all operational and maintenance expenses first, any parity debt obligations second, any prepayment of parity debt third, and lastly any subordinate debt payments.

Rate Covenants: Requires that the City adopt a rate covenant designed to assure that Wastewater rates will be set appropriately to cover all operation and maintenance costs, and all payments for Parity Debt. Net Revenues must cover annual debt service by at least 1.20 times. Additionally, the City is to set rates beginning in fiscal year 2049-50 that are sufficient to pay the average debt service coming due over the subsequent five years.

Prepayment Provision: Allows that the City has the option to prepay the WIFIA loan at any time during its term without penalty. Additionally, the City will be required to prepay the WIFIA loan from certain excess reserves after fiscal year 2034-35. The amount of prepayment is not set and will depend on the wastewater enterprise's cash flow following the payment of capital expenditures.

Additional Bonds Test and Imputed Debt Service: Allows the City to issue additional bond on parity with the WIFIA loan under certain restrictions.

Loan Agreement with State Water Resources Control Board Dated September 2022

Refer to the Note 12 in the portion regarding direct borrowings and placements of debt.

In January 2023, the City executed a loan agreement with SWRCB to secure \$287,800,000 in funding from the CWSRF for the Water Pollution Control Plant Rehabilitation — Secondary Treatment and Dewatering Facility Project. California's Clean Water State Revolving Fund (SRF) is capitalized through a variety of funding sources, including grants from the EPA, State matching funds, revenue bond proceeds, loan repayments and fund earnings. The City draws down the SRF loan on a cost reimbursement basis.

The City has committed to meet three financial special conditions as follows:

- The City will establish and maintain rates and charges sufficient to generate revenues in the amount necessary to cover operations and maintenance costs and ensure that net revenues are equal to at least 1.20 times the maximum annual debt service during the term of the Agreement.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 15 – COMMITMENTS, Continued

- This Agreement is on parity to the Wastewater Revenue Bonds, Series 2010 (refunded by the Wastewater Revenue Bonds, Series 2017A and Series 2017 A-T in December 2017), The 2016 Installment Sale Agreement with State Water Resources Control Board (Headworks and Primary Treatment Project No. C-06-8153-110, Agreement No. D16-01024) and the 2020 WIFIA Loan Agreement, Sunnyvale Cleanwater Program Phase 2 (WIFIA-N18121CA). Issuance of additional parity debt requires the net revenues in the most recent fiscal year to be a minimum of 1.20 times the maximum annual debt service for existing and proposed additional debt.
- The City agrees to maintain a restricted reserve fund equal to one year's debt service, based on a projected annual amount of \$12,149,989, prior to the completion of construction and during the full term of this Agreement.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 16 – PENSION PLANS

A. General Information about the Pension Plans

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Plans, which are agent multiple-employer defined benefit pension plans administered by CalPERS. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. PERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The City contracted for 2% cost of living adjustments. The pre-retirement death benefits are the Basic Death Benefit or the 1957 Survivor Benefit.

Retirement Benefit Formulas

	Formula Name	Minimum Retirement Age	Normal Retirement Age	Maximum Benefit Age	Final Compensation	Contract Effective Date
Miscellaneous Tier 1	2.7% @ 55	50	55	55	1 year	New classic hire before 12/23/2012
Miscellaneous Tier 2	2% @ 60	50	55	63	1 year	New classic hire from 12/23/2012
Reformed Miscellaneous	2% @ 62	52	62	67	3 years	New PERS member from 1/1/2013
Safety Tier 1	3% @ 50	50	50	50	1 year	Classic sworn before 2/19/2012
Safety Tier 2	3% @ 55	50	50	55	1 year	Classic sworn from 2/19/2012
Reformed Safety	2.7% @ 57	50	57	57	3 years	New PERS member from 1/1/2013

For the year ended June 30, 2024, the required employer contribution rates for miscellaneous and safety plans were 36.22% and 65.56%, respectively.

Employees Covered - At June 30, 2023, the most recent information available, the following employees were covered by the benefit terms:

	Miscellaneous	Safety	Total
Inactive employees or beneficiaries currently receiving benefits	1,248	441	1,689
Inactive employees entitled to but not yet receiving benefits	969	68	1,037
Active employees	683	208	891
	<u>2,900</u>	<u>717</u>	<u>3,617</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 16 – PENSION PLANS, Continued

Contributions/Funding Policy

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Miscellaneous employees are required to contribute a portion of annual covered salary as follows: 8% for the first tier, 7% for the second tier, and 6.25% for the third or reformed tier. Safety employees in the first tier and the second tier are required to contribute 9% of their annual covered salary. Third- or reformed-tier safety employees are required to contribute 11% of annual covered salary. In the fiscal year ended June 30, 2023 (the measurement date of the net pension liability reported for fiscal year ended June 30, 2024), the City made EPMC (employer paid member contributions) of 4% for miscellaneous employees in the first and second tiers and 6% for safety employees in the first and second tiers. The City also picked up the additional 2.25% cost of funding the “single highest year” retirement benefit cost on behalf of the first- and second-tier safety employees.

In July 2018, the City established a Section 115 irrevocable trust (Trust) to set aside funds to address pension funding needs in the long term. The Trust is owned and monitored by the City but externally managed by investment professionals. The Trust allows the City to have full control and flexibility on use of trust assets as a budget stabilization tool to fund pension contributions in the future years. The Trust also has an increased flexibility in investment allocations compared to City’s portfolio which is restricted by State regulations and the City Investment Policy. The Trust is not associated with CalPERS in any way. As of June 30, 2024, the City reported the account balance of \$21,215,354 as deposits and investments held by fiscal agent and trustee in the Employee Payroll & Benefits Internal Service Fund.

B. Net Pension Liability

The City’s net pension liability for each Plan is measured as the total pension liability less the Plan’s fiduciary net position. GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used: valuation date of June 30, 2022; measurement date of June 30, 2023, and measurement period of July 1, 2022 to June 30, 2023.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 16 – PENSION PLANS, Continued

At June 30, 2024, the government-wide financial statements reported net pension liability as follows:

	Governmental Activities	Business-Type Activities
Miscellaneous Plan	\$ 160,220,731	\$ 67,955,615
Safety Plan	240,300,229	-
Total Net Pension Liability	<u>\$ 400,520,960</u>	<u>\$ 67,955,615</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2022 valuation was rolled forward to determine the June 30, 2023 total pension liability using standard update procedures based on the following actuarial methods and assumptions:

	Miscellaneous and Safety
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' membership data for all funds.
Post Retirement Benefit Increase	The lesser of Contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.30% thereafter

¹ The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvements using 80 percent of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 CalPERS Experience Study available on the CalPERS website.

All other actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the 2021 CalPERS Experience Study for the period from 2001 to 2019, including updates to salary increase, mortality and retirement rates. Further details of the 2021 CalPERS Experience Study can be found on the CalPERS website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 6.90% for each Plan. The projection of cash flows used to determine the discount rate assumed that the contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 16 – PENSION PLANS, Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes, expected compound geometric returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The long-term expected real rate of return by asset class and the target allocation adopted by the CalPERS Board effective on July 1, 2021, are as follows:

Asset class¹	Current Target Allocation	Real Return Years^{1,2}
Global Equity - Cap-weighted	30%	4.54%
Global Fixed Income - Non-Cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
Total	100%	

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management study.

On November 17, 2021, the CalPERS Board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expenses assumption support a discount rate of 6.90% (net of investment expenses but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the CalPERS Board. These new assumptions are reflected in the accounting valuation reports for the June 30, 2023 measurement date.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 16 – PENSION PLANS, Continued

C. Changes in the Net Pension Liability

Pension Results, Provided by the Miscellaneous Plan
For the Measurement Date of June 30, 2023

	Increase (Decrease)		
	Total Pension	Plan Net	Net Pension
	Liability	Position	Liability
Balances at June 30, 2022	\$ 737,135,311	\$ 519,189,301	\$ 217,946,010
Changes Recognized for the Measurement Period:			
Service Cost	13,410,339	-	13,410,339
Interest on the Total Pension Liability	50,703,226	-	50,703,226
Changes of Benefit Terms	740,450		740,450
Differences between Expected and Actual Experience	9,311,533	-	9,311,533
Contributions - Employer	-	26,236,864	(26,236,864)
Contributions - Employee	-	5,887,281	(5,887,281)
Net Investment Income	-	32,192,854	(32,192,854)
Benefit Payments, including Refunds of Employee Contributions	(38,126,202)	(38,126,202)	-
Administrative Expenses	-	(381,787)	381,787
Net Changes	36,039,346	25,809,010	10,230,336
Balances at June 30, 2023	\$ 773,174,657	\$ 544,998,311	\$ 228,176,346

Pension Results, Provided by the Safety Plan
For the Measurement Date of June 30, 2023

	Increase (Decrease)		
	Total Pension	Plan Net	Net Pension
	Liability	Position	Liability
Balances at June 30, 2022	\$ 687,048,515	\$ 458,640,393	\$ 228,408,122
Changes Recognized for the Measurement Period:			
Service Cost	12,575,702	-	12,575,702
Interest on the Total Pension Liability	47,126,640	-	47,126,640
Changes of Benefit Terms	209,174	-	209,174
Differences between Expected and Actual Experience	8,121,808	-	8,121,808
Contributions - Employer	-	24,219,015	(24,219,015)
Contributions - Employee	-	3,943,035	(3,943,035)
Net Investment Income	-	28,316,430	(28,316,430)
Benefit Payments, including Refunds of Employee Contributions	(37,345,166)	(37,345,166)	-
Administrative Expenses	-	(337,263)	337,263
Net Changes	30,688,158	18,796,051	11,892,107
Balances at June 30, 2023	\$ 717,736,673	\$ 477,436,444	\$ 240,300,229
Total balance at June 30, 2023 including Miscellaneous and Safety	\$ 1,490,911,330	\$ 1,022,434,755	\$ 468,476,575

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 16 – PENSION PLANS, Continued

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

The following presents the net pension liability of the Plans as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

Net Pension Liability	Discount Rate -1 % (5.90 %)	Current Discount Rate (6.90 %)	Discount Rate +1 % (7.90 %)
Miscellaneous Plan	\$ 328,727,980	\$ 228,176,346	\$ 145,216,189
Safety Plan	335,970,290	240,300,229	161,838,837

Pension Plan Fiduciary Net Position

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

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB Statement No. 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARS�) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 16 – PENSION PLANS, Continued

For the measurement period ended June 30, 2023, the City recognized total pension expense of \$79,988,217, including \$41,896,197 for Miscellaneous Plan and \$38,092,020 for Safety Plan.

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Miscellaneous Plan:		
Employer Contributions Subsequent to Measurement Date	\$ 30,352,983	\$ -
Changes of Assumptions	4,344,601	-
Differences between Expected and Actual Experiences	5,828,354	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	24,725,588	-
Total Miscellaneous Plan	<u>\$ 65,251,526</u>	<u>\$ -</u>
Safety Plan:		
Employer Contributions Subsequent to Measurement Date	\$ 28,412,102	\$ -
Changes of Assumptions	9,123,416	-
Differences between Expected and Actual Experiences	5,660,654	(491,796)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	21,802,167	-
Total Safety Plan	<u>\$ 64,998,339</u>	<u>\$ (491,796)</u>
All Plans	<u><u>\$ 130,249,865</u></u>	<u><u>\$ (491,796)</u></u>

The total amount of \$58,765,085 (\$30,352,983 for Miscellaneous Plan and \$28,412,102 for Safety Plan), reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of net pension liability for the year ending June 30, 2025.

Other deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30,	Miscellaneous Plan	Safty Plan
2025	\$ 12,767,526	\$ 12,952,585
2026	4,420,823	6,661,968
2027	17,037,535	15,885,537
2028	672,659	594,351
	<u><u>\$ 34,898,543</u></u>	<u><u>\$ 36,094,441</u></u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description

The City of Sunnyvale Retiree Healthcare Plan (the “Plan”) is a single employer defined benefit retiree healthcare plan administered by the City of Sunnyvale through a Trust that meets the criteria in Paragraph 3 of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Trust is included as an OPEB Trust Fund in the financial reporting entity of the City.

The measurement date of the net OPEB liability presented in the City’s current year financial statements was as of June 30, 2023. The Plan’s stand-alone financial report for the fiscal year ended June 30, 2023, is available on the City’s Website.

Benefits Provided

The Plan provides healthcare benefits to eligible retirees and their dependents through the California Public Employees’ Retirement System healthcare program (PEMHCA). PEMHCA requires that medical insurance contributions for retired annuitants paid for by a contracting agency be equal to the medical contributions paid for its active employees. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its non-represented employees, and the unions representing City employees.

For the fiscal year ended June 30, 2023 (the measurement period of the net OPEB liability), the City provided a retiree healthcare stipend equal to the lesser of the medical premium or a dollar limit that varies by employee group (\$615 for SEIU, \$467 for PSOA, \$473 for COA, and \$1,108 for SEA/Confidential/Management per month at June 30, 2024). The City pays 100% of the medical premium for management employees who retired on or before December 31, 2007, and 100% of the medical premium up to a dollar cap for management employees who retire after December 31, 2007. Management employees appointed on or after July 1, 2007, are subject to a vesting schedule ranging from 50% after 5 years of management service to 100% after 15 years of management service.

The Plan also provides potential retiree medical benefits to all Councilmembers. Councilmembers only receive the benefit if they retire from CalPERS within 120 days of when they leave office with the City. Benefits are subject to change and do not constitute a contract. For the fiscal year ended June 30, 2024, the monthly City contribution of \$157 represents the PEMHCA required minimum employer contribution amount.

Employees Covered - At June 30, 2023, the most recent information available, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	890
Inactive employees entitled to but not yet receiving benefits	114
Active employees	902
	1,906

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

Contributions/Funding Policy

Since 2007, the City has set aside funds in the Employee Payroll & Benefits Internal Service Fund for future OPEB obligations. On July 20, 2010, City Council approved the City entering into an Investment Advisory Agreement with PFM Asset Management, LLC (PFM) to establish and administer the City's retiree medical trust, a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 to pre-fund retiree healthcare benefits. On December 7, 2010, the Council approved a Trust Agreement among the City (Employer), PFM (Trust Administrator), and U.S. Bank National Association (as the Trustee of Trust assets).

For the measurement period ended June 30, 2023, aside from the implied subsidy of \$2,019,000, the City pre-funded \$3,086,000 to the Trust while contributing \$6,733,352 outside of Trust on a pay-as-you-go basis for current benefit payments and PEMHCA administration expenses for a total contribution of \$11,838,352. These City contributions are separately identified line items in the City Employee Payroll & Benefits Internal Service Fund's long-term financial plan, an integral part of the City's annually adopted budget.

B. Net OPEB Liability

The City's net OPEB liability is measured as the total OPEB liability less the Plan's fiduciary net position. For this report, the following timeframes are used: valuation date of June 30, 2022; measurement date of June 30, 2023, and measurement period of July 1, 2022 to June 30, 2023.

At June 30, 2024, the government-wide financial statements reported net OPEB liability as follows:

	Amount
Governmental Activities	\$ 31,079,829
Business-Type Activities	6,712,769
Total Net OPEB Liability	<u>\$ 37,792,598</u>

Significant Assumptions and Other Inputs Used to determine Total OPEB Liability

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. No significant changes in benefits, the covered population or other factors affecting the valuation results have occurred after the June 30, 2022, actuarial valuation.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

The June 30, 2022 valuation was rolled forward to determine the June 30, 2023 total OPEB liability using standard update procedures based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Implied Subsidy	Implied subsidy included for non-Medicare eligible retirees (projected benefit payments are based on claim cost or age-adjusted premiums approximating claim costs)
Actuarial Assumptions:	
Discount Rate	5.50% - full actuarially determined contribution funding
Expected Long-Term Rate of Return	5.50%, net of plan investment expenses, including inflation
Inflation	2.50% annually
Payroll Growth	2.75% annually, including inflation
Cap increase on benefit payments	Varies depending on bargaining unit
Medical Trend	8.5% annually decreasing to 3.45% for retirees not eligible for Medicare. 7.5% annually decreasing to 3.45 % for retirees eligible for Medicare (Non-Kaiser). 6.25% annually decreasing to 3.45% for retirees eligible for Medicare (Kaiser)
Mortality	Derived using CalPERS 2000-2019 Experience Study. Mortality Improvement Scale MP-2021

Discount Rate

The discount rate used to measure the total OPEB liability was 5.5%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The expected nominal long-term rate of return was derived from stochastic projections of expected long-term real rates of return net of investment expenses under various economic scenarios using expected geometric real rates of return and correlation for fund asset classes plus inflation.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	39.0%	4.29%
International Equity	21.0%	4.67%
Fixed Income	40.0%	0.78%
Total	100.0%	

C. Changes in the Net OPEB Liability

Results Provided by the OPEB Plan
For the Measurement Date of June 30, 2023

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balances at June 30, 2022	\$ 178,000,912	\$ 132,785,888	\$ 45,215,024
Changes Recognized for the Measurement Period:			
Service Cost	5,415,428	-	5,415,428
Interest on the Total OPEB Liability	9,847,964	-	9,847,964
Change of benefit terms	-	-	-
Actual vs Expected Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	11,838,353	(11,838,353)
Net Investment Income	-	10,874,893	(10,874,893)
Benefit Payments, including Refunds of Employee Contributions	(8,724,924)	(8,724,924)	-
Administrative Expenses	-	(27,428)	27,428
Net Changes	6,538,468	13,960,894	(7,422,426)
Balances at June 30, 2023	\$ 184,539,380	\$ 146,746,782	\$ 37,792,598

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current discount rate:

	Discount Rate -1% (4.5%)	Current Discount Rate (5.5%)	Discount Rate +1% (6.5%)
Net OPEB Liability	\$ 62,118,049	\$ 37,792,599	\$ 17,697,857

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

Sensitivity of the Net OPEB Liability to Changes in the Medical Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current medial trend rates:

	1% Decrease in Medical Trend Rates	Current Medical Trend Rates	1% Increase in Medical Trend Rates
Net OPEB liability	\$ 14,411,371	\$ 37,792,599	\$ 66,610,389

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued Sunnyvale Retiree Healthcare Plan Report for the year ended June 30, 2023 on the City's website under Budget and Finance Documents.

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB Statement No. 75, gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARS�) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

For the measurement period ended June 30, 2023, the City recognized total OPEB expense of \$2,810,919.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer Contributions Subsequent to Measurement Date	\$ 12,214,312	\$ -
Change of Assumptions	3,331,003	-
Differences between Expected and Actual Experience	-	(17,042,894)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	5,527,070	-
Total	<u>\$ 21,072,385</u>	<u>\$ (17,042,894)</u>

The amount of \$12,214,312, reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability for the year ending June 30, 2025.

The deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ (3,887,744)
2026	(3,510,435)
2027	1,896,853
2028	(2,683,495)
Total	<u>\$ (8,184,821)</u>

NOTE 18 – INTERFUND TRANSFERS

Transfers are interfund transactions wherein the two funds involved do not necessarily receive equivalent cash, goods, or services. The City's transfer activity is indicative of funding for (1) capital projects or equipment, (2) debt service payments, and (3) subsidies of various operating activities.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 18 – INTERFUND TRANSFERS, Continued

Below is a summary of interfund transfers:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred	Funding Purpose
General Fund	Nonmajor Governmental	50,614	(3)
	Wastewater Management	1,984,950	(3)
	Solid Waste Management	1,340,303	(3)
	Housing Special Revenue	407,257	(1)
	Water Supply & Distribution	656,645	(1)
	Development Enterprise	2,530,951	(1)
	Golf Course	332,487	(1)
	SMaRT Station	437,478	(1)
	Internal Service Fund	4,732,455	(1)
	Subtotal - General Fund	12,473,140	
Infrastructure	General Fund	3,156,100	(1)
	Subtotal - Infrastructure	3,156,100	
Housing Special Revenue	Nonmajor Governmental	1,000,000	(3)
Nonmajor Governmental	Civic Center Capital Project	244,361	(4)
	General Fund	7,281,211	(2)
	Subtotal - Nonmajor Governmental	7,525,572	
Internal Service	General Fund	6,928,483	(1)
	City Projects	455,790	(1)
	Water Supply and Distribution	156,757	(1)
	Wastewater Management	381,169	(1)
	Internal Service - General Services	1,451,726	(1)
	Park Dedication Special Revenue	1,314,789	(1)
	Infrastructure	206,653	(1)
	SMaRT Station	186,192	
	Nonmajor Governmental	663,393	(1)
	Subtotal - Internal Service	11,744,952	
Golf and Tennis Operations	General Fund	2,135,000	(3)
Total Interfund Transfers		38,034,764	

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 19 – CLASSIFICATION OF NET POSITION AND FUND BALANCES

Government-Wide Financial Statements and Proprietary Fund Financial Statements

Net position is classified in the following categories:

Net Investment in Capital Assets

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

The restricted component of net position represents restricted assets reduced by liabilities related to those assets. For governmental activities, 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.

For the City’s business-type activities or enterprise funds, the restricted assets include bond proceeds used for constructing capital improvements and for establishing the debt service and loan reserves. Since the related bonds payable is greater than the bond proceeds held by the trustee under each fund or activity, there is no restricted net position to report for bond proceeds. Restricted net position is reported for loan reserve to the extent that it exceeds loan payable.

The City’s policy is to spend restricted resources first and use unrestricted resources when the restricted funds are depleted.

Unrestricted

This category is the “residual” component of net position. It consists of net position that does not meet the definition of either “restricted” or “net investment in capital assets.”

Governmental Fund Financial Statements

Spending Prioritization in Using Available Resources:

When both restricted resources and other resources (i.e., committed, assigned, and unassigned) can be used for the same purpose, the City budget considers restricted resources to be spent first.

When committed, assigned, and unassigned resources can be used for the same purpose, the flow assumption in the City budget is to spend in the sequence of committed resources first, assigned second, and unassigned last.

Because the City is required to present balanced long-term financial plans for all funds, use of reserves is a critical component. As such, Council has several fiscal policies regarding reserves and reserve levels.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 19 – CLASSIFICATION OF NET POSITION AND FUND BALANCES, Continued

The following schedule presents details of fund balance components at June 30, 2024:

	Major Funds						Total
	General Fund	Housing Special Revenue	Park Dedication Special Revenue	City Projects	Infrastructure Renovation & Replacement	Nonmajor Governmental Funds	
Fund Balances:							
Nonspendable:							
Inventories and Prepaid Items	\$ 799,162	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 799,162
Long-term Receivables Net of	-	-	-	-	-	-	-
Deferred Inflow of Resources	523,947	-	-	-	-	-	523,947
Assets Held for Resale	1,101,077	-	-	-	-	-	1,101,077
Permanent Fund Principal	-	-	-	-	-	1,626,967	1,626,967
Columbia Neighborhood Center Endowment	693,193	-	-	-	-	-	693,193
Subtotal	3,117,379	-	-	-	-	1,626,967	4,744,346
Restricted for:							
Donations and Contributions from							
External Sources	2,097,170	-	-	-	-	-	2,097,170
Hazardous Materials Program							
Enforcement Actions	747,984	-	-	-	-	-	747,984
Housing Mitigation	-	132,594,249	-	-	-	-	132,594,249
Assets Held for Resale	-	280,000	-	-	-	-	280,000
Housing - CDBG and HOME Grant Low and Moderate Income	-	-	-	-	-	19,113,469	19,113,469
Housing Assets	-	-	-	-	-	2,293,347	2,293,347
Park Dedication	-	-	109,161,429	-	-	-	109,161,429
Law Enforcement - Asset Forfeiture	-	-	-	-	-	37,573	37,573
Police Services Augmentation	-	-	-	-	-	456,690	456,690
Workforce Training and Development	-	-	-	-	-	99,862	99,862
Downtown Parking Maintenance	-	-	-	-	-	1,100,630	1,100,630
Public Street and Highways	-	-	-	-	-	26,797,281	26,797,281
Debt Service Reserve	-	-	-	-	-	22,832	22,832
Capital Projects Funded by							
External Resources	-	-	-	103,091,832	-	-	103,091,832
Subtotal	2,845,154	132,874,249	109,161,429	103,091,832	-	49,921,684	397,894,348
Committed to:							
Contingency Reserve	32,457,084	-	-	-	-	-	32,457,084
Capital Improvement Projects Current Capital and Special	7,510,425	-	-	-	-	-	7,510,425
Projects Carryover	40,396,235	-	-	-	-	-	40,396,235
Subtotal	80,363,744	-	-	-	-	-	80,363,744
Assigned to:							
Infrastructure Renovation and Improvement Projects	-	-	-	-	87,753,661	-	87,753,661
Unassigned:	95,269,244	-	-	-	-	(135,580)	95,133,664
Total	\$ 181,595,521	\$ 132,874,249	\$ 109,161,429	\$ 103,091,832	\$ 87,753,661	\$ 514,13,071	\$ 665,889,763

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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 19 – CLASSIFICATION OF NET POSITION AND FUND BALANCES, Continued

General Fund Balance Requirements Caused by Council Actions or Management’s Intended Use:

The General Fund Contingency Reserve was established by the City Council at 15% of General Fund operating budget to provide funding for any significant unplanned event that may arise such as natural disasters or non-fiscal emergencies. In the fiscal year 2024 adopted budget, the Contingency Reserve was identified and set aside for the designated purpose in the amount of \$32,457,084.

The General Fund Reserve for Capital Improvement Projects primarily reflects the proceeds from land sales between fiscal year 2006 and fiscal year 2024. Such proceeds have been used for specific capital improvement projects as approved by the Council. The reserve balance at year end was \$7,510,425, which was classified as committed resources of the fund balance. Future funds in this reserve are for one-time capital expenditures in adherence with Council fiscal policy.

The Current Capital Projects and Special Projects Carryover represents the unspent amount of multiple-year General Fund project appropriations and deferred transfers to other funds’ capital projects. The amount of \$40,396,235 remains committed until the completion of these Council-approved projects.

The Budget Stabilization Fund functions to normalize service levels through economic cycles. After identifying nonspendable, restricted, committed, and assigned fund balances, the remaining balances become the Budget Stabilization Fund. This stabilization fund is expected to increase during periods of economic growth and is to be drawn down during the low points of economic cycles to maintain stable service levels over the long term. At the end of fiscal year 2024, this stabilization fund had a balance of \$89,889,830 and is classified as unassigned.

Explanation of Fund Balance Requirements Other than the General Fund:

For the Housing Special Revenue Fund, the restricted amount of \$132,874,249 is for the purposes of developing affordable housing by utilizing housing impact fees and managing the City’s below-market-rate housing as supported by below-market-rate housing fees and fines.

For the Park Dedication Special Revenue Fund, the restricted amount of \$109,161,429 is for the purpose of acquisition, construction, or renovation of neighborhood parks.

For the City Projects Fund, total fund balance was \$103,091,832 and represents the restricted resources from grants and impact fees.

For the Infrastructure Renovation and Improvement Fund, the amount of balance of \$87,753,661 represents resources assigned to capital projects, primarily for the construction of the City Civic Center.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST

Pursuant to the State Statute ABx1 26 (the Dissolution Act), on January 10, 2012, the City Council elected to become the Redevelopment Successor Agency (RSA) for the former Redevelopment Agency (RDA).

Prior to July 1, 2018, the RSA had been governed by the Oversight Board consisting of seven members representing the City of Sunnyvale, the County and local education and special districts of the Redevelopment Project Area. Commencing July 1, 2018, Senate Bill 107 requires that all oversight boards for the various former redevelopment agencies in the County be consolidated into a single county-wide oversight board.

The Oversight Board has a fiduciary responsibility to holders of Enforceable Obligations and the taxing entities that benefit from distributions of property tax and other revenues. The actions of the Oversight Board are overseen by the State Department of Finance and may be subject to disapproval or modification.

For funding of its remaining obligations for each period, the RSA is responsible for preparing the Recognized Obligation Payment Schedule (ROPS), subject to the approval of the Oversight Board and the State Department of Finance. Only the enforceable obligations listed in the ROPS may be paid by the RSA from the RPTTF distributed by the County.

The activities of the RSA are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The City has two private-purpose trust funds, which are presented in the basic financial statements in combined amounts. The remaining portion of this note explains only the account balances related to the Redevelopment Successor Agency Trust Fund.

A. Deposits and investments

At year end, the RSA's cash and investments were held for the following purposes:

Enforceable Obligations Purposes	Amounts Approved to Cover the Period 7/1/24-12/31/24	Unspent Amounts from Prior Advances	Total RPTTF Held at 6/30/24
Central Core Tax Allocation Bonds Debt Service	\$ -	\$ 2,548	\$ 2,548
Fiscal Agent Trustee Fees	-	(1,605)	(1,605)
Town Center Pollution Remediation Obligations	-	161,151	161,151
Town Center Development Agreement Management	-	(39,043)	(39,043)
Low and Moderate Income Housing Asset Fund Repayment	-	-	-
Administration Funded by RPTTF	-	94,356	94,356
RPTTF Managed by the City for the RSA	<u>\$ -</u>	<u>\$ 217,407</u>	<u>\$ 217,407</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

At June 30, 2024, cash and investments held by the RSA in LAIF and in the City Treasury Pool was \$202,369 and \$15,038 respectively, which totaled to \$217,407.

B. Receivables

At year end, the RSA's receivables were as follows:

<u>To Collect from</u>	<u>Amount</u>
RPTTF (Reimbursement Obligation to City-1998 Parking Facility COP)	\$ 12,453,877
Interest Receivable	2,448
Total Receivables	<u>\$ 12,456,325</u>

Beginning with the third ROPS, which covered the period from January to June of 2013, the State Department of Finance has repeatedly denied the RSA's reimbursement obligation for the 1998 Parking Facility Refunding Certificates of Participation, on the basis that the 1977 Loan Repayment Agreement was not an enforceable obligation. As of June 30, 2024, the amount of \$12,453,877 represents debt service payments by the City's General Fund that remained unreimbursed by the RPTTF.

C. Capital Assets

The carrying value of the former RDA capital assets (land) was \$13,959,752 and there is no current year activity. This amount did not take into consideration any land use restrictions on the property.

D. Noncurrent Liabilities

<u>Description</u>	<u>Balance, June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2024</u>	<u>Due Within One Year</u>	<u>Due In More Than One Year</u>
Redevelopment Successor Agency Private-Purpose Trust Fund:						
Contractual Obligations under the 2016 MRADDOPA:						
Town Center Pollution Remediation						
Obligations to Developer	502,870	-	\$ (14,818)	\$ 488,052	\$ 70,000	418,052
Former RDA Obligations Due to the City	39,348,533	465,537	\$ -	\$39,814,070	\$ -	39,814,070
Total	<u>\$ 39,851,403</u>	<u>\$ 465,537</u>	<u>\$ (14,818)</u>	<u>\$40,302,122</u>	<u>\$ 70,000</u>	<u>\$ 40,232,122</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

Contractual Obligations from the 2010 Amended Disposition and Development and Owners Participation Agreement (2010 ADDOPA) have been modified by the 2016 Modified and Restated Amended Disposition and Development and Owner Participation Agreement (2016 MRADDOPA)

On August 2, 2010, the Redevelopment Agency entered in the 2010 Amended Disposition and Development and Owner Participation Agreement with L. Gerald Hunt, as Court-Appointed Receiver (Developer) with respect to the Sunnyvale Town Center Project (2010 ADDOPA). The 2010 ADDOPA was a legally binding and enforceable agreement with a private party entered into in full compliance with the Community Redevelopment Law as it existed on August 2, 2010, so it was not an agreement that is otherwise void as violating the debt limit or public policy and it was entered into prior to 2011, and thus was an enforceable obligation under Health and Safety Code Section 34171(d)(1)(E).

On September 20, 2016, the Redevelopment Successor Agency entered into the 2016 Modified and Restated Amended Disposition and Development and Owner Participation Agreement (2016 MRADDOPA) for the Sunnyvale Town Center with STC Venture, LLC, a joint venture consisting of J.P. Morgan Asset Management Fund, Sares Regis Group of Northern California, and Hunter Properties, LLC. The 2016 MRADDOPA reduces the Successor Agency's liabilities and increases the revenues to the taxing entities. This agreement supersedes and replaces the 2010 ADDOPA. Two key modifications with a significant financial impact on the Agency are (1) the elimination of the Town Center Public Improvement Obligations to the Developer, and (2) the reduction of the obligations related to the Town Center environmental remediation costs.

Reduction of Town Center Pollution Remediation Obligation

Pursuant to the 2010 ADDOPA, the former RDA and Downtown Sunnyvale Mixed Use, LLC (Developer) and successor in interest (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 former RDA 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 emanates from the Project area. The contaminants, predominantly PCB, include hazardous materials thought to be released by former Downtown dry-cleaning establishments, or auto repair enterprises, gas stations, and other uses that use, store, or dispose of hazardous materials and wastes.

On July 17, 2007, the former RDA as responsible party 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

The former RDA’s estimated cumulative pollution remediation obligation was \$9,000,000, measured at the current value of expected, most likely outlays. This amount included the RDA’s estimated share of total environmental costs with the Developer and the RDA’s own personnel and legal costs. The shared environmental costs include commercially reasonable costs incurred by the Developer and the Agency, including 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.

The Dissolution Act recognizes obligations imposed by State law and contractual commitments to remediate contaminated properties as enforceable obligations. On February 1, 2012, the RSA recognized the estimated liability of \$1,865,440, which was the same amount as recognized by the former RDA under the accrual basis of accounting as of January 31, 2012, before its dissolution. Outlays totaling \$1,369,384 have been incurred since the RDA dissolution, including \$14,818 in this year. At year end, the estimated remaining amount is \$488,052.

The 2016 MRADDOPA reduces the Successor Agency’s obligations related to environmental remediation by requiring the Developer to assume the full cost of environmental remediation for the Successor Agency’s public parking parcels on Block 6 (Lots 1, 3 and 4). These parcels were conveyed to the Developer during fiscal year 2022/23.

Former Redevelopment Agency (RDA) Obligations Due to the City’s General Fund

Under the Dissolution Act, the repayment of many loans made in good faith by a Sponsoring Community to its now dissolved RDA became unenforceable as of February 1, 2012. Under AB 1484, upon application by the Successor Agency and approval by the Oversight Board (whose approval in turn creates the opportunity for the State Department of Finance review and disapproval), loan agreements between the Sponsoring Community and the Dissolved RDA that were previously deemed not to constitute enforceable obligations as of February 1, 2012, can once again be deemed to be enforceable obligations if the Oversight Board finds that the loan was for legitimate redevelopment purposes.

On September 22, 2015, Senate Bill (SB) 107, which contains significant changes to the redevelopment dissolution laws, was signed into law. If a successor agency has received a finding of completion, an oversight board may revitalize a loan agreement between the former RDA and the city which was previously determined to not be an enforceable obligation. Additionally, the interest rate of any reestablished loan agreement shall be recalculated at an interest rate of three percent from the origination of the loan. SB 107 also redefines a “loan agreement” as follows:

- Loans for money under which the city transferred cash to the former RDA for use for a lawful purpose and where the former RDA was obligated to repay the money pursuant to a required repayment schedule;
- Agreements under which city transferred real property to the former RDA for use for a lawful purpose and the RDA was obligated to pay the city for the real property interest; or
- Agreements under which the city contracted with a third party on behalf of the former RDA, limited to \$5 million.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2024

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

The determination on how the RSA’s repayment schedule below will be interpreted under SB 107 is still in legal proceedings and will ultimately affect whether any loans listed in the schedule below can be reestablished for repayment. The status of the legal action remained unchanged as of June 30, 2024.

The following repayment schedule shows the calculation of the balances of the City loans at year end:

Loans from the City General Fund to the Redevelopment Agency	Loan Principal	Simple Interest at 3%	Total
1977 Loan Reentered Agreement 2012	12,453,879	2,011,652	14,465,530
Administrative Loan	14,017,916	9,174,903	23,192,819
Plaza Loan	1,500,000	655,722	2,155,722
Loan Balance, June 30, 2024	27,971,795	11,842,276	39,814,071

The former RDA (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 as part of a financing mechanism for the start of the RDA project area development. 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 former RDA 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, equal to related debt service payments. Under the terms of the First Amended Repayment Contract, the former RDA made the commitment to repay the City for costs advanced (called the “1977 Loan”) on its behalf and base rentals plus 8% interest thereon.

After the RDA dissolution, the City and the Successor Agency (RSA) reentered into an Amended and Restated Reimbursement Agreement on April 24, 2012, effective retroactively to February 1, 2012. The funding source of the RSA reimbursement, in the City’s opinion, should have been the RPTTF. However, the DOF determined that both the 1977 Loan Repayment Agreement and the reentered 2012 Amended and Restated Reimbursement Agreement for the 1998 COPS would not qualify as enforceable obligations. On April 20, 2018, the California Court of Appeal affirmed the trial court’s decision that the 1977 Repayment Agreement was not an enforceable obligation under the statutory exception for written agreements entered into at the time of issuance of indebtedness obligations, solely for the purpose of securing or repaying those indebtedness obligations. The City filed a petition for review with the California Supreme Court in May 2018, which petition was denied.

The City and the former RDA also adopted a “2003 Loan and Repayment Agreement” on December 18, 2003. The RDA agreed to compensate the City for all administrative costs incurred for the RDA after 1985 and further capital expenditures that had been incurred since 1986 (called the “Administrative Loan” and the “Plaza Loan”) with original interest rates of 8% and 6%, respectively. Both loan balances had once been recalculated using the LAIF rates at the time of the RDA dissolution. On September 22, 2015, the State Legislature passed Senate Bill 107, which requires that the loan be recalculated at the simple interest rate of three percent from the date of origination of the loan.

Notes to the Basic Financial Statements, Concluded
Fiscal Year Ended June 30, 2024

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

After granting the Finding of Completion to the RSA on December 23, 2015, the DOF continued to deny both the Administrative Loan and the Plaza Loan as enforceable obligations, most recently on May 17, 2018, in its letter concerning the 2018-19 Annual ROPS. The loan balance of \$39,814,071 was reported as of June 30, 2024. The General Fund continued to maintain an uncollectible receivable allowance of the full amount.

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Required Supplementary Information (Unaudited)

Required Supplementary Information
Fiscal Year Ended June 30, 2024

BUDGETARY POLICY AND CONTROL

The following are Budgetary Comparison Schedules for the General Fund and Major Special Revenue Funds:

Budgetary Comparison Schedule - General Fund
Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Budgetary Fund Balance, July 1, 2023	\$ 123,562,561	\$ 180,663,563	\$ 180,663,563	\$ -
Resources (inflows):				
Property Taxes	117,633,140	128,215,880	129,062,478	846,598
Sales and Use Taxes	34,286,478	36,954,271	40,715,300	3,761,029
Other Taxes	35,460,907	34,535,018	36,206,336	1,671,318
Franchise Fees	7,525,097	8,001,748	7,834,916	(166,832)
Intergovernmental Revenues	786,830	1,573,005	2,058,560	485,555
Permits and Licenses	2,274,571	2,265,913	2,283,339	17,426
Fines and Forfeitures	534,269	467,431	588,504	121,073
Service Fees	7,234,406	7,716,883	7,452,204	(264,679)
Rents and Concessions	1,856,352	2,150,576	2,076,149	(74,427)
Investment Earnings	2,915,051	3,804,928	4,831,818	1,026,890
Interfund Revenues	12,438,190	15,013,368	15,063,369	50,001
Other Revenues	666,503	1,334,244	828,456	(505,788)
Transfers In	16,739,110	16,739,110	15,562,698	(1,176,412)
Total Resources	240,350,904	258,772,375	264,564,127	5,791,752
Charges to appropriations (outflows):				
City Attorney	1,884,330	1,884,330	1,944,435	(60,105)
City Manager	5,700,442	5,700,442	5,854,426	(153,984)
Community Development	1,933,169	1,933,169	1,699,061	234,108
Finance	11,204,047	11,204,047	11,286,038	(81,991)
Human Resources	5,392,456	5,567,875	5,335,262	232,613
Library and Community Services	21,335,696	21,332,990	20,651,939	681,051
Public Safety	93,943,858	94,067,641	97,946,867	(3,879,226)
Public Works	28,906,722	28,906,722	26,997,583	1,909,139
Environmental Services	2,970,699	2,970,699	2,866,437	104,262
Capital Outlay and Special Projects	19,985,413	56,722,146	15,320,895	41,401,251
Transfers Out	47,143,332	66,672,316	66,314,477	357,839
Total charges to appropriations	240,400,164	296,962,377	256,217,420	40,744,957
Excess of resources over (under) charges to appropriations	(49,260)	(38,190,002)	8,346,707	46,536,709
Budgetary Fund Balance, June 30, 2024	\$ 123,513,301	\$ 142,473,561	\$ 189,010,270	\$ 46,536,709

See Accompanying Notes to the Budgetary Comparison Schedule

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2024

BUDGETARY POLICY AND CONTROL, Continued

Budgetary Comparison Schedule - Housing Special Revenue Fund
Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Budgetary Fund Balance, July 1, 2023	\$ 80,486,183	\$ 84,951,875	\$ 84,951,875	\$ -
Resources (inflows):				
Intergovernmental Revenues	-	-	(25,024)	(25,024)
Service Fees	15,550,264	3,121,469	1,217,931	(1,903,538)
Rents and Concessions	12,000	15,000	16,500	1,500
Interest Income	3,220,532	1,791,476	1,840,667	49,191
Other Revenues	1,563,593	1,440,590	448,266	(992,324)
Transfer In	1,000,000	1,000,000	1,000,000	-
Total Resources	21,346,389	7,368,535	4,498,340	(2,870,195)
Charges to appropriations (outflows):				
Community Development	1,544,449	1,544,450	14,026,567	(12,482,117)
Capital Outlay and Special Projects	16,250,000	30,533,065	7,328,451	23,204,614
Transfers Out	277,160	296,197	296,197	-
Total charges to appropriations	18,071,609	32,373,712	21,651,215	10,722,497
Excess of resources over (under) charges to appropriations	3,274,780	(25,005,177)	(17,152,875)	7,852,302
Budgetary Fund Balance, June 30, 2024	\$ 83,760,963	\$ 59,946,698	\$ 67,799,000	\$ 7,852,302

Budgetary Comparison Schedule – Park Dedication Special Revenue Fund
Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Budgetary Fund Balance, July 1, 2023	\$ 65,352,492	\$ 121,996,762	\$ 121,996,762	\$ -
Resources (inflows):				
Service Fees	12,872,241	12,466,872	168,577	(12,298,295)
Interest Income	2,902,008	2,838,942	2,826,685	(12,257)
Other Revenues	-	-	-	-
Total Resources	15,774,249	15,305,814	2,995,262	(12,310,552)
Charges to appropriations (outflows):				
Capital Outlay and Special Projects	16,049,372	63,490,084	12,711,101	50,778,983
Transfers Out	-	-	1,314,789	(1,314,789)
Total charges to appropriations	16,049,372	63,490,084	14,025,890	49,464,194
Excess of resources over (under) charges to appropriations	(275,123)	(48,184,270)	(11,030,628)	37,153,642
Budgetary Fund Balance, June 30, 2024	\$ 65,077,369	\$ 73,812,492	\$ 110,966,134	\$ 37,153,642

See Accompanying Notes to the Budgetary Comparison Schedule

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2024

BUDGETARY POLICY AND CONTROL, Continued

The following schedule reconciles the differences of actual amounts presented using the budgetary basis vs. GAAP basis of accounting:

	General Fund	Housing Fund	Park Dedication Fund
Sources/Inflow of Resources:			
Actual amounts (budgetary basis) of "total resources" from the budgetary comparison schedule	\$ 264,564,127	\$ 4,498,340	\$ 2,995,262
Differences - Budget to GAAP			
Loan principal repayments are a budgetary resource but are not revenues for financial reporting purposes	-	(411,271)	-
Change in fair value of investments is not a budgetary resource	3,909,854	1,458,805	2,345,780
Change in allowance for housing loans is not a budgetary resource			
GAAP Reporting Entity Differences:			
- Internal Agency Fund not budgeted in the General Fund	280,481	-	-
- Youth and Neighborhood Services not budgeted in the General Fund	1,175,896	-	-
- Disaster Emergencies not budgeted in General Fund	91,308	-	-
Sinking fund payment to Internal Agency Fund not included for financial reporting			
Timing difference for recognition of revenue which has been deferred for financial			
Leases	131,041	-	-
Public Safety sales tax net adjustment	87	-	-
Transfers from other funds for administrative reimbursements are inflows of budgetary resources but are expenditure reductions for financial reporting	(14,154,624)		
Proceeds from sale of capital assets reported as other financing sources			
Other funds' operating in-lieu payments reported as transfers	(13,155,377)	-	-
Transfers between Housing Subfunds are eliminated for financial reporting	-	(1,000,000)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 242,842,793</u>	<u>\$ 4,545,874</u>	<u>\$ 5,341,042</u>
Uses/Outflows of Resources			
Actual amounts (budgetary basis) of "total charges to appropriations" from the budgetary comparison schedule	\$ 256,217,420	\$ 21,651,215	\$ 14,025,890
Differences - Budget to GAAP			
GAAP Reporting Entity Differences:			
- Internal Agency Fund not budgeted in the General Fund	156,323	-	-
- Youth and Neighborhood Services is not budgeted in the General Fund	1,196,073	-	-
- Disaster Emergencies not budgeted in General Fund	-	-	-
Unbudgeted activity - Multimodal Sinking Fund is not budgeted in the General Fund	-	-	-
Unbudgeted activity - Inventory adjustment not budgeted in the General Fund	12,498	-	-
Timing difference in recognizing resource outflows related to a private grant	-	-	-
Loan disbursements are outflows of budgetary resource but are not expenditures for financial reporting purposes	-	(627,515)	-
Transfers from other funds for administrative reimbursements are inflows of budgetary resources but are expenditure reductions for financial reporting	(14,154,624)	-	-
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(20,183,031)	(407,257)	(1,314,790)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 223,244,659</u>	<u>\$ 20,616,443</u>	<u>\$ 12,711,100</u>

See Accompanying Notes to the Budgetary Comparison Schedule

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2024

Notes to the Budgetary Comparison Schedules

1. Budgetary Information

Sunnyvale's approach to budget preparation is a central part of the City's planning and management. Key elements include:

- Long-range strategic planning (General Plan Elements and Sub-Elements),
- Long-term financial planning (Resource Allocation Plan, which includes projections over a 20-year time frame),
- Short-term allocation of resources (two-year action budget),
- Measurement of program service delivery,
- Council Study Issues process,
- Annual performance reporting and evaluation, and
- Performance audits based on risk assessments.

In establishing the budgetary data reflected in its financial statements, the City follows the procedures listed below:

- At the midpoint of each year, a public hearing (not legally required) is held by the City Council to review budget vs. actuals on the prior year-end close and to obtain budgetary comments from the public early in the budget process for the following year.
- During May of each year, the City Manager submits to the City Council a recommended budget for the fiscal year commencing July 1. The City Charter requires that the City Council receive the City Manager's budget no later than May 25.
- The City Manager's budget includes recommended expenditures for equipment, operating costs, debt service costs, and capital and special projects for the ensuing year.
- During May of each year the City Council holds a workshop on the budget. The workshop is open to the public.
- During June of each year the City Council holds a public hearing, legally required by the City Charter, where the public may submit written or oral comments regarding the entire budget or portions thereof.
- Prior to June 30 of each year, the budget as modified by the City Council is legally enacted by adoption of a budget resolution.
- The City's budget appropriation control is by program within the same fund for operating programs in the General Fund and Special Revenue Funds. Any unexpended appropriations expire at fiscal year-end unless specifically re-appropriated by the City Council during the new fiscal year.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2024

Notes to the Budgetary Comparison Schedules, Continued

- Approved appropriations for capital improvement projects do not lapse at the end of fiscal year unless the capital improvement project has been completed and closed out or the City Council takes affirmative action to modify the budget appropriation for the capital improvement project.
- Formal budgets are employed as a management control device for all funds in which a budget has been adopted. Annual appropriated budgets apply to the general fund, special revenue funds, permanent funds, and debt service funds. Capital project funds operate using project-length budgets. Proprietary fund budgets serve only as financial plans.
- Budgeted amounts reported are those as originally adopted June 20, 2023 plus all amendments approved during the year by the City Council. Individual amendments were not material in relation to the original amounts budgeted.

2. Budgetary Control

Legal Level of Budgetary Control

Expenditures for each department are legally limited to the amounts authorized by the City Council in the Budget Resolution, plus subsequent changes individually approved by the City Council through Budget Modifications. The City's budget appropriation control is by program (with adjustments between programs within the same fund allowed below specified thresholds) for operating programs in the General Fund and Special Revenue Funds. For Proprietary Funds, expenditures cannot exceed actual revenues plus the planned use of reserves.

Appropriations for operations lapse at year-end to the extent they have not been expended. On November 6, 2007, Sunnyvale voters amended the City Charter so that appropriations for capital improvement projects will not lapse at year-end unless completed, closed out, or modified by the City Council. The City adopts project-length budgets for its capital projects funds.

Excess of Expenditures Over Appropriations

The Department of Public Safety exceeded appropriations due to vacancies driving a high use of backfill overtime. The City has appropriated significant ongoing funds to recruit and train public safety officers over the long-term financial plan to bring staffing in line with authorized positions.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2024

Notes to the Budgetary Comparison Schedule, Continued

3. Budgetary Highlights

The General Fund

The General Fund original appropriations budget (outflows) of \$240,400,164 was modified during the fiscal year to incorporate project, equipment, and transfer appropriation carryover from prior years of \$36,736,733. Of significance was \$19,825,480 in new appropriations. These changes net against other adjustments during the FY 2023/24 budget development process for a final amended budget of \$296,962,377. The Funding sources for these amendments were due to grant revenue, additional revenue estimated during midyear budget adjustments, General Fund savings, General Fund reserves, and savings from projects and transfers that did not require their full appropriation.

Estimated inflows of resources of the General Fund were also amended during the fiscal year for an increase of \$18,421,471 (excluding sale of property, transfers and interfund revenues) due primarily to midyear adjustments during FY 2024/25 budget development. The midyear budget revenue adjustments were part of the budget development process to more appropriately reflect the actual trends based upon year-to-date information. In particular, Property Tax was revised upward by \$10,582,740 due to growth in the assessed valuation of both the residential and commercial/industrial sectors across the City as well as change of ownership and new construction. In addition, Sales Tax was increased by \$2,667,793 due to inflationary pressures.

The Housing Special Revenue Fund

The City's Housing Fund original appropriation budget of \$1,871,609 was modified during the fiscal year by \$19,037 in new appropriations for a supplemental transfer to the pension trust. The final budget also comprises project and transfer carryover appropriations from prior years, including \$10,500,000 of Orchard Gardens Apartment Redevelopment project.

The Park Dedication Special Revenue Fund

The original appropriation budget of the City's Park Dedication Fund was \$16,049,372 and the remaining difference between the original and final expenditure budget is the result of carryover from prior fiscal years.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2024

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

The City has elected to use the “Modified Approach” as defined by GASB Statement No. 34 for infrastructure reporting for its Street Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following conditions:

- The City manages the eligible infrastructure capital assets using an asset management system which requires that the City (1) perform an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate the annual amounts to maintain and preserve the asset at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In September 2001, the City conducted a study to update the physical condition assessment of the streets. The streets, primarily concrete and asphalt pavements, were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of City right-of-way. City-owned streets are classified based on land use, access and traffic utilization into the following four classifications: arterial/major, secondary, collector and local. This condition assessment will be performed no less than every three years or as allowed by resources. Each street was assigned a physical condition based on potential defects. A regionally based Pavement Condition Index (PCI) was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street.

The following conditions were defined:

Condition	Rating
Excellent	90-100
Very Good	80-89
Good	70-79
Fair	60-69
At Risk	50-59
Poor	25-49
Failed	0-24

The City policy is to achieve a rating of 75 or over for all streets, which is a “good” or better rating based on Metropolitan Transportation Commission (MTC) Regional standards. The last study report was issued in June 2024 for fiscal year 2024. In that study, the City’s street system was rated at a PCI index of 74 on the average with the detail condition as follows:

Condition	Rating
Excellent	9.5%
Very Good	22.7%
Good	35.6%
Fair	22.9%
At Risk	4.3%
Poor	4.4%
Failed	0.4%

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2024

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued

The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City expended \$13,610,174 on street maintenance for the fiscal year ended June 30, 2024. These expenditures delayed deterioration and maintained the conditions of the City streets. A schedule of estimated annual amount calculated to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last five years is presented below.

	Maintenance	Actual	Average
<u>Fiscal Year</u>	<u>Estimate</u>	<u>Expenditures</u>	<u>PCI Index</u>
2019-2020	8,048,000	5,746,000	76
2020-2021	13,589,000	10,060,000	77
2021-2022	19,232,047	7,388,132	76
2022-2023	28,257,587	10,151,174	77
2023-2024	38,082,902	13,610,174	74

The City has an on-going street rehabilitation program that is intended to maintain the condition rating of the City Streets. Large pavement rehabilitation projects, including work done on Wolfe Road and other large arterial streets, has been completed or planned during FY 2024/25 and will substantially improve the rating in the coming fiscal year. The rehabilitation program is formulated based on deficiencies identified as a part of its Pavement Management System. The City leverages grant funding when available to augment the program.

Required Supplementary Information, Continued**Fiscal Year Ended June 30, 2024****PENSION PLANS****City of Sunnyvale Miscellaneous Plan****Schedule of Changes in the Net Pension Liability and Related Ratios for the Measurement Periods Ended June 30****Last 10 Years¹**

Measurement Period	2023	2022
TOTAL PENSION LIABILITY		
Service Cost	\$ 13,410,339	\$ 13,324,481
Interest on Total Pension Liability	50,703,226	48,292,957
Changes of Benefit Terms	740,450	-
Changes of Assumptions	-	21,723,001
Difference Between Expected and Actual Experience	9,311,533	1,207,170
Benefit Payments, Including Refunds of Employee Contributions	(38,126,202)	(35,435,623)
Net Change in Total Pension Liability	36,039,346	49,111,986
Total Pension Liability – Beginning	737,135,311	688,023,325
Total Pension Liability – Ending (a)	\$ 773,174,657	\$ 737,135,311
PLAN FIDUCIARY NET POSITION		
Contributions – Employer	\$ 26,236,863	\$ 24,278,371
Contributions – Employee	5,887,281	5,608,810
Net Investment Income	32,192,854	(42,890,910)
Benefit Payments, Including Refunds of Employee Contributions	(38,126,202)	(35,435,623)
Other Miscellaneous Expense	-	-
Administrative Expense	(381,787)	(353,819)
Net Change in Fiduciary Net Position	25,809,009	(48,793,171)
Plan Fiduciary Net Position – Beginning	519,189,301	567,982,472
Plan Fiduciary Net Position – Ending (b)	\$ 544,998,310	\$ 519,189,301
Plan Net Pension Liability – Ending (a) - (b)	\$ 228,176,347	\$ 217,946,010
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.49%	70.43%
Covered Payroll ⁴	\$ 77,048,943	\$ 73,700,809
Plan Net Pension Liability as a Percentage of Covered Payroll	296.14%	295.72%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.² Covered payroll represents the payroll on which contributions to the pension plan are based.

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2022 valuation date.

Change in Assumptions: During Measurement period 2014, the discount rate was 7.50 percent. During the measurement period 2015, the discount rate was increased from 7.5 percent to 7.65 percent. There was no change in assumptions during measurement period 2016.

During measurement period 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. During measurement period 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no change in assumptions during measurement period 2019, 2020 and 2021.

During Measuring period 2022, the discount rate was reduced was reduced from 7 percent to 6.9 percent.

During Measuring period 2023, there was no change of assumptions and discount rate remains at 6.9 percent.



2021	2020	2019	2018	2017
\$ 11,996,478	\$ 11,701,084	\$ 11,559,006	\$ 11,199,730	\$ 10,842,227
46,636,226	44,872,640	43,217,539	40,900,336	39,261,483
-	-	-	-	-
-	-	-	(4,081,790)	32,106,944
744,292	(1,023,066)	8,785,490	3,645,229	(6,019,442)
(33,732,095)	(31,868,242)	(29,484,250)	(27,829,331)	(26,020,390)
25,644,901	23,682,416	34,077,785	23,834,174	50,170,822
662,378,424	638,696,008	604,618,223	580,784,049	530,613,227
\$ 688,023,325	\$ 662,378,424	\$ 638,696,008	\$ 604,618,223	\$ 580,784,049
\$ 23,049,190	\$ 21,054,645	\$ 19,631,877	\$ 16,854,299	\$ 15,147,804
5,474,501	5,201,737	5,467,671	5,008,021	4,604,224
105,593,674	22,511,843	28,083,867	34,014,678	41,501,524
(33,732,095)	(31,868,242)	(29,484,250)	(27,829,331)	(26,020,390)
423	-	995	(1,191,114)	-
(467,568)	(636,929)	(305,720)	(626,703)	(542,569)
99,918,125	16,263,054	23,394,440	26,229,850	34,690,593
468,064,347	451,801,293	428,406,853	402,177,003	367,486,410
\$ 567,982,472	\$ 468,064,347	\$ 451,801,293	\$ 428,406,853	\$ 402,177,003
\$ 120,040,853	\$ 194,314,077	\$ 186,894,715	\$ 176,211,370	\$ 178,607,046
82.55%	70.66%	70.74%	70.86%	69.25%
\$ 69,625,525	\$ 66,521,230	\$ 64,370,478	\$ 61,107,215	\$ 57,600,952
172.41%	292.11%	290.34%	288.36%	310.08%

Continued

Required Supplementary Information, Continued**Fiscal Year Ended June 30, 2024****PENSION PLANS****City of Sunnyvale Miscellaneous Plan****Schedule of Changes in the Net Pension Liability and Related Ratios for the Measurement Periods Ended June 30****Last 10 Years¹**

Measurement Period	2016	2015	2014
TOTAL PENSION LIABILITY			
Service Cost	\$ 9,680,984	\$ 9,957,430	\$ 10,186,565
Interest on Total Pension Liability	38,249,412	36,727,690	35,343,753
Changes of Benefit Terms	-	-	-
Changes of Assumptions	-	(8,859,441)	-
Difference Between Expected and Actual Experience	(2,309,130)	(4,993,806)	-
Benefit Payments, Including Refunds of Employee Contributions	(24,937,993)	(23,753,937)	(21,670,122)
Net Change in Total Pension Liability	20,683,273	9,077,936	23,860,196
Total Pension Liability – Beginning	509,929,954	500,852,018	476,991,822
Total Pension Liability – Ending (a)	\$ 530,613,227	\$ 509,929,954	\$ 500,852,018
PLAN FIDUCIARY NET POSITION			
Contributions – Employer	\$ 14,617,203	\$ 13,259,494	\$ 13,538,441
Contributions – Employee	4,584,629	4,498,949	4,900,096
Net Investment Income	474,899	8,380,085	56,229,060
Benefit Payments, Including Refunds of Employee Contributions	(24,937,993)	(23,753,937)	(21,670,122)
Other Miscellaneous Expense	579	(288)	-
Administrative Expense	(227,308)	(419,766)	-
Net Change in Fiduciary Net Position	(5,487,991)	1,964,537	52,997,475
Plan Fiduciary Net Position – Beginning	372,974,401	371,009,864	318,012,389
Plan Fiduciary Net Position – Ending (b)	\$ 367,486,410	\$ 372,974,401	\$ 371,009,864
Plan Net Pension Liability – Ending (a) - (b)	\$ 163,126,817	\$ 136,955,553	\$ 129,842,154
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.26%	73.14%	74.08%
Covered Payroll ⁴	\$ 55,959,435	\$ 56,387,283	\$ 54,657,753
Plan Net Pension Liability as a Percentage of Covered Payroll	291.51%	242.88%	237.55%

Concluded

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Required Supplementary Information, Continued**Fiscal Year Ended June 30, 2024****PENSION PLANS****City of Sunnyvale Safety Plan****Schedule of Changes in the Net Pension Liability and Related Ratios for the Measurement Periods Ended June 30****Last 10 Years¹**

Measurement Period	2023	2022
TOTAL PENSION LIABILITY		
Service Cost	\$ 12,575,702	\$ 12,383,765
Interest on Total Pension Liability	47,126,640	45,082,328
Changes of Benefit Terms	209,174	-
Changes of Assumptions	-	23,159,440
Difference Between Expected and Actual Experience	8,121,808	(906,001)
Benefit Payments, Including Refunds of Employee Contributions	(37,345,166)	(35,185,545)
Net Change in Total Pension Liability	30,688,158	44,533,987
Total Pension Liability – Beginning	687,048,515	642,514,528
Total Pension Liability – Ending (a)	\$ 717,736,673	\$ 687,048,515
PLAN FIDUCIARY NET POSITION		
Contributions – Employer	\$ 24,219,015	\$ 22,850,564
Contributions – Employee	3,943,035	3,764,639
Net Investment Income	28,316,430	(38,210,033)
Benefit Payments, Including Refunds of Employee Contributions	(37,345,166)	(35,185,545)
Plan to Plan Resource Movement	-	-
Administrative Expense	(337,263)	(315,043)
Net Change in Fiduciary Net Position	18,796,051	(47,095,418)
Plan Fiduciary Net Position – Beginning	458,640,393	505,735,811
Plan Fiduciary Net Position – Ending (b)	\$ 477,436,444	\$ 458,640,393
Plan Net Pension Liability – Ending (a) - (b)	\$ 240,300,229	\$ 228,408,122
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.52%	66.76%
Covered Payroll ⁴	\$ 39,611,197	\$ 38,548,202
Plan Net Pension Liability as a Percentage of Covered Payroll	606.65%	592.53%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.² Covered payroll represents the payroll on which contributions to the pension plan are based.

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2022 valuation date.

Change in Assumptions: During Measurement period 2014, the discount rate was 7.50 percent. During the measurement period 2015, the discount rate was increased from 7.5 percent to 7.65 percent. There is no change in assumptions during measurement period 2016.

During measurement period 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. During measurement period 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2021. There were no change in assumptions during measurement periods 2019 and 2020.

During Measurement period 2022, the discount rate was reduced from 7 percent to 6.90 percent.

During Measurement period 2023, there was no change of assumptions and discount rate remains at 6.9 percent.



2021	2020	2019	2018	2017
\$ 11,148,722	\$ 10,810,262	\$ 10,590,296	\$ 10,198,713	\$ 10,631,055
43,612,006	42,233,127	40,740,521	38,968,908	37,837,829
-	-	-	-	-
-	-	-	(3,031,221)	31,727,462
(1,483,768)	240,732	4,796,806	(1,342,176)	(3,692,230)
(33,259,910)	(31,627,776)	(29,984,051)	(28,780,790)	(27,339,259)
20,017,050	21,656,345	26,143,572	16,013,434	49,164,857
622,497,478	600,841,133	574,697,561	558,684,127	509,519,270
\$ 642,514,528	\$ 622,497,478	\$ 600,841,133	\$ 574,697,561	\$ 558,684,127
\$ 20,974,642	\$ 18,970,323	\$ 17,722,518	\$ 14,914,181	\$ 13,836,093
4,201,192	4,191,546	4,108,581	3,875,143	4,039,494
94,508,129	20,302,470	25,483,098	31,151,544	38,624,125
(33,259,910)	(31,627,776)	(29,984,051)	(28,780,790)	(27,339,259)
(423)	-	911	(1,100,642)	-
(419,286)	(575,844)	(279,325)	(580,496)	(506,839)
86,004,344	11,260,719	17,051,732	19,478,940	28,653,614
419,731,467	408,470,748	391,419,016	371,940,076	343,286,462
\$ 505,735,811	\$ 419,731,467	\$ 408,470,748	\$ 391,419,016	\$ 371,940,076
\$ 136,778,717	\$ 202,766,011	\$ 192,370,385	\$ 183,278,545	\$ 186,744,051
78.71%	67.43%	67.98%	68.11%	66.57%
\$ 36,457,562	\$ 34,849,331	\$ 33,702,370	\$ 32,177,671	\$ 33,006,474
375.17%	581.84%	570.79%	569.58%	565.78%

Continued

Required Supplementary Information, Continued**Fiscal Year Ended June 30, 2024****PENSION PLANS****City of Sunnyvale Safety Plan****Schedule of Changes in the Net Pension Liability and Related Ratios for the Measurement Periods Ended June 30****Last 10 Years¹**

Measurement Period	2016	2015	2014
TOTAL PENSION LIABILITY			
Service Cost	\$ 9,135,944	\$ 8,771,544	\$ 9,513,550
Interest on Total Pension Liability	36,805,665	35,349,092	33,899,709
Changes of Benefit Terms	-	-	-
Changes of Assumptions	-	(8,685,061)	-
Difference Between Expected and Actual Experience	(182,810)	(1,105,115)	-
Benefit Payments, Including Refunds of Employee Contributions	(25,948,338)	(24,211,372)	(22,125,777)
Net Change in Total Pension Liability	19,810,461	10,119,088	21,287,482
Total Pension Liability – Beginning	489,708,809	479,589,721	458,302,239
Total Pension Liability – Ending (a)	\$ 509,519,270	\$ 489,708,809	\$ 479,589,721
PLAN FIDUCIARY NET POSITION			
Contributions – Employer	\$ 12,634,254	\$ 11,312,835	\$ 12,221,414
Contributions – Employee	3,911,682	3,970,442	3,689,599
Net Investment Income	489,200	7,812,498	54,102,751
Benefit Payments, Including Refunds of Employee Contributions	(25,948,338)	(24,211,372)	(22,125,777)
Plan to Plan Resource Movement	(579)	202	-
Administrative Expense	(214,779)	(396,404)	-
Net Change in Fiduciary Net Position	(9,128,560)	(1,511,799)	47,887,987
Plan Fiduciary Net Position – Beginning	352,415,022	353,926,821	306,038,834
Plan Fiduciary Net Position – Ending (b)	\$ 343,286,462	\$ 352,415,022	\$ 353,926,821
Plan Net Pension Liability – Ending (a) - (b)	\$ 166,232,808	\$ 137,293,787	\$ 125,662,900
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.37%	71.96%	73.80%
Covered Payroll ⁴	\$ 31,449,031	\$ 29,886,011	\$ 31,473,683
Plan Net Pension Liability as a Percentage of Covered Payroll	528.58%	459.39%	399.26%

Concluded

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**Required Supplementary Information,
Continued**

Fiscal Year Ended June 30, 2024

PENSIONS

**City of Sunnyvale Miscellaneous Plan
Schedule of Plan Contributions for the Fiscal Years Ended June 30
Last 10 Years¹**

	2024	2023	2022
Actuarially Determined Contribution	\$ 27,697,750	\$ 26,376,966	\$ 24,279,280
Contributions in Relation to the Actuarially Determined Contributions	(30,352,983)	(26,376,966)	(24,279,280)
Contribution Deficiency (Excess)	<u>\$ (2,655,233)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll ²	\$ 82,230,110	\$ 77,048,943	\$ 73,700,809
Contributions as a Percentage of Covered Payroll	36.91%	34.23%	32.94%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered payroll represents the payroll on which contributions to the pension plan are based.

The actuarial methods and assumptions used to determine the fiscal year 2024 contribution rates are as follows:

Valuation date	6/30/2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Discount Rate	6.9% (net of expenses)
Projected Salary Increase	Varies by entry age and services
Inflation	2.30%
Payroll Growth	2.75%
Mortality	Derived using CalPERS membership data for all funds.



2021	2020	2019	2018	2017	2016	2015
\$ 23,049,190	\$ 21,054,645	\$ 18,631,877	\$ 16,854,299	\$ 15,147,804	\$ 13,917,203	\$ 12,759,494
(23,049,190)	(21,054,645)	(19,631,877)	(16,854,299)	(15,147,804)	(14,617,203)	(13,259,494)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,000,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (700,000)</u>	<u>\$ (500,000)</u>
\$ 69,625,525	\$ 66,521,230	\$ 64,370,478	\$ 61,107,215	\$ 57,600,952	\$ 55,959,435	\$ 56,387,283
33.10%	31.65%	30.50%	27.58%	26.30%	26.12%	23.52%

**Required Supplementary Information,
Continued**

Fiscal Year Ended June 30, 2024

PENSIONS

City of Sunnyvale Safety Plan

Schedule of Plan Contributions for the Fiscal Years Ended June 30

Last 10 Years¹

	2024	2023	2022	2021
Actuarially Determined Contribution	\$ 25,753,722	\$ 24,219,075	\$ 22,853,810	\$ 20,974,642
Contributions in Relation to the Actuarially Determined Contributions	(28,412,102)	(24,219,075)	(22,853,810)	(20,974,642)
Contribution Deficiency (Excess)	<u>\$ (2,658,380)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll ²	\$ 42,692,696	\$ 39,611,197	\$ 38,548,202	\$ 36,457,562
Contributions as a Percentage of Covered Payroll	66.55%	61.14%	59.29%	57.53%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered payroll represents the payroll on which contributions to the pension plan are based.

The actuarial methods and assumptions used to determine the fiscal year 2024 contribution rates are as follows:

Valuation date	6/30/2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Discount Rate	6.9% (net of expenses)
Projected Salary Increase	Varies by entry age and services
Inflation	2.30%
Payroll Growth	2.75%
Mortality	Derived using CalPERS membership data for all funds.



<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 18,970,323	\$ 16,722,518	\$ 14,914,181	\$ 13,836,093	\$ 11,934,254	\$ 10,812,835
(18,970,323)	(17,722,518)	(14,914,181)	(13,836,093)	(12,634,254)	(11,312,835)
<u>\$ -</u>	<u>\$ (1,000,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (700,000)</u>	<u>\$ (500,000)</u>
\$ 34,849,331	\$ 33,702,370	\$ 32,177,671	\$ 33,006,474	\$ 31,449,031	\$ 29,886,011
54.44%	52.59%	46.35%	41.92%	40.17%	37.85%

Required Supplementary Information, Continued**Fiscal Year Ended June 30, 2024****City of Sunnyvale OPEB Plan**

Schedule of Changes in the Net OPEB Liability and Related Ratios for the Measurement Periods Ended June 30

Last 10 Years¹

Measurement Period	2023	2022
Total OPEB liability:		
Service Cost	\$ 5,415,428	\$ 6,446,058
Interest	9,847,964	11,320,341
Changes in Benefit Terms	-	708,355
Differences between Expected and Actual Experience	-	(21,006,178)
Changes of Assumptions	-	2,437,255
Benefit Payments	(8,724,924)	(8,262,414)
Net change in Total OPEB Liability	6,538,468	(8,356,583)
Total OPEB Liability - Beginning	178,000,912	186,357,495
Total OPEB Liability - Ending (a)	\$ 184,539,380	\$ 178,000,912
Plan Fiduciary Net Position		
Contributions - Employer	\$ 11,838,352	\$ 11,628,583
Net Investment Income	10,874,893	(20,430,833)
Benefit Payments	(8,724,924)	(8,262,414)
Administrative Expense	(27,428)	(20,169)
Net Change in Plan Fiduciary Net Position	13,960,893	(17,084,833)
Plan Fiduciary Net Position-Beginning	132,785,888	149,870,721
Plan Fiduciary Net Position-Ending (b)	\$ 146,746,781	\$ 132,785,888
City's Net OPEB liability (a) - (b)	\$ 37,792,599	\$ 45,215,024
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	79.52%	74.60%
Covered-Employee Payroll (Contributions not based on measure of pay)	\$ 134,904,176	\$ 128,464,021
	28.01%	35.20%
City's Net OPEB Liability as a Percentage of Covered Employee Payroll		

¹ Historical information is required only for measurement periods for which GASB 75 is applicable.

Change in Assumptions: During measurement period 2022, demographic assumptions were updated in accordance to the CalPERS Membership Data 2000-2019 Experience Study. Mortality improvement scale was updated to Scale MP-2021 from MP-2018. The discount rate dropped to 5.5% and inflation rate at 2.5%. During measurement period ended June 30, 2022, actuarial assumptions for medical trend were adjusted and the mortality improvement scale was updated. During measuring period 2023 there was no change of assumptions and no discount rate change.



2021	2020	2019	2018	2017
\$ 6,258,309	\$ 5,963,549	\$ 5,789,853	\$ 5,126,673	\$ 5,288,000
10,776,578	10,609,180	10,092,406	10,947,288	10,076,000
-	-	-	-	-
-	(12,386,222)	-	(15,011,718)	-
-	6,174,688	-	5,292,216	-
(8,057,414)	(7,674,549)	(7,211,618)	(7,249,724)	(6,927,000)
8,977,473	2,686,646	8,670,641	(895,265)	8,437,000
177,380,022	174,693,376	166,022,735	166,918,000	158,481,000
<u>\$ 186,357,495</u>	<u>\$ 177,380,022</u>	<u>\$ 174,693,376</u>	<u>\$ 166,022,735</u>	<u>\$ 166,918,000</u>
\$ 11,640,712	\$ 12,054,056	\$ 12,048,370	\$ 11,332,886	\$ 11,170,000
30,761,293	6,091,558	6,472,434	6,736,501	7,702,310
(8,057,414)	(7,674,549)	(7,211,618)	(7,249,724)	(6,927,000)
(19,298)	(20,507)	(17,752)	(24,162)	(214,535)
34,325,293	10,450,558	11,291,434	10,795,501	11,730,775
115,545,428	105,094,870	93,803,436	83,007,935	71,277,160
<u>\$ 149,870,721</u>	<u>\$ 115,545,428</u>	<u>\$ 105,094,870</u>	<u>\$ 93,803,436</u>	<u>\$ 83,007,935</u>
<u>\$ 36,486,774</u>	<u>\$ 61,834,594</u>	<u>\$ 69,598,506</u>	<u>\$ 72,219,299</u>	<u>\$ 83,910,065</u>
80.42%	65.14%	60.16%	56.50%	49.73%
\$ 118,376,979	\$ 114,830,357	\$ 110,932,793	\$ 104,981,096	\$ 99,643,412
30.82%	53.85%	62.74%	68.79%	84.21%

Required Supplementary Information, Concluded
Fiscal Year Ended June 30, 2024

City of Sunnyvale OPEB Plan

Schedule of Plan Contributions for the Fiscal Years Ended June 30

Last 10 Years

	2024	2023	2022
Actuarially Determined Contribution (ADC)	\$ 9,108,000	\$ 12,195,000	\$ 11,860,000
Contributions in Relation to the Actuarially Determined Contributions	(12,214,312)	(11,838,352)	(11,628,583)
Contribution Deficiency (Excess)	<u>\$ (3,106,312)</u>	<u>\$ 356,648</u>	<u>\$ 231,417</u>
Covered-Employee Payroll	\$ 141,142,771	\$ 134,904,176	\$ 128,464,021
Contributions as a Percentage of Covered-Employee Payroll	8.65%	8.78%	9.05%

Notes to Schedule

Valuation date for funding purposes:	6/30/22
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Discount Rate	5.5% (net of expenses)
Inflation	2.50%
Payroll Growth	2.75% including inflation
Medical Trend	8.5% annually decreasing to 3.45% for retirees not eligible for Medicare. 7.5% annually decreasing to 3.45% for retirees eligible for Medicare (Non-Kaiser). 6.25% annually decreasing to 3.45% for retirees eligible for Medicare (Kaiser).
Mortality	Derived using CALPERS 2000-2019 Expected Study. Mortality Improvement Scale MP-2021.

¹ Historical information is required only for measurement periods for which GASB 75 is applicable.



2021	2020	2019	2018	2017
\$ 12,086,000	\$ 11,758,000	\$ 11,818,000	\$ 11,460,000	\$ 8,135,000
(11,640,712)	(12,054,056)	(12,048,370)	(11,308,724)	(9,842,297)
\$ 445,288	\$ (296,056)	\$ (230,370)	\$ 151,276	\$ (1,707,297)
\$ 118,376,979	\$ 118,376,979	\$ 110,932,793	\$ 104,981,096	\$ 99,643,412
9.83%	10.18%	10.86%	10.77%	9.88%

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Supplementary Information

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General Fund Budgetary Control

CITY OF SUNNYVALE**General Fund Appropriations****Budgetary Comparisons****June 30, 2024**

Description	Final Budget	Actual Expenditures	Variance Positive (Negative)
Equipment			
General Equipment	\$ 365,037	\$ -	\$ 365,037
Recreation Equipment	800,595	111,443	689,152
Public Safety Equipment	6,626,749	383,287	6,243,462
Total Equipment	<u>7,792,381</u>	<u>494,730</u>	<u>7,297,651</u>
Operating Programs			
City Attorney			
Comprehensive Legal Services	2,348,170	1,944,435	403,735
Total City Attorney	<u>2,348,170</u>	<u>1,944,435</u>	<u>403,735</u>
City Manager			
Office of the City Manager	6,130,840	5,854,426	276,414
Total City Manager	<u>6,130,840</u>	<u>5,854,426</u>	<u>276,414</u>
Community Development			
Planning	2,060,544	643,154	1,417,390
Homeless Services	284,721	159,909	124,812
Community Development Department Management	1,007,139	895,998	111,141
Total Community Development	<u>3,352,404</u>	<u>1,699,061</u>	<u>1,653,343</u>
Environmental Services			
Regulatory Programs	5,028,915	1,521,155	3,507,760
Environmental Sustainability	882,323	726,974	155,349
Stormwater Collections	647,372	618,308	29,064
Total Environmental Services	<u>6,558,610</u>	<u>2,866,437</u>	<u>3,692,173</u>
Finance			
Budget Management	1,206,143	1,125,496	80,647
Purchasing	2,706,364	1,673,055	1,033,309
Financial Management and Analysis	1,571,189	2,086,518	(515,329)
Accounting and Financial Services	1,566,639	1,758,723	(192,084)
Utility Billing	3,721,444	3,795,881	(74,437)
Non-Utility Revenue Management and Special Projects	799,542	844,095	(44,553)
Citywide Program	2,270	2,270	-
Total Finance	<u>11,573,591</u>	<u>11,286,038</u>	<u>287,553</u>
Human Resources			
Human Resources	5,701,572	5,335,262	366,310
Total Human Resources	<u>5,701,572</u>	<u>5,335,262</u>	<u>366,310</u>
Library and Recreation Services			
Library	10,846,222	10,571,712	274,510
Recreation Services	4,400,243	10,080,226	(5,679,983)
Total Library and Community Services	<u>15,246,465</u>	<u>20,651,938</u>	<u>(5,405,473)</u>

Continued

CITY OF SUNNYVALE**General Fund Appropriations****Budgetary Comparisons****June 30, 2024**

Public Safety			
Fire Services	31,208,608	35,035,821	\$ (3,827,213)
Community Safety Services	3,658,378	3,651,949	6,429
Personnel and Training	2,786,789	2,936,673	(149,884)
Investigation Services	6,180,600	6,268,865	(88,265)
Communication Services	4,755,459	4,638,531	116,928
Public Safety Administrative Services	6,398,877	7,055,897	(657,020)
Records Management and Property Services	2,505,399	2,507,480	(2,081)
Fire Prevention and Hazardous Material Services	(1,335,848)	2,289,750	(3,625,598)
Police Services	32,045,241	33,623,357	(1,578,116)
Citywide Program	(61,456)	(61,456)	-
Total Public Safety	88,142,047	97,946,867	(8,226,704)
Public Works			
Transportation and Traffic Services	3,959,117	3,450,371	508,746
Pavement and Concrete Maintenance	7,909,320	4,434,862	3,474,458
Street Lights, Signs and Debris	2,860,162	2,435,748	424,414
Urban Forestry	2,749,959	2,110,820	639,139
Neighborhood Parks and Open Space Management	12,963,145	13,671,299	(708,154)
Public Works Administration and Property Management	456,684	894,484	(437,800)
Total Public Works	30,898,387	26,997,584	3,900,803
Total Operating Programs	169,952,086	174,582,048	(4,629,962)
Transfers Out			
Youth and Neighborhood Services Fund	682,236	682,236	-
Infrastructure Fund - General Fund Assets	3,156,100	3,156,100	-
2020 Civic Center Lease Revenue Bonds	7,281,211	7,281,211	-
Golf and Tennis Operations Fund	2,135,000	2,135,000	-
Technology and Communication Services Fund	4,173,187	4,173,187	-
Project Management Services Fund	2,755,296	2,755,296	-
Employee Benefits - Retirement Benefit	30,199,922	30,199,922	-
Employee Benefits - Pension Trust	4,452,572	4,452,572	-
Insurance and Other Benefits	7,088,951	7,088,951	-
Property and Liability Insurance Fund	4,390,003	4,390,003	-
Total Transfers Out	66,314,478	66,314,478	-

Continued

CITY OF SUNNYVALE**General Fund Appropriations****Budgetary Comparisons****June 30, 2024****Projects***Infrastructure Projects*

Pavement Rehabilitation	4,479,202	453.00	4,478,749
ADA Projects and Emergency Concrete Replacement	120,303	-	120,303
Contribution to Our City Forest	8,100	3,300.00	4,800
Stormwater Outfall Emergency Repair	466,068	466,068.00	-
Smart Cities Initiative Study	37,500	35,125.00	2,375
Public Safety Emergency Generator Replacement	2,577,363	106,475.00	2,470,888
Upgrading of Fuel Stations	1,353,989	973,467.00	380,522
Pedestrian Lighted Crosswalk Maintenance and Replacement	777,161	-	777,161
Replacement/Repair/Rehabilitation of Storm Drain	376,535	25,240.00	351,295
Sidewalk, Curb and Gutter Replacement	2,129,272	7,059.00	2,122,213
Civic Center Modernization	1,004,670	(1,812,819.00)	2,817,489
Corporation Yard Buildings - Rehabilitation	28,282	10,787.00	17,495
Routine Resurfacing of City Owned Parking Lots	190,992	33,507.00	157,485
Illuminated Street Sign Replacement Project	42,770	53.00	42,717
Traffic Signal Maintenance Services Augmentation	487,304	108,498.00	378,806

Outside Group Funding Projects

Iizuka Sister City Engagement Funding	12,500	12,500.00	-
Leadership Sunnyvale [GF]	6,000	4,750.00	1,250
A Sunny Place for Growing Readers	56,700	54,737.00	1,963
Dispute Resolution Services	50,000	50,000.00	-
Outside Group Funding Support [GF]	135,000	134,456.00	544
Sunnyvale Community Services Facility Financing Support	4,000,000	4,000,000.00	-

Capital Projects

Sunnyvale Traffic Signal Upgrades	65,247	-	65,247
RDA Counsel Fees	999	812.00	187
Improve Bicycle and Pedestrian Access at Sunnyvale Caltrain Station	51,536	10,255.00	41,281
Civic Center Phase 2 Planning - Main Library	1,243,683	1,006,465.00	237,218
Lakewood Branch Library Facility	1,476,000	24,158.00	1,451,842
Re-evaluate Traffic Calming Program and Policy	189,048	104,602.00	84,446
Traffic Sign Installation and Maintenance	89,471	28,991.00	60,480
MTC Pavement Management Technical Assistance Program Matching	-	-	-
Maintenance of 725 Kifer Rd. (SCS Property)	182,000	55,733.00	126,267
Corporation Yard Site Feasibility and Modernization Plan	12,656	-	12,656
Traffic Signal Specifications and Standard Details	(77,431)	-	(77,431)
Poplar Avenue Sidewalk Study	(4,123)	874.00	(4,997)
Peery Park Area Transportation Improvements	606,392	7,421.00	598,971
Homestead Road Full Time Bicycle Lane Study	(3,872)	2,260.00	(6,132)
Grade Separation Caltrain Crossings Study Issue	(2,907)	-	(2,907)
Underground Overhead Utilities	392,364	398,643.00	(6,279)
ADA Transition Plan & Self-Evaluation	50,000	8,000.00	42,000
344 Charles Street Renovation	34,156	3,696.00	30,460
Pedestrian & Bicycle Facility Installation on Tasman Study	220,346	220,346.00	-
Universal Basic Income Study	100,000	90,000.00	10,000
Transportation and General Fund Grant Matching	2,500,000	59,682.00	2,440,318

Miscellaneous

Friends of Library Donations			-
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Continued

CITY OF SUNNYVALE**General Fund Appropriations****Budgetary Comparisons****June 30, 2024***Special Projects*

239 - 241 Commercial Street Property Maintenance	11,706	-	\$	11,706
Evaluation of Right to Lease Ordinance	10,000	-		10,000
SB379 SolarApp+	79,658	-		79,658
Electronic ADA Compliance	29,647	-		29,647
Green Stormwater Infrastructure Plan Implementation	1,049,423	11,827.00		1,037,596
Maintenance of City Owned Properties - Downtown	8,000	877.00		7,123
Council Technology Expense	2,102	-		2,102
San Andreas Regional Center, After School Recreation Program for All	76,764	62,606.00		14,158
Stormwater Permit Implementation	560,626	2,455.00		558,171
Finance Tax Audit	39,437	80,186.00		(40,749)
Fire Prevention (HazMat) Technology Project	1,235	-		1,235
City-wide Aerial Photos	25,496	24,823.00		673
Organizational Development	43,973	-		43,973
Stormwater-Wastewater Bacteria Control Program	118,842	55,704.00		63,138
DPS – SCCPH Tobacco Decoy Operation	21,416	5,830.00		15,586
Minimum Wage Enforcement Agreement	15,000	15,000.00		-
General Plan Updates	499,012	15,255.00		483,757
Sustainable California Libraries	5,418	5,418.00		-
DPS FY21/22 DOJ Community Oriented Policing (COPS) Micro Grant	20,304	6,355.00		13,949
SCVURPPP Contracting and Fiscal Agent - General Fund	55,000	15,751.00		39,249
Tasman Drive Temporary Lane Closure	23,420	11,581.00		11,839
Disease Prevention and Health Promotion	104,345	50,950.00		53,395
DPS State Homeland Security Program [SHSGP] Training Grants	7,404	7,404.00		-
Community Events & Neighborhood Grants	46,081	30,721.00		15,360
Annual State of the City	57,601	44,057.00		13,544
FY21/22 DPS EOC Laptop Replacement	11,924	8,962.00		2,962
DPS - Edward Byrne Memorial Justice Assistance Grant (JAG) Local F	21,794	1,293.00		20,501
DPS Police Services Contract Overtime	(7,579)	48,733.00		(56,312)
GIS Onetime Support	105,533	58,545.00		46,988
Sunnyvale Redistricting	(264)	-		(264)
Downtown Association	59,993	60,000.00		(7)
Silicon Valley Healthy Aging Partnership (SVHAP)	55,101	41,870.00		13,231
Office of Emergency Services	23,645	22,500.00		1,145
Code Enforcement Activities to Address Substandard Residential Prop	8,485	(38,011.00)		46,496
DPS Reimbursable Mutual Aid (Out of County)	(250)	43,764.00		(44,014)
Website Upgrades	16,706	13,600.00		3,106
DPS Office of Traffic Safety (OTS) Selective Traffic Enforcement Prog	173,289	61,294.00		111,995
Emergency Medical Dispatch First Responder Incentive Funding	381,911	46,012.00		335,899
Climate Action Plan Implementation	769,444	283,400.00		486,044
Creation of Objective Citywide and Specific Area Plan/Citywide Lands	-	1,734.00		(1,734)
Cultural Inclusion	72,719	38,374.00		34,345
Electronic Records Management System	220,407	113,012.00		107,395
2023 Housing Element Update	(6,952)	100,526.00		(107,478)
Temporary Housing for Unhoused Individuals	629,059	388,071.00		240,988
Engineering Services for Transportation Related Projects/Priorities	614,554	171,041.00		443,513
FY 2019/20 Recruitment and Training for Sworn Officers	(3,770)	1,055.00		(4,825)
FY22/23 Recruitment and Training Costs for Sworn Officers	5,834,372	3,202,183.00		2,632,189
FY 2020/21 Recruitment and Training for Sworn Officers	26,887	34,747.00		(7,860)
FY21/22 Recruitment and Training for Sworn Officers	4,820,665	1,531,722.00		3,288,943
Library Foundation Program Grant	48,608	950.00		47,658
Emergency Medical Services (EMS) Rural Metro Project Funding	12,417	15.00		12,402
Economic Development Strategy	10,248	3,785.00		6,463

Continued

CITY OF SUNNYVALE**General Fund Appropriations****Budgetary Comparisons****June 30, 2024**

Orchard Heritage Park and Museum Analysis Study	76,480	131,368.00	(54,888)
DPS FY23/24 Recruitment and Training of Sworn Officers	5,194,904	1,346,323.00	3,848,581
Airplane Noise Monitoring System	5,040	3,920.00	1,120
Addition to the Heritage Resource Inventory of Sites Associated with T	34,011	11,603.00	22,408
DPS BSCC Officer Wellness Grant	139,012	78,971.00	60,041
Bicycle Improvements Planning Study	150,000	76,159.00	73,841
Sunnyvale Unity	15,000	1,510.00	13,490
Equity, Access, and Inclusion (EAI) Training	65,000	51,135.00	13,865
Bike Lanes on Hollenbeck Avenue between El Camino Real and Home	175,000	19,158.00	155,842
Assessment of Needs for Additional Outdoor Sports Programs and Faci	65,000	5,910.00	59,090
STEM Sunnyvale	71,312	60,212.00	11,100
Opioid Settlement Funds	137,760	3,300.00	134,460
2024 Real Property Transfer Tax Measure	40,000	33,000.00	7,000
Fourth of July Drone Show	100,000	82,024.00	17,976
Total Projects	48,544,651	14,826,164	\$ 33,718,487
Total Appropriations	\$ 292,603,596	\$ 256,217,420	\$ 36,386,176

Concluded

Nonmajor Governmental Funds

Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue funds used by the City in this report are listed below:

The ***Community Development Block Grant Fund*** accounts for the use of community development block grant funds received from the federal government. Other revenues in this fund include repayments of commercial and residential loans from City property. Funds are used for programs or projects that increase affordable housing and benefit people with special needs such as senior and disabled citizens.

The ***HOME Grant Fund*** accounts for HOME investment partnership grant funds received from the federal government. Other revenues in this fund include repayments of loans. Funds are used to provide affordable housing for low- and very low-income households.

The ***Permanent Local Housing Allocation (PLHA) Grant Program Fund*** accounts for grant funds received from the State Department of Housing and Community Development. Funds are used for the development and rehabilitation of affordable housing, operating support for emergency shelter, street outreach for unhoused residents, and accessibility modifications for lower-income households.

The ***Low and Moderate Income Housing Asset Fund*** was created pursuant to Health & Safety Code Section 34176(d). This Fund is administered by the Housing Successor. The City elected to retain the affordable housing assets and functions previously performed by the RDA by serving as the Housing Successor.

The ***Asset Forfeiture Fund*** accounts for the proceeds from sale of assets seized primarily from illegal narcotics activity. Asset forfeiture funds are used to supplement law enforcement activities.

The ***Police Services Augmentation Fund*** accounts for monies received from the federal and state governments, which are expended to enhance law enforcement services.

The ***Parking District Fund*** accounts for special assessments levied on real property located in the City's downtown parking district. The tax revenues in this fund are used primarily to maintain parking lots within the district.

The ***Gas Tax Fund*** accounts for gas tax revenues received from the State and expended for construction and maintenance of City streets.

The ***Road Maintenance and Rehabilitation Account Fund*** accounts for new tax revenues apportioned from the State under the new Road Repair and Accountability Act of 2017 (SB1). The allocations must be used in the local street and road system.

The ***Transportation Development Act (TDA) Fund*** accounts for activities related to the TDA funds received from the State through the Metropolitan Transportation Commission, which are expended on pedestrian and bicycle projects.

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Nonmajor Governmental Funds

The ***VRF Local Road Improvement Program Fund*** accounts for the use of Measure B vehicle registration fees which are allocated on a population basis to cities in Santa Clara County for local transportation improvements.

The ***2016 Measure B Santa Clara VTA Fund*** accounts for the use of 2016 Measure B half-cent countywide sales tax to enhance transit, highways, expressways and active transportation.

The ***Employment Development Special Revenue Fund*** accounts for various Federal funds and program revenues used for workforce development activities conducted by the North Valley Job Training Consortium (NOVA).

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for restricted purposes. The specific permanent funds used by the City in this report are listed below:

The ***Swirsky Youth Opportunity Fund*** accounts for proceeds received from the estate of Ms. Dorolou Pierson Swirsky dedicated to providing recreation opportunities for disadvantaged youth.

The ***Fremont Pool Fund*** accounts for private donations to be used for the maintenance and operations of the Fremont High School swimming pool.

Debt Service Funds are used for the accumulation and disbursement of financial resources that will be used to make principal and interest payments on general long-term debt. The nonmajor debt service fund in this report is listed below:

The ***Civic Center Lease Revenue Bonds Fund*** is used to accumulate resources for the repayment of the 2020 Lease Revenue Bonds that financed a large portion of the construction of the Civic Center.

CITY OF SUNNYVALE

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024**

	Special Revenue			
	Community Development Block Grant	HOME Grant	Permanent Local Housing Allocation Grant	Low and Moderate Income Housing Asset
Assets:				
Deposits and Investments Held by City	\$ 277,369	\$ 186,689	\$ 77,257	\$ 2,242,851
Deposits and Investments Held by Fiscal Agent	-	-	-	-
Receivables	-	2,778	-	20,025
Intergovernmental Receivables	320,331	422,101	-	-
Housing Loans Receivable	12,555,341	14,121,020	-	-
Total Assets	\$ 13,153,041	\$ 14,732,588	\$ 77,257	\$ 2,262,876
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 152,367	\$ 169,905	\$ -	\$ 46,786
Due to Other Funds	209,832	-	-	-
Total Liabilities	362,199	169,905	-	46,786
Deferred Inflows of Resources	3,829,284	4,410,772	-	-
Fund Balances:				
Fund Balances:	-	-	-	-
Restricted	8,961,558	10,151,911	77,257	2,216,090
Unassigned	-	-	-	-
Total Fund Balances	8,961,558	10,151,911	77,257	2,216,090
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,153,041	\$ 14,732,588	\$ 77,257	\$ 2,262,876

Continued

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Special Revenue					
Asset Forfeiture	Police Services Augmentation	Parking District	Gas Tax	Road Maintenance and Rehabilitation Account	Transportation Development Act
\$ 37,496	\$ 453,937	\$ 1,094,843	\$ 11,592,763	\$ 10,854,347	\$ -
-	-	-	-	-	-
77	2,753	6,461	74,627	60,754	-
-	230,073	602	366,035	703,025	-
-	-	-	-	-	-
<u>\$ 37,573</u>	<u>\$ 686,763</u>	<u>\$ 1,101,906</u>	<u>\$ 12,033,425</u>	<u>\$ 11,618,126</u>	<u>\$ -</u>
\$ -	\$ -	\$ 1,276	\$ 647,135	\$ 950,569	\$ -
-	-	-	-	-	-
-	-	1,276	647,135	950,569	-
-	230,073	-	-	-	-
-	-	-	-	-	-
37,573	456,690	1,100,630	11,386,290	10,667,557	-
-	-	-	-	-	-
<u>37,573</u>	<u>456,690</u>	<u>1,100,630</u>	<u>11,386,290</u>	<u>10,667,557</u>	<u>-</u>
<u>\$ 37,573</u>	<u>\$ 686,763</u>	<u>\$ 1,101,906</u>	<u>\$ 12,033,425</u>	<u>\$ 11,618,126</u>	<u>\$ -</u>

Continued

CITY OF SUNNYVALE

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024**

	Special Revenue		
	VRF Local Road Improvement Program	2016 Measure B Santa Clara VTA	Employment Development
Assets:			
Deposits and Investments Held by City	\$ 5,068,467	\$ -	\$ 298
Deposits and Investments Held by Fiscal Agent	-	-	-
Receivables	30,858	-	-
Intergovernmental Receivables	13,854	1,107,215	1,834,787
Housing Loans Receivable	-	-	-
Total Assets	\$ 5,113,179	\$ 1,107,215	\$ 1,835,085
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 369,745	\$ 756,326	\$ 298,685
Due to Other Funds	-	423,364	1,436,538
Total Liabilities	369,745	1,179,690	1,735,223
Deferred Inflows of Resources	-	63,105	-
Fund Balances:			
Nonspendable	-	-	-
Restricted	4,743,434	-	99,862
Unassigned	-	(135,580)	-
Total Fund Balances	4,743,434	(135,580)	99,862
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,113,179	\$ 1,107,215	\$ 1,835,085

Continued

Permanent		Debt Service	
Swirsky Youth Opportunity	Fremont Pool	Civic Center Lease Revenue Bonds	Total Nonmajor Governmental Funds
\$ 548,587	\$ 1,068,274	\$ -	\$ 33,503,178
-	-	22,743	22,743
3,429	6,677	89	208,528
-	-	-	4,998,023
-	-	-	26,676,361
<u>\$ 552,016</u>	<u>\$ 1,074,951</u>	<u>\$ 22,832</u>	<u>\$ 65,408,833</u>
\$ -	\$ -	\$ -	\$ 3,392,794
-	-	-	2,069,734
-	-	-	5,462,528
-	-	-	8,533,234
552,016	1,074,951	-	1,626,967
-	-	22,832	49,921,684
-	-	-	(135,580)
<u>552,016</u>	<u>1,074,951</u>	<u>22,832</u>	<u>51,413,071</u>
<u>\$ 552,016</u>	<u>\$ 1,074,951</u>	<u>\$ 22,832</u>	<u>\$ 65,408,833</u>

Concluded

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2024**

	Special Revenue			
	Community Development Block Grant	HOME Grant	Permanent Local Housing Allocation Grant	Low and Moderate Income Housing Asset
Revenues:				
Intergovernmental Revenues	\$ 898,331	\$ 622,828	\$ 577,257	\$ -
Service Fees	-	-	-	-
Investment Earnings	-	10,855	-	135,662
Other Revenues	24,702	84,826	-	-
Total Revenues	923,033	718,509	577,257	135,662
Expenditures:				
Current:				
Public Safety	-	-	-	-
Community Development	1,055,196	1,105,393	500,000	278,439
Public Works	-	-	-	-
NOVA Workforce Services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
Total Expenditures	1,055,196	1,105,393	500,000	278,439
Excess of Revenues Over (Under) Expenditures	(132,163)	(386,884)	77,257	(142,777)
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	-	-	-	(1,000,000)
Total Other Financing Sources (Uses)	-	-	-	(1,000,000)
Net Change in Fund Balances	(132,163)	(386,884)	77,257	(1,142,777)
Fund Balances, Beginning of Year	9,093,721	10,538,795	-	3,358,867
Fund Balances - End of Year	\$ 8,961,558	\$ 10,151,911	\$ 77,257	\$ 2,216,090

Continued

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Special Revenue					
Asset Forfeiture	Police Services Augmentation	Parking District	Gas Tax	Road Maintenance and Rehabilitation Account	Transportation Development Act
\$ -	\$ 450,946	\$ -	\$ 4,226,788	\$ 4,033,924	\$ 4,595
-	-	241,660	-	-	-
550	20,722	49,374	841,984	240,508	-
-	-	35,729	-	-	-
550	471,668	326,763	5,068,772	4,274,432	4,595
16,734	319,271	-	-	-	-
-	-	-	-	-	-
-	-	157,173	888,207	-	-
-	-	-	-	-	-
-	-	626	2,120,910	1,964,143	4,595
-	-	-	-	-	-
-	-	-	-	-	-
16,734	319,271	157,799	3,009,117	1,964,143	4,595
(16,184)	152,397	168,964	2,059,655	2,310,289	-
-	-	-	-	-	-
-	-	(21,027)	(197,277)	-	-
-	-	(21,027)	(197,277)	-	-
(16,184)	152,397	147,937	1,862,378	2,310,289	-
53,757	304,293	952,693	9,523,912	8,357,268	-
\$ 37,573	\$ 456,690	\$ 1,100,630	\$ 11,386,290	\$ 10,667,557	\$ -

Continued

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2024**

	Special Revenue		
	VRF Local Road Improvement Program	2016 Measure B Santa Clara VTA	Employment Development
Revenues:			
Intergovernmental Revenues	\$ 1,172,160	\$ 4,266,147	10,284,898
Service Fees	-	-	-
Investment Earnings	120,967	-	-
Other Revenues	-	-	115,114
Total Revenues	1,293,127	4,266,147	10,400,012
Expenditures:			
Current:			
Public Safety	-	-	-
Community Development	-	-	-
Public Works	-	78,570	-
NOVA Workforce Services	-	-	9,905,637
Capital Outlay	766,540	3,615,538	-
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Total Expenditures	766,540	3,694,108	9,905,637
Excess of Revenues Over (Under) Expenditures	526,587	572,039	494,375
Other Financing Sources (Uses):			
Transfers In	-	-	-
Transfers Out	-	-	(455,755)
Total Other Financing Sources (Uses)	-	-	(455,755)
Net Change in Fund Balances	526,587	572,039	38,620
Fund Balances, Beginning of Year	4,216,847	(707,619)	61,242
Fund Balances - End of Year	\$ 4,743,434	\$ (135,580)	\$ 99,862

Continued

Permanent		Debt Service	
Swirsky Youth Opportunity	Fremont Pool	Civic Center Lease Revenue Bonds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 26,537,874
-	-	-	241,660
13,554	26,394	7,685	1,468,255
-	-	-	260,371
13,554	26,394	7,685	28,508,160
-	-	-	336,005
-	-	-	2,939,028
-	-	-	1,123,950
-	-	-	9,905,637
-	-	-	8,472,352
-	-	-	-
-	-	2,455,000	2,455,000
-	-	5,055,425	5,055,425
-	-	7,510,425	30,287,397
13,554	26,394	(7,502,740)	(1,779,237)
-	-	7,525,572	7,525,572
(13,554)	(26,394)	-	(1,714,007)
(13,554)	(26,394)	7,525,572	5,811,565
-	-	22,832	4,032,328
552,016	1,074,951	-	47,380,743
\$ 552,016	\$ 1,074,951	\$ 22,832	\$ 51,413,071

Concluded

CITY OF SUNNYVALE

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2023**

	Community Development Block Grant			HOME Grant		
	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
Revenues:						
Intergovernmental Revenues	\$ 1,817,792	\$ 898,331	\$ (919,461)	\$ 3,609,993	\$ 622,828	\$ (2,987,165)
Service Fees	-	-	-	-	-	-
Rents and Concessions	-	-	-	-	-	-
Investment Earnings	-	-	-	74,100	10,855	(63,245)
Other Revenues	116,216	24,702	(91,514)	88,762	84,826	(3,936)
Total Revenues	1,934,008	923,033	(1,010,975)	3,772,855	718,509	(3,054,346)
Expenditures:						
Current:						
Public Safety	-	-	-	-	-	-
Community Development	1,514,877	1,055,196	459,681	1,561,962	1,105,393	456,569
Public Works	-	-	-	-	-	-
Library and Recreation Services	-	-	-	-	-	-
NOVA Workforce Services	-	-	-	-	-	-
Capital Outlay and Special Projects	-	-	-	-	-	-
Total Expenditures	1,514,877	1,055,196	459,681	1,561,962	1,105,393	456,569
Excess of Revenues Over (Under) Expenditures	419,131	(132,163)	(551,294)	2,210,893	(386,884)	(2,597,777)
Other Financing Sources (Uses):						
Transfers In	-	-	-	-	-	-
Transfers Out	(98,057)	-	98,057	(25,076)	-	25,076
Total Other Financing Sources (Uses)	(98,057)	-	98,057	(25,076)	-	25,076
Net Change in Fund Balances	\$ 321,074	(132,163)	\$ (453,237)	\$ 2,185,817	(386,884)	\$ (2,572,701)
Fund Balances - Beginning of Year		9,093,721			10,538,795	
Fund Balances - End of Year		\$ 8,961,558			\$ 10,151,911	

Continued

Permanent Local Housing Allocation Grant			Low and Moderate Income Housing Asset		
Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)	Budget	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
\$ 2,273,226	\$ 577,257	\$ (1,695,969)	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	124,250	89,396	(34,854)
-	-	-	-	-	-
2,273,226	577,257	(1,695,969)	124,250	89,396	(34,854)
-	-	-	-	-	-
2,273,226	500,000	1,773,226	295,220	278,439	(16,781)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,273,226	500,000	1,773,226	295,220	278,439	(16,781)
-	77,257	77,257	(170,970)	(189,043)	(18,073)
-	-	-	-	-	-
-	-	-	(1,013,076)	(1,000,000)	13,076
-	-	-	(1,013,076)	(1,000,000)	13,076
\$ -	77,257	\$ 77,257	\$ (1,184,046)	(1,189,043)	\$ (4,997)
	-			3,358,867	
	\$ 77,257			\$ 2,169,824	

Continued

CITY OF SUNNYVALE

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2024**

	Asset Forfeiture			Police Services Augmentation		
	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
Revenues:						
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ 461,340	\$ 450,946	\$ (10,394)
Service Fees	-	-	-	-	-	-
Rents and Concessions	-	-	-	-	-	-
Investment Earnings	-	344	344	11,467	12,292	825
Other Revenues	-	-	-	-	-	-
Total Revenues	-	344	344	472,807	463,238	(9,569)
Expenditures:						
Current:						
Public Safety	16,733	16,734	(1)	427,681	319,271	108,410
Community Development	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Library and Recreation Services	-	-	-	-	-	-
NOVA Workforce Services	-	-	-	-	-	-
Capital Outlay and Special Projects	-	-	-	-	-	-
Total Expenditures	16,733	16,734	(1)	427,681	319,271	108,410
Excess of Revenues Over (Under) Expenditures	(16,733)	(16,390)	343	45,126	143,967	98,841
Other Financing Sources (Uses):						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	\$ (16,733)	(16,390)	\$ 343	\$ 45,126	143,967	\$ 98,841
Fund Balances - Beginning of Year		53,757			304,293	
Fund Balances - End of Year		\$ 37,367			\$ 448,260	

Continued

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Parking District			Gas Tax		
Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ 4,199,338	\$ 4,226,788	\$ 27,450
241,102	241,660	558	-	-	-
-	-	-	-	-	-
36,540	28,841	(7,699)	344,901	363,872	18,971
28,800	35,729	6,929	-	-	-
306,442	306,230	(212)	4,544,239	4,590,660	46,421
-	-	-	-	-	-
-	-	-	-	-	-
177,287	157,173	20,114	3,088,939	888,207	2,200,732
-	-	-	-	-	-
-	-	-	-	-	-
154,892	626	154,266	8,265,399	2,120,910	6,144,489
332,179	157,799	174,380	11,354,338	3,009,117	8,345,221
(25,737)	148,431	174,168	(6,810,099)	1,581,543	8,391,642
-	-	-	-	-	-
(55,696)	(21,027)	34,669	(157,564)	(197,277)	(39,713)
(55,696)	(21,027)	34,669	(157,564)	(197,277)	(39,713)
\$ (81,433)	127,404	\$ 208,837	\$ (6,967,663)	1,384,266	\$ 8,351,929
	952,693			9,523,912	
	\$ 1,080,097			\$ 10,908,178	

Continued

CITY OF SUNNYVALE

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2024**

	Road Maintenance and Rehabilitation			Transporation Development Act		
		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Budget			Budget		
Revenues:						
Intergovernmental Revenues	\$ 3,761,168	\$ 4,033,924	\$ 272,756	\$ 176,620	\$ 4,595	\$ (172,025)
Service Fees	-	-	-	-	-	-
Rents and Concessions	-	-	-	-	-	-
Investment Earnings	167,145	240,508	73,363	-	-	-
Other Revenues	-	-	-	-	-	-
Total Revenues	3,928,313	4,274,432	346,119	176,620	4,595	(172,025)
Expenditures:						
Current:						
Public Safety	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	-	-	-	176,620	-	176,620
Library and Recreation Services	-	-	-	-	-	-
NOVA Workforce Services	-	-	-	-	-	-
Capital Outlay and Special Projects	10,191,381	1,964,143	8,227,238	215,070	4,595	210,475
Total Expenditures	10,191,381	1,964,143	8,227,238	391,690	4,595	387,095
Excess of Revenues Over (Under) Expenditures	(6,263,068)	2,310,289	8,573,357	(215,070)	-	215,070
Other Financing Sources (Uses):						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	\$ (6,263,068)	2,310,289	\$ 8,573,357	\$ (215,070)	-	\$ 215,070
Fund Balances - Beginning of Year		8,357,268			-	
Fund Balances - End of Year		\$ 10,667,557			\$ -	

CITY OF SUNNYVALE

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2024**

	Employment Development			Youth And Neighborhood Services Fund**		
	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
Revenues:						
Intergovernmental Revenues	\$ 10,500,000	\$ 10,284,898	\$ (215,102)	\$ 283,170	\$ 229,971	\$ (53,199)
Service Fees	-	-	-	13,000	15,363	2,363
Rents and Concessions	-	-	-	125,000	149,293	24,293
Investment Earnings	-	-	-	11,513	10,699	(814)
Other Revenues	-	115,114	115,114	-	38,385	38,385
Total Revenues	10,500,000	10,400,012	(99,988)	432,683	443,711	11,028
Expenditures:						
Current:						
Public Safety	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Library and Recreation Services	-	-	-	973,476	1,032,936	(59,460)
NOVA Workforce Services	12,402,331	9,905,637	2,496,694	-	-	-
Capital Outlay and Special Projects	-	-	-	-	-	-
Total Expenditures	12,402,331	9,905,637	2,496,694	973,476	1,032,936	(59,460)
Excess of Revenues Over (Under) Expenditures	(1,902,331)	494,375	2,396,706	(540,793)	(589,225)	(48,432)
Other Financing Sources (Uses):						
Transfers In	-	-	-	459,476	669,483	210,007
Transfers Out	(1,646,983)	(455,755)	1,191,228	(121,833)	-	121,833
Total Other Financing Sources (Uses)	(1,646,983)	(455,755)	1,191,228	337,643	669,483	331,840
Net Change in Fund Balances	\$ (3,549,314)	38,620	\$ 3,587,934	\$ (203,150)	80,258	\$ 283,408
Fund Balances - Beginning of Year		61,242			(12,838)	
Fund Balances - End of Year		\$ 99,862			\$ 67,420	

Concluded

** Youth And Neighborhood Services Fund is reported as part of General Fund on GAAP basis.

CITY OF SUNNYVALE***Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Debt Service Fund
Year Ended June 30, 2024***

	Civic Center Lease Revenue Bonds		
	Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
Expenditures:			
Principal Retirement	-	2,455,000	(2,455,000)
Interest	\$ -	\$ 5,055,425	\$ (5,055,425)
Other Financing Sources:			
Transfers in	-	7,525,572	(7,525,572)
Net Change in Fund Balances	<u>-</u>	<u>22,832</u>	<u>(7,462)</u>
Fund Balances - Beginning of Year		-	
Fund Balances - End of Year		<u>\$ 22,832</u>	

CITY OF SUNNYVALE

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Permanent Funds
Year Ended June 30, 2024

	Swirsky Youth Opportunity			Fremont Pool		
		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Budget			Budget		
Revenues:						
Investment Earnings	\$ 22,081	\$ 13,554	\$ (8,527)	\$ 42,998	\$ 26,394	\$ (16,604)
Other revenues	-	-	-	-	-	-
Total Revenues	22,081	13,554	(8,527)	42,998	26,394	(16,604)
Other Financing Sources (Uses):						
Transfers Out	(22,081)	(13,554)	8,527	(42,998)	(26,394)	16,604
Total Other Financing Sources (Uses)	(22,081)	(13,554)	8,527	(42,998)	(26,394)	16,604
Change in Fund Balances	-	-	-	-	-	-
Net Change in Fund Balances	\$ -	-	\$ -	\$ -	-	\$ -
Fund Balances - Beginning of Year		552,016			1,074,951	
Fund Balances - End of Year		\$ 552,016			\$ 1,074,951	

Internal Service Funds

The ***General Services Fund*** accounts for charges to City departments for use of fleet equipment, building space, office equipment, print shop services and computer services on a cost reimbursement basis.

The ***Employee Payroll & Benefits Fund*** accounts for charges to City departments for leave time and employee benefits on a cost reimbursement basis.

The ***Property and Liability Insurance Fund*** accounts for charges to City departments for property and liability insurance on a cost reimbursement basis.

CITY OF SUNNYVALE

**Combining Statement of Net Position
All Internal Service Funds
June 30, 2024**

	General Services	Employee Payroll & Benefits	Property and Liability Insurance	Totals
Assets:				
Current Assets:				
Deposits and Investments Held by City	\$ 13,879,239	\$ 39,378,455	\$ 266,495	\$ 53,524,189
Receivables	143,964	445,656	8,624	598,244
Inventories and Prepaid Items	3,183,171	221,089	-	3,404,260
Restricted Assets:				
Deposits and Investments Held by Fiscal Agent and Trustee	-	21,215,354	-	21,215,354
Total Current Assets	17,206,374	61,260,554	275,119	78,742,047
Non-current Assets:				
Receivables from Employees (Note 6)	-	5,698,544	-	5,698,544
Land & Nondepreciable Assets	48,557	-	-	48,557
Depreciable Buildings, Property, Equipment and Infrastructure, Net	40,021,531	-	-	40,021,531
Total Assets	57,276,462	66,959,098	275,119	124,510,679
Deferred Outflows of Resources	10,445,978	1,137,538	70,495	11,654,011
Liabilities:				
Current Liabilities:				
Wages Payable	-	2,780,020	-	2,780,020
Accounts Payable and Accrued Liabilities	1,170,717	1,004,153	144,245	2,319,115
Interest Payable	61,383	-	-	61,383
Subscriptions	1,495,337	-	-	1,495,337
Claims and Judgments Payable - Due Within One Year	-	5,267,951	733,167	6,001,118
Compensated Absences Payable - Due Within One Year	-	15,195,350	-	15,195,350
Total Current Liabilities	2,727,437	24,247,474	877,412	27,852,323
Noncurrent Liabilities:				
Subscriptions	1,736,754	-	-	1,736,754
Claims and Judgments Payable- Due in More than One Year	-	14,449,049	2,868,833	17,317,882
Compensated Absences Payable - Due in More than One Year	-	5,131,395	-	5,131,395
Net Pension Liability	27,228,001	1,680,122	277,789	29,185,912
Net OPEB Liability	2,221,884	109,342	38,399	2,369,625
Total Noncurrent Liabilities	31,186,639	21,369,908	3,185,021	55,741,568
Total Liabilities	33,914,076	45,617,382	4,062,433	83,593,891
Deferred Inflows of Resources	1,693,252	118,304	9,869	1,821,425
Net Position				
Net Investment in Capital Assets	36,837,997	-	-	36,837,997
Unrestricted	(4,722,885)	22,360,950	(3,726,688)	13,911,377
Net Position	\$ 32,115,112	\$ 22,360,950	\$ (3,726,688)	\$ 50,749,374

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
June 30, 2024**

	General Services	Employee Payroll & Benefits	Property and Liability Insurance	Totals
Operating Revenues:				
Charges for Services	\$ 33,262,431	\$ 95,277,047	\$ 5,722,624	\$ 134,262,102
Operating Expenses:				
Personnel Services	17,670,872	12,672,808	129,186	30,472,866
Contractual Services	7,191,599	-	209,554	7,401,153
Material and Supplies	6,285,761	-	-	6,285,761
Utilities	2,879,589	-	-	2,879,589
Equipment and Building Rental	2,348,355	-	8,773	2,357,128
Insurance Premiums and Claims	-	22,348,572	6,251,871	28,600,443
Retirement Premiums	-	50,835,351	-	50,835,351
Other Operating Expenses	678,717	207	-	678,924
Depreciation	4,587,162	-	-	4,587,162
Total Operating Expenses	41,642,055	85,856,938	6,599,384	134,098,377
Operating Income (Loss)	(8,379,624)	9,420,109	(876,760)	163,725
Nonoperating Revenues:				
Investment Earnings (Loss)	645,375	3,253,713	26,304	3,925,392
Interest Expense	(95,186)	-	-	(95,186)
Total Nonoperating Revenues	550,189	3,253,713	26,304	3,830,206
Income (Loss) before Transfers	(7,829,435)	12,673,822	(850,456)	3,993,931
Transfers In	11,744,952	-	-	11,744,952
Transfers Out	(4,816,055)	(1,368,126)	-	(6,184,181)
Change in Net Position	(900,538)	11,305,696	(850,456)	9,554,702
Net Position (Deficit) - Beginning of Year	33,015,650	11,055,254	(2,876,232)	41,194,672
Net Position (Deficit) - End of Year	\$ 32,115,112	\$ 22,360,950	\$ (3,726,688)	\$ 50,749,374

CITY OF SUNNYVALE

**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2024**

	General Services	Employee Payroll & Benefits	Property and Liability Insurance	Totals
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 724,916	\$ 131,942	\$ -	\$ 856,858
Cash Received for Interfund Services Provided	32,551,289	92,428,272	5,718,819	130,698,380
Cash Payments to Suppliers of Goods and Services	(19,172,380)	(49,942,308)	(105,459)	(69,220,147)
Cash Payments for Employee Services	(16,960,517)	(13,267,738)	(124,027)	(30,352,282)
Insurance and Claims Paid	-	(22,628,572)	(5,494,871)	(28,123,443)
Net Cash Provided by (Used for) Operating Activities	(2,856,692)	6,721,596	(5,538)	3,859,366
Cash Flows from Noncapital Financing Activities:				
Transfers In	11,744,952	-	-	11,744,952
Transfers Out	(4,816,055)	(1,368,126)	-	(6,184,181)
Net Cash Provided by Noncapital Financing Activities	6,928,897	(1,368,126)	-	5,560,771
Cash Flows from Capital and Related Financing Activities:				
Principal Paid on Subscription Liabilities	(1,298,134)	-	-	(1,298,134)
Interest Paid on Long-Term Debt	(115,933)	-	-	(115,933)
Acquisition and Construction of Capital Assets	(4,616,064)	-	-	(4,616,064)
Net Cash Used for Capital and Related Financing Activities	(6,030,131)	-	-	(6,030,131)
Cash Flows from Investing Activities:				
Interest (Loss) on Investments	645,375	3,253,713	26,304	3,925,392
Net Cash Provided by (Used for) Investing Activities	645,375	3,253,713	26,304	3,925,392
Net Increase (Decrease) in Cash and Cash Equivalents	(1,312,551)	8,607,183	20,766	7,315,398
Cash and Cash Equivalents - Beginning of Year	15,191,790	51,986,626	245,729	67,424,145
Cash and Cash Equivalents - End of Year	<u>\$ 13,879,239</u>	<u>\$ 60,593,809</u>	<u>\$ 266,495</u>	<u>\$ 74,739,543</u>
Reconciliation to Statement of Net Position:				
Cash and Investments Held by City	\$ 13,879,239	\$ 39,378,455	\$ 266,495	\$ 53,524,189
Cash and Investments Held by Fiscal Agent and Trustee	-	21,215,354	-	21,215,354
Total Cash and Investments	<u>\$ 13,879,239</u>	<u>\$ 60,593,809</u>	<u>\$ 266,495</u>	<u>\$ 74,739,543</u>

Continued

CITY OF SUNNYVALE

**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2024**

	General Services	Employee Payroll & Benefits	Property and Liability Insurance	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (8,379,624)	\$ 9,420,109	\$ (876,760)	\$ 163,725
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	4,587,162	-	-	4,587,162
Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows:				
Receivables	13,774	(2,716,833)	(3,805)	(2,706,864)
Inventories and Prepayments	76,760	(7,648)	-	69,112
Refundable Deposits	-	-	-	-
Accounts Payable and Accrued Liabilities	134,881	900,898	112,868	1,148,647
Wages Payable	-	365,507	-	365,507
Claims and Judgments Payable	-	(280,000)	757,000	477,000
Compensated Absences Payable	-	(1,527,402)	-	(1,527,402)
Deferred Outflows Related to Pensions and OPEB	904,014	526,854	6,912	1,437,780
Deferred Inflows Related to Pensions and OPEB	(702,177)	(33,520)	(4,433)	(740,130)
Net Pension Liability	1,264,962	140,609	6,670	1,412,241
Net OPEB Liability	(756,444)	(66,978)	(3,990)	(827,412)
Net Cash Provided (Used) by Operating Activities	\$ (2,856,692)	\$ 6,721,596	\$ (5,538)	\$ 3,859,366

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Fiduciary Fund Financial Statements

Private Purpose Trust Funds:

Redevelopment Successor Agency Trust Fund is used to report resources held and administered under trust or similar arrangement for the benefits of individuals, private organizations or other governments. The City elected to serve as the Redevelopment Successor Agency (RSA) of the former Redevelopment Agency. The RSA is controlled by the Oversight Board whose members represent various taxing entities of the Town Center Redevelopment Project area.

CFD 3 Estates at Sunnyvale Trust Fund is used to report resources held and administered for the Community Facility District (CFD) No. 3 (Estates at Sunnyvale).

Custodial Funds:

The ***Community Facilities District No. 1 Fund*** accounts for the collection of property taxes and the payments to bondholders of Community Facilities District Special Tax Bonds.

The ***Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP) Fund*** accounts for the collection of annual member assessments and payments to cover the cost of programmatic activities related to implementing the National Pollution Discharge Elimination System (NPDES) permit issued to the cities in Santa Clara County and the Santa Clara Valley Water District that discharge storm water to the San Francisco Bay.

The ***NOVAworks Foundation Fund*** accounts for the funds contributed by donation funding to establish a separate public agency, pursuing innovative research and implementation opportunities that promote economic well-being and equity for workers and complements the workforce development mission of NOVAworks.

CITY OF SUNNYVALE**Combining Statement of Fiduciary Net Position
Fiduciary Funds - Private-Purpose Trust Funds
June 30, 2024**

	CFD No. 3 (Estates at Sunnyvale) Private-Purpose Trust Fund	Redevelopment Successor Agency Private-Purpose Trust Fund	Total Private-Purpose Trust Funds
Assets:			
Deposits and Investments in City Treasury Pool	\$ 69,307	\$ 15,038	\$ 84,345
Deposits and Investments not in City Treasury Pool	-	202,369	202,369
Receivables	1,093	12,456,326	12,457,419
Capital Assets:			
Land and Nondepreciable Assets	-	13,959,752	13,959,752
Total Assets	<u>70,400</u>	<u>26,633,485</u>	<u>26,703,885</u>
Liabilities:			
Accounts Payable and Accrued Liabilities	745	-	745
Long-term Obligations :			
Due Within One Year	-	70,000	70,000
Due in More Than One Year	-	40,232,123	40,232,123
Total Liabilities	<u>745</u>	<u>40,302,123</u>	<u>40,302,868</u>
Net Position:			
Held in Trust for Private Purpose	<u>\$ 69,655</u>	<u>\$ (13,668,638)</u>	<u>\$ (13,598,983)</u>

CITY OF SUNNYVALE

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Private-Purpose Trust Funds
Year Ended June 30, 2024**

	CFD No. 3 (Estates at Sunnyvale) Private-Purpose Trust Fund	Redevelopment Successor Agency Private-Purpose Trust Fund	Total Private-Purpose Trust Funds
Additions:			
Special Tax Collected	\$ 32,039	\$ -	\$ 32,039
Investment Earnings	2,454	10,154	12,608
Total Additions	34,493	10,154	44,647
Deductions:			
Projects Management	102,530	8,093	110,623
City Loan Interest Added to Loan Principal	-	465,537	465,537
Fiscal Agent Trustee Fees	-	8,989	8,989
Administrative Expenses	-	48,034	48,034
Total Deductions	102,530	530,653	633,183
Change in Net Position	(68,037)	(520,499)	(588,536)
Net Position, Beginning of Year	137,692	(13,148,139)	(13,010,447)
Net Position, End of Year	\$ 69,655	\$ (13,668,638)	\$ (13,598,983)

CITY OF SUNNYVALE**Combining Statement of Fiduciary Net Position
Fiduciary Funds - Custodial Funds
June 30, 2024**

	CFD No. 1 (Community Facilities District No. 1)	SCVURPPP (Santa Clara Valley Urban Runoff Pollution Prevention Program)	NOVAworks Foundation	Total Custodial Funds
Assets:				
Deposits and Investments in City Treasury Pool	\$ 2,069,804	\$ -	\$ -	\$ 2,069,804
Deposits and Investments not in City Treasury Pool	-	2,116,548	1,094,280	3,210,828
Deposits and Investments Held by Fiscal Agent	1,913,620	-	-	1,913,620
Receivables	53,202	-	-	53,202
Total Assets	4,036,626	2,116,548	1,094,280	7,247,454
Net Position:				
Held for other agencies	\$ 4,036,626	\$ 2,116,548	\$ 1,094,280	\$ 7,247,454

CITY OF SUNNYVALE

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Custodial Funds
Year Ended June 30, 2024**

	CFD No. 1 (Community Facilities District No. 1)	SCVURPPP (Santa Clara Valley Urban Runoff Pollution Prevention Program)	NOVAworks Foundation	Total Custodial Funds
Additions:				
Special Tax Collected	\$ 1,591,742	\$ -	\$ -	\$ 1,591,742
Contributions from Participating Government Agencies	-	5,748,788	-	5,748,788
Contributions from Non-Government Agencies	-	-	113,671	113,671
Investment Earnings	113,460	-	-	113,460
Total Additions	1,705,202	5,748,788	113,671	7,567,661
Deductions:				
Debt Services Payments	1,715,825	-	-	1,715,825
Program Expenses	-	154,140	-	154,140
Agreements, Fees and Monitoring	-	4,983,255	-	4,983,255
Administrative Expenses	7,024	-	236,809	243,833
Total Deductions	1,722,849	5,137,395	236,809	7,097,053
Change in Net Position	(17,647)	611,393	(123,138)	470,608
Net Position:				
Beginning of Year	4,054,273	1,505,155	1,217,418	6,776,846
End of Year	\$ 4,036,626	\$ 2,116,548	\$ 1,094,280	\$ 7,247,454

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Statistical Section (Unaudited)

This portion of the City of Sunnyvale's annual comprehensive financial report presents detailed information as a context for understanding what information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial activities and performance.

Contents	Page
<i>Financial Trends</i>	
These schedules contain trend information to help the reader understand how the City's financial performance and fiscal well being have changed over time.	217-223
<i>Revenue Capacity</i>	
These schedules present information to assist the reader in assessing the City's most significant local revenue source, the property tax.	224-228
<i>Debt Capacity</i>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	229-232
<i>Demographic and Economic Information</i>	
These schedules present demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	233-235
<i>Operating Information</i>	
These schedules contain service and infrastructure data to assist the reader in understanding how the information in the City's financial report relates to the services the City provides and the activities it performs.	236-237

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CITY OF SUNNYVALE
**Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(dollars in thousands)**

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Governmental Activities										
Net Investment in Capital Assets	\$ 745,294	\$ 711,927	\$ 681,963	\$ 578,405	\$ 528,996	\$ 478,865	\$ 471,295	\$ 459,015	\$ 453,364	\$ 435,271
Restricted	419,162	422,491	374,668	329,084	347,627	316,350	288,199	232,876	189,436	153,631
Unrestricted ²	(21,248)	(27,438)	(38,065)	(104,838)	(81,803)	(59,819)	(109,823)	(4,091)	(13,422)	(46,498)
Total Governmental Activities Net Position	\$ 1,143,208	\$ 1,106,980	\$ 1,018,566	\$ 802,651	\$ 794,820	\$ 735,396	\$ 649,671	\$ 687,800	\$ 629,378	\$ 542,404
Business-type activities										
Net Investment in Capital Assets	\$ 249,310	\$ 207,336	\$ 175,054	\$ 161,882	\$ 159,176	\$ 153,121	\$ 133,615	\$ 116,934	\$ 101,526	\$ 90,914
Restricted	8,357	6,626	5,271	5,271	5,271	5,271	5,271	5,271	-	-
Unrestricted ²	171,558	200,660	204,463	154,804	130,935	75,471	31,693	6,185	(2,906)	(16,659)
Total Business-Type Activities Net Position	\$ 429,225	\$ 414,622	\$ 384,788	\$ 321,957	\$ 295,382	\$ 233,863	\$ 170,579	\$ 128,390	\$ 98,620	\$ 74,255
Primary Government										
Net Investment in Capital Assets	\$ 994,604	\$ 919,263	\$ 857,017	\$ 740,287	\$ 688,172	\$ 631,986	\$ 604,910	\$ 575,949	\$ 554,890	\$ 526,185
Restricted	427,519	429,117	379,939	334,355	352,898	321,621	293,470	238,147	189,436	153,631
Unrestricted ²	150,310	173,222	166,398	49,966	49,132	15,652	(78,130)	2,094	(16,328)	(63,157)
Total Primary Government Net Position	\$ 1,572,433	\$ 1,521,602	\$ 1,403,354	\$ 1,124,608	\$ 1,090,202	\$ 969,259	\$ 820,250	\$ 816,190	\$ 727,998	\$ 616,659

Notes:

1 The Redevelopment Agency, once a blended component unit of the City, was dissolved as of February 1, 2012.

The Redevelopment Successor Agency financial transactions are reported in a separate trust fund.

2 The City implemented GASB Statements No. 68 and 75 in fiscal years 2015 and 2018, respectively, which had significant effect on unrestricted net position.

CITY OF SUNNYVALE

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Expenses:										
Governmental Activities:										
Planning and Management	\$ 31,738	\$ 23,263	\$ 18,261	\$ 18,959	\$ 17,074	\$ 15,766	\$ 17,961	\$ 13,342	\$ 9,548	\$ 19,431
Public Safety	131,566	115,049	86,275	113,535	122,840	111,998	106,371	94,623	83,058	82,086
Community Development	16,255	8,671	10,341	8,182	22,849	21,901	20,562	17,676	18,025	16,351
Public Works	50,891	48,313	35,280	35,464	21,887	19,179	23,958	18,157	15,950	17,022
Environmental Services	4,722	3,581	2,495	2,668	3,653	3,178	2,455	1,248	1,864	913
Library and Recreation Services	26,834	23,602	20,525	18,698	19,784	18,920	19,118	17,628	16,194	17,216
NOVA Workforce Services	10,364	8,757	5,876	9,040	11,939	12,019	13,260	11,776	11,548	8,919
Interest on Long-term Debt	4,510	4,603	4,525	3,813	382	467	504	494	473	573
Total Governmental Activities	276,880	235,839	183,578	210,359	220,408	203,428	204,189	174,944	156,660	162,511
Business-Type Activities:										
Water Supply and Distribution	63,427	54,257	50,104	51,097	50,466	48,034	46,296	44,104	36,294	29,303
Wastewater Management	44,396	41,286	32,257	33,635	30,477	31,390	29,664	26,645	24,237	22,353
Solid Waste Management	61,418	57,419	49,509	44,397	45,134	43,969	40,748	40,734	39,357	36,576
SMaRT Station	29,866	27,709	26,251	27,070	29,304	29,050	28,098	28,056	27,202	27,389
Development	20,159	19,055	13,732	16,435	16,680	15,774	13,447	10,980	8,945	7,671
Golf & Tennis Operations or Community Recreation	6,539	5,536	4,654	4,987	5,900	5,565	4,799	4,184	3,636	3,473
Total Business-Type Activities	225,805	205,262	176,507	177,621	177,961	173,782	163,052	154,703	139,671	126,765
Total Primary Government Expenses	\$ 502,685	\$ 441,101	\$ 360,085	\$ 387,980	\$ 398,369	\$ 377,210	\$ 367,241	\$ 329,647	\$ 296,331	\$ 289,276
Program Revenues:										
Governmental Activities:										
Charges for Services										
Planning and Management	\$ 938	\$ 1,057	\$ 1,164	\$ 722	\$ 467	\$ 316	\$ 607	\$ 478	\$ 278	\$ 563
Public Safety	4,309	4,147	4,144	3,441	4,494	4,705	4,301	3,827	3,716	3,713
Community Development	5,543	52,346	73,002	8,438	42,460	26,917	47,359	30,861	35,141	12,464
Public Works	1,665	4,208	12,710	2,724	5,526	5,252	8,510	3,004	4,162	3,157
Environmental Management	31	93	-	-	9	1	-	-	1	-
Library and Recreation Services	6,666	5,901	4,645	2,093	3,197	5,114	4,731	4,770	4,871	4,674
NOVA Workforce Services	-	-	-	-	402	269	100	112	98	110
Operating Grants and Contributions	22,534	16,025	67,108	18,152	18,324	17,530	19,314	19,932	18,767	15,616
Capital Grants and Contributions	21,842	31,497	71,218	19,615	16,296	12,256	14,111	26,895	21,323	12,789
Total Governmental Activities Program Revenues	63,528	115,274	233,991	55,185	91,175	72,360	99,033	89,879	88,357	53,086

Business-Type Activities:

Charges for Services										
Water Supply and Distribution	59,794	57,790	67,853	61,433	64,727	64,560	60,749	45,311	36,300	33,568
Wastewater Management	56,170	59,794	69,679	50,283	60,453	57,171	53,494	37,720	37,071	31,487
Solid Waste Management	62,473	57,453	54,107	50,450	52,459	54,240	50,418	47,952	46,585	43,236
SMaRT Station	31,658	29,048	26,943	26,491	27,472	27,994	25,349	26,443	25,827	25,817
Development	17,065	22,076	23,904	14,470	22,448	24,379	21,878	19,371	15,850	13,832
Golf & Tennis Operations or Community Recreation	5,299	5,000	5,041	4,701	3,402	3,586	3,361	3,107	3,186	3,528
Capital Grants and Contributions	1,315	3,934	5,188	1,653	658	775	1,612	5,658	368	1,916
Total Business-Type Activities Program Revenues	233,774	235,095	252,715	209,481	231,619	232,705	216,861	185,562	165,187	153,384
Total Primary Government Program Revenues	\$ 297,302	\$ 350,369	\$ 486,706	\$ 264,666	\$ 322,794	\$ 305,065	\$ 315,894	\$ 275,441	\$ 253,544	\$ 206,470

Net (Expense)/Revenue

Governmental Activities	\$ (213,352)	\$ (120,565)	\$ 50,414	\$ (155,174)	\$ (129,233)	\$ (131,068)	\$ (105,156)	\$ (85,065)	\$ (68,303)	\$ (109,425)
Business-Type Activities	7,969	29,833	76,207	31,860	53,658	58,923	53,809	30,859	25,516	26,619
Total Primary Government Net Expense	\$ (205,383)	\$ (90,732)	\$ 126,621	\$ (123,314)	\$ (75,575)	\$ (72,145)	\$ (51,347)	\$ (54,206)	\$ (42,787)	\$ (82,806)

General Revenues and Other Changes in Net Position**Governmental Activities:**

Taxes										
Property Taxes	\$ 129,062	\$ 120,086	\$ 113,500	\$ 101,528	\$ 92,069	\$ 85,057	\$ 74,572	\$ 67,899	\$ 64,168	\$ 56,560
Sales and Use Taxes	40,715	38,374	35,807	25,906	27,118	32,220	31,314	29,408	31,357	29,676
Franchise Fees, Unrestricted	7,835	7,692	7,222	6,980	7,180	6,976	7,160	7,118	7,057	6,898
Utilities Users Taxes	10,817	10,388	8,594	8,590	8,259	8,303	7,854	7,334	6,901	6,774
Transient Occupancy Taxes	18,916	16,963	10,584	5,192	15,930	21,249	17,742	16,590	16,295	14,137
Real Property Transfer Taxes	1,284	1,532	2,953	1,970	1,815	2,002	2,075	1,770	1,972	1,765
Construction Taxes	3,251	3,792	5,548	2,454	5,171	6,346	4,961	4,719	3,298	3,066
Business License Taxes	1,939	1,985	2,045	1,923	1,935	1,953	1,838	1,819	1,872	1,846
Investment Earnings	30,493	5,611	(24,304)	2,305	26,831	18,762	3,389	1,094	2,682	1,702
Interest Accrued from Advances to Business-Type Activities	120	334	453	568	458	477	395	2,421	2,613	2,793
Interest Accrued from Advances to Former RDA	-	-	-	-	-	-	911	565	49	64
Extraordinary Items	-	-	-	-	-	-	(29,329)	-	-	-
Gain on Disposal of Assets	-	-	-	-	-	32,072	13,906	-	12,822	-
Miscellaneous	-	-	-	-	25	-	1,202	1,221	2,260	1,274
Transfers	5,148	2,223	3,100	5,588	1,866	1,376	(1,059)	1,529	1,930	12,743
Total Governmental Activities	249,580	208,980	165,502	163,004	188,657	216,793	136,931	143,487	155,276	139,298
Business-type Activities										
Investment Earnings	11,781	2,223	(10,277)	304	9,727	5,737	835	440	780	541
Transfers	(5,148)	(2,223)	(3,100)	(5,588)	(1,866)	(1,376)	1,059	(1,529)	(1,930)	(12,743)
Total Business-Type Activities	6,633	-	(13,377)	(5,284)	7,861	4,361	1,894	(1,089)	(1,150)	(12,202)
Total Primary Government	\$ 256,213	\$ 208,980	\$ 152,125	\$ 157,720	\$ 196,518	\$ 221,154	\$ 138,825	\$ 142,398	\$ 154,126	\$ 127,096
Change in Net Position										
Governmental Activities	\$ 36,228	\$ 88,415	\$ 215,916	\$ 7,830	\$ 59,424	\$ 85,725	\$ 31,775	\$ 58,422	\$ 86,973	\$ 29,873
Business-Type Activities	14,602	29,833	62,830	26,576	61,519	63,284	55,703	29,770	24,365	14,417
Total Primary Government	\$ 50,830	\$ 118,248	\$ 278,746	\$ 34,406	\$ 120,943	\$ 149,009	\$ 87,478	\$ 88,192	\$ 111,338	\$ 44,290

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CITY OF SUNNYVALE

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
General Fund										
Nonspendable	\$ 3,117	\$ 3,001	\$ 2,910	\$ 3,202	\$ 3,797	\$ 5,518	\$ 5,861	\$ 7,554	\$ 6,261	\$ 4,596
Restricted	2,845	2,707	3,762	3,102	3,066	2,914	2,808	2,724	2,554	2,500
Committed	80,364	67,517	67,642	77,606	59,439	46,896	60,532	57,745	55,240	32,402
Unassigned	95,269	95,800	93,707	46,236	59,883	71,030	63,686	60,979	57,423	59,096
Total General Fund	<u>\$ 181,595</u>	<u>\$ 169,025</u>	<u>\$ 168,021</u>	<u>\$ 130,146</u>	<u>\$ 126,185</u>	<u>\$ 126,358</u>	<u>\$ 132,887</u>	<u>\$ 129,002</u>	<u>\$ 121,478</u>	<u>\$ 98,594</u>
All Other Governmental Funds										
Nonspendable	\$ 1,627	\$ 1,627	\$ 1,627	\$ 1,626	\$ 1,625	\$ 1,626	\$ 1,609	\$ 1,880	\$ 1,882	\$ 1,883
Restricted	395,049	401,959	382,183	422,519	333,472	304,524	275,278	221,328	179,053	143,788
Committed	-	-	-	2,486	4,297	22,804	-	-	-	-
Assigned	87,754	93,014	76,800	71,583	70,926	50,904	16,434	14,886	15,368	14,216
Unassigned	(135)	(708)	(676)	(750)	-	-	(91)	(5)	-	-
Total All Other Governmental Funds	<u>\$ 484,295</u>	<u>\$ 495,892</u>	<u>\$ 459,934</u>	<u>\$ 497,464</u>	<u>\$ 410,320</u>	<u>\$ 379,858</u>	<u>\$ 293,230</u>	<u>\$ 238,089</u>	<u>\$ 196,303</u>	<u>\$ 159,887</u>

CITY OF SUNNYVALE**Changes in Fund Balances of Governmental Funds****Last Ten Fiscal Years****(modified accrual basis of accounting)****(dollars in thousands)**

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Revenues										
Property Taxes	\$ 129,063	\$ 120,086	\$ 113,500	\$ 101,297	\$ 91,839	\$ 84,828	\$ 74,350	\$ 67,676	\$ 63,945	\$ 56,337
Sales and Use Taxes	40,715	38,374	35,807	25,905	28,827	33,829	33,148	31,017	32,914	31,212
Other Taxes	36,206	34,660	29,724	20,130	33,110	39,853	34,469	32,232	30,338	27,588
Franchise Fees	7,835	7,692	7,222	6,980	7,179	6,976	7,160	7,118	7,057	6,898
Intergovernmental Revenues	42,213	36,475	59,086	35,975	26,548	22,959	23,936	22,461	21,757	18,077
Permits and Licenses	2,283	2,149	2,066	1,894	2,130	1,938	1,699	1,287	1,297	1,308
Fines and Forfeitures	623	361	555	733	1,104	1,252	1,106	1,217	1,312	1,174
Special Assessments	-	6	6	6	6	6	6	6	6	6
Service Fees	9,571	60,824	104,686	13,078	51,883	40,160	61,688	37,455	46,554	19,719
Rents and Concessions	2,759	2,654	1,944	1,290	1,225	1,653	1,404	1,483	1,469	1,494
Interest Received from										
Interfund Advances	3,998	4,420	4,420	4,420	4,451	4,787	4,787	5,364	5,364	4,862
Investment Earnings	26,568	4,337	(20,398)	986	22,845	15,816	2,962	1,012	2,112	1,320
Other Revenues ¹	1,541	2,004	2,042	1,281	2,715	1,669	2,499	20,123	1,931	1,350
Total Revenues	303,375	314,042	340,660	213,975	273,862	255,726	249,214	228,451	216,056	171,345
Expenditures										
Planning and Management	27,130	20,617	18,534	16,020	13,502	11,314	11,315	12,107	9,632	19,021
Public Safety	130,834	116,644	105,516	109,467	107,285	104,340	98,116	92,113	88,392	82,490
Community Development ²	6,483	5,928	8,601	5,298	18,352	17,805	16,509	15,262	13,594	14,120
Public Works	32,266	28,511	26,607	24,726	11,300	10,432	10,387	10,140	10,072	12,698
Environmental Services	3,713	2,944	2,532	2,411	3,147	2,871	1,341	1,163	1,801	647
Library and Recreation Services ³	25,757	23,399	22,117	18,270	17,881	17,612	16,709	16,995	16,314	15,721
NOVA Workforce Services	9,906	9,055	8,604	9,130	11,063	11,181	12,552	11,841	11,812	8,834
Capital Outlay	59,051	63,451	140,773	91,826	58,759	17,407	33,764	17,764	19,133	10,337
Debt Service:										
Principal Retirement	2,503	1,309	1,150	10,745	1,715	1,605	1,535	1,465	1,395	1,335
Interest	5,067	5,088	5,147	2,104	312	388	415	419	394	427
Fiscal Charges	4	9	18	875	83	91	100	86	89	156
Total Expenditures	302,714	276,955	339,599	290,872	243,399	195,046	202,743	179,355	172,628	165,786

Excess (Deficiency) of Revenues										
Over (Under) Expenditures	661	37,087	1,061	(76,897)	30,463	60,680	46,471	49,096	43,428	5,559
Other Financing Sources (Uses):										
Bonds Issued	-	-	-	131,200	-	-	-	-	-	-
Bonds Premium	-	-	-	19,637	-	-	-	-	-	-
Transfers In	24,155	34,098	41,284	40,958	23,853	48,188	44,632	11,098	10,378	22,588
Transfers Out	(23,844)	(34,222)	(42,001)	(23,792)	(24,028)	(61,842)	(53,077)	(10,884)	(9,186)	(22,978)
Proceeds from Sale of Capital Assets	-	-	-	-	-	33,073	21,000	-	14,680	-
Total Other Financing Sources (Uses)	<u>311</u>	<u>(124)</u>	<u>(717)</u>	<u>168,003</u>	<u>(175)</u>	<u>19,419</u>	<u>12,555</u>	<u>214</u>	<u>15,872</u>	<u>(390)</u>
Net Change in Fund Balances	<u>\$ 972</u>	<u>\$ 36,963</u>	<u>\$ 344</u>	<u>\$ 91,106</u>	<u>\$ 30,288</u>	<u>\$ 80,099</u>	<u>\$ 59,026</u>	<u>\$ 49,310</u>	<u>\$ 59,300</u>	<u>\$ 5,169</u>
Capital Expenditures	\$ 42,566	\$ 47,570	\$ 132,676	\$ 82,945	\$ 51,821	\$ 11,966	\$ 15,663	\$ 11,691	\$ 11,969	\$ 7,299
Debt Service as a Percentage of										
Noncapital Expenditures	2.9%	2.8%	3.0%	6.2%	1.1%	1.1%	1.0%	1.1%	1.1%	1.1%

Notes: 1 Other revenues were higher in fiscal year 2017 due to a one-time contribution related to a significant development project.

2 The City transferred its development-related programs out of the Governmental Funds in fiscal year 2015.

3 The City transferred its recreation programs to the Governmental Funds (Cultural) in fiscal year 2013.

CITY OF SUNNYVALE**General Governmental Tax Revenues by Source****Last Ten Fiscal Years****(modified accrual basis of accounting)****(dollars in thousands)**

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Property	\$ 129,062	\$ 120,086	\$ 113,500	\$ 101,297	\$ 91,839	\$ 84,828	\$ 74,350	\$ 67,676	\$ 63,945	\$ 56,337
Sales and Use	40,715	38,374	35,807	25,906	28,827	33,829	33,148	31,017	32,914	31,212
Transient Occupancy	18,916	16,962	10,584	5,192	15,930	21,249	17,742	16,590	16,295	14,137
Utility Users	10,817	10,388	8,594	8,590	8,259	8,303	7,854	7,334	6,901	6,774
Business Licenses	1,939	1,985	2,045	1,923	1,935	1,953	1,837	1,819	1,872	1,846
Real Property Transfer	1,284	1,533	2,953	1,970	1,815	2,002	2,075	1,770	1,972	1,765
Construction	3,251	3,792	5,548	2,454	5,171	6,346	4,961	4,719	3,298	3,066
Franchise	7,835	7,692	7,222	6,980	7,179	6,976	7,160	7,118	7,057	6,898
Total	<u>\$ 213,819</u>	<u>\$ 200,812</u>	<u>\$ 186,253</u>	<u>\$ 154,312</u>	<u>\$ 160,955</u>	<u>\$ 165,486</u>	<u>\$ 149,127</u>	<u>\$ 138,043</u>	<u>\$ 134,254</u>	<u>\$ 122,035</u>

CITY OF SUNNYVALE**Assessed Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other Property¹	Unsecured Property	Total Assessed Value²	Less: Exemptions	Total Taxable Assessed Value	Total Direct Tax Rate³
2015	17,767,517,570	4,169,748,259	6,064,429,240	525,692,456	3,301,086,598	31,828,474,123	398,883,418	31,429,590,705	1.0%
2016	19,451,693,480	5,263,186,637	7,068,520,319	611,867,808	2,842,769,440	35,238,037,684	438,314,393	34,799,723,291	1.0%
2017	21,132,236,511	6,245,020,580	7,582,898,635	777,478,976	2,941,677,250	38,679,311,952	479,970,823	38,199,341,129	1.0%
2018	23,081,956,452	7,201,345,311	7,551,341,687	875,789,104	3,467,249,797	42,177,682,351	494,892,657	41,682,789,694	1.0%
2019	25,156,372,680	8,856,076,181	8,267,965,238	788,203,756	3,882,340,213	46,950,958,068	599,128,346	46,351,829,722	1.0%
2020	27,555,465,388	9,383,956,474	8,879,451,579	867,530,149	3,677,522,864	50,363,926,454	688,171,499	49,675,754,955	1.0%
2021	29,246,014,436	11,513,434,070	9,593,300,464	964,260,386	4,194,128,627	55,511,137,983	682,232,552	54,828,905,431	1.0%
2022	31,087,858,309	11,891,331,537	10,630,932,250	846,957,214	3,817,323,012	58,274,402,322	691,320,265	57,583,082,057	1.0%
2023	33,723,972,437	14,502,035,996	9,750,210,654	961,474,734	4,072,730,066	63,010,423,887	782,467,856	62,227,956,031	1.0%
2024	36,093,780,029	15,902,157,321	10,748,903,255	1,285,477,504	4,386,808,558	68,417,126,667	840,863,511	67,576,263,156	1.0%

Source: County of Santa Clara Assessor's Office

Notes: Other property includes government, institution, irrigated and vacant lands, State Board of Equalization (SBE) nonunitary utilities, and miscellaneous and unclassified properties.
Assessed value is calculated at 100% of market value as defined by California State Constitution Article XIII A and increases each year by no more than two percent unless there is new construction or change in ownership on the property.

See notes in the Schedule of Property Tax Rates contained in the Statistical Section for information on direct tax rate.

CITY OF SUNNYVALE

Property Tax Rates Last Ten Fiscal Years

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Direct Rates ¹										
County										
Maximum Tax Levy	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Overlapping Rates ²										
County										
County Retirement Levy	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880
County Hospital Facility Bond	0.00550	0.00630	0.00610	0.00690	0.00690	0.00720	0.00820	0.00860	0.00880	0.00910
County Housing Bond	0.00950	0.01080	0.01266	-	0.01000	0.01050	0.01266	-	-	-
Special District										
Santa Clara Valley Water District	0.00410	0.00440	0.00510	0.00370	0.00410	0.00420	0.00620	0.00860	0.00570	0.00650
El Camino Hospital	0.00500	0.00900	0.01000	0.01000	0.01000	0.01000	0.01000	0.01290	0.01290	0.01290
Midpeninsula Regional Open Space	0.00120	0.00130	0.00150	0.00150	0.00160	0.00180	0.00090	0.00060	0.00080	-
School Districts										
Sunnyvale School District	0.02920	0.03230	0.03250	0.03340	0.03450	0.03680	0.03680	0.02630	0.04090	0.04920
Cupertino Elementary	0.03570	0.03680	0.03800	0.04030	0.04150	0.03970	0.04960	0.05090	0.05190	0.05400
Los Altos Elementary	0.01950	0.02080	0.05110	0.07130	0.04180	0.04490	0.04630	0.04790	0.04850	0.05240
Mountain View Elementary	0.04570	0.05380	0.23860	0.05960	0.03960	0.04250	0.04100	0.04260	0.02730	0.03380
Fremont High	0.04410	0.03710	0.04160	0.04780	0.04790	0.04300	0.04640	0.04030	0.05250	0.03960
Mountain View-Los Altos High	0.03100	0.03550	0.02780	0.04000	0.03650	0.04090	0.01070	0.01120	0.01190	0.01330
Santa Clara Unified	0.08890	0.08670	0.10140	0.10450	0.11760	0.07070	0.08280	0.08180	0.09420	0.07040
Foothills-De Anza College	0.02780	0.02910	0.03310	0.03640	0.02080	0.02170	0.02200	0.02340	0.02400	0.02760

Source: County of Santa Clara Assessor's Office

Note 1 California State Constitution Article XIII A limits the property tax rate on any given property not to exceed one percent of its assessed value unless an additional amount has been approved by voters. The County of Santa Clara assesses properties and collects property taxes for the City. The California Legislature determines the method of distribution of receipts from the one percent tax levy among the counties, cities, school and other districts.

2 Overlapping rates are those of local and county governments that apply to property owners within the City of Sunnyvale. Not all overlapping rates apply to all Sunnyvale property owners. Although the county and water district property tax rates apply to all City property owners, the school and parking district rates apply only to those City property owners whose property is located within that district geographic boundaries.

CITY OF SUNNYVALE

**Principal Property Tax Payers
June 30, 2024**

Taxpayer	2024			2015		
	Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value ²	Rank	Percentage of Total Taxable Assessed Value
Google Inc	\$ 4,430,444,942	1	6.56%	n/a	n/a	n/a
Apple Inc	1,332,151,884	2	1.97%	n/a	n/a	n/a
Pathline Park LLC	1,123,263,596	3	1.66%	n/a	n/a	n/a
Lockheed Martin Corporation	1,080,285,781	4	1.60%	\$ 1,155,491,263	1	3.68%
Intuitive Surgical Inc	1,057,171,419	5	1.56%	381,310,918	5	1.21%
Applied Materials Inc	1,001,248,112	6	1.48%	339,374,773	6	1.08%
CW SPE LLC	811,085,909	7	1.20%	n/a	n/a	n/a
Menlo And Juniper Networks LLC	793,633,434	8	1.17%	918,936,822	2	2.92%
MP 521 LLC	736,003,631	9	1.09%	n/a	n/a	n/a
LinkedIn Corporation	606,058,897	10	0.90%	n/a	n/a	n/a
Network Appliance Inc	n/a	n/a	n/a	564,700,634	3	1.80%
Yahoo Inc	n/a	n/a	n/a	392,027,225	4	1.25%
SPF Mathilda LLC	n/a	n/a	n/a	291,450,039	8	0.93%
MT SPE LLC	n/a	n/a	n/a	304,981,382	7	0.97%
MT LOT 3 EFG LLC	n/a	n/a	n/a	244,465,601	10	0.78%
Redus SCTC LLC	n/a	n/a	n/a	247,332,048	9	0.79%
Total	\$ 12,971,347,605		19.20%	\$ 4,840,070,705		15.40%

Source: County of Santa Clara Assessor's Office

Note 1 City Total Taxable Assessed Value: \$67,576,263,156

Note 2 City Total Taxable Assessed Value: \$31,429,590,705

CITY OF SUNNYVALE**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year ²	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years ¹
		Amount	Percentage of Levy	
2015	38,246,494	36,235,979	94.7%	425,532
2016	42,533,731	40,482,214	95.2%	354,245
2017	46,861,407	44,324,329	94.6%	287,855
2018	50,889,271	48,209,420	94.7%	214,185
2019	56,393,298	53,630,229	95.1%	258,976
2020	60,845,224	57,462,099	94.4%	288,806
2021	67,122,188	63,633,325	94.8%	434,281
2022	70,718,576	67,000,005	94.7%	557,673
2023	77,096,952	73,184,725	94.9%	425,874
2024	83,498,618	78,749,922	94.3%	596,534

Sources: City of Sunnyvale
County of Santa Clara Assessor's Office

- Notes**
- 1 Collections in subsequent years represent total delinquent amounts received during the fiscal year, regardless of the fiscal year of the tax levy. Data for delinquent tax collections by levy year is not available from the Santa Clara County Assessor's Office.
 - 2 Property tax levy and collections represent General Fund secured and unitary taxes and do not include the VLF (motor vehicle license fees) swap, supplemental, or the City share of the former tax increment.

CITY OF SUNNYVALE
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands except Per Capita)

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Governmental Activities:										
Certificates of Participation	\$ -	\$ -	\$ 1,250	\$ 2,400	\$ 13,145	\$ 14,860	\$ 16,465	\$ 18,000	\$ 19,465	\$ 20,860
Lease Revenue Bonds	146,090	149,170	149,795	150,421	-	-	-	-	-	-
Subscriptions	3,606	4,952	4,578	-	-	-	-	-	-	-
Business-Type Activities:										
Water and Wastewater Series 2017A	31,720	33,762	35,751	37,687	39,582	41,433	43,253	48,406	50,903	53,291
Solid Waste Notes Payable	-	-	-	-	703	1,395	2,080	2,611	5,003	7,368
State Revolving Fund Loan	120,791	116,378	112,011	105,864	81,984	38,599	7,396	-	-	-
WIFIA Loan	23,256	12,897	2,186	127	-	-	-	-	-	-
Solid Waste Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Leases Liability	565	699	828	-	-	-	-	-	-	-
Total Primary Government	\$ 326,028	\$ 317,858	\$ 306,399	\$ 296,499	\$ 135,414	\$ 96,287	\$ 69,194	\$ 69,017	\$ 75,371	\$ 81,519
Percentage of Personal Income ¹	0.11%	0.11%	0.11%	0.11%	0.06%	0.04%	0.03%	0.04%	0.04%	0.05%
Per Capita ²	\$ 2,202	\$ 2,147	\$ 2,190	\$ 2,101	\$ 1,130	\$ 869	\$ 660	\$ 718	\$ 849	\$ 987

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

1 Personal income data are presented in the Schedule of Demographic and Economic Statistics contained in the Statistical Section. Personal income for fiscal year 2023 was used to calculate percentages for fiscal year 2024 since data for fiscal year 2024 is not currently available.

2 Population data are presented in the Schedule of Demographic and Economic Statistics contained in the Statistical Section.

CITY OF SUNNYVALE**Direct and Overlapping Governmental Activities Debt
As of June 30, 2024**

Governmental Unit	Debt Outstanding	Percentage Applicable ¹	Share of Overlapping Debt
Debt Repaid with Property Taxes: County			
City of Sunnyvale Community Facilities District No. 1 Special Tax Bonds	\$ 11,015,000	100.000 %	\$ 11,015,000
Cupertino Union School District & General Fund Obligations	276,116,653	14.866	41,047,502
El Camino Hospital District	102,186,937	38.149	38,983,295
Foothill-De Anza Community College District	640,179,446	25.283	161,856,569
Fremont Union High School District	737,130,088	53.526	394,556,251
Midpeninsula Regional Open Space Park District & General Fund Obligations	160,495,600	16.633	26,695,233
Mountain View School District	485,000	12.235	59,340
Mountain View-Whisman School District	350,765,000	7.243	25,405,909
Mountain View-Los Altos Union High School District & Certificates of Participation	262,507,779	4.024	10,563,313
Los Altos School District & Certificates of Participation	133,199,066	0.002	2,664
Santa Clara County	956,770,000	10.238	97,954,113
Santa Clara County General Fund Obligations	1,057,709,440	10.238	108,288,292
Santa Clara County Pension Obligation Bonds	323,733,582	10.238	33,143,844
Santa Clara County Board of Education Certificates of Participation	12,073,098	10.238	1,236,044
Santa Clara County Vector Control Certificates of Participation	945,000	10.238	96,749
Santa Clara Unified School District & Certificates of Participation	1,014,817,000	9.655	97,980,581
Santa Clara Valley Water District Benefit Assessment District	29,235,000	10.238	2,993,079
Sunnyvale School District	251,455,820	99.049	249,064,475
West Valley Mission Community College District & General Fund Obligations	665,560,000	4.414	29,377,819
Subtotal Overlapping Debt			1,330,320,072
Direct Debt ²			
City of Sunnyvale Government Center 2020 Lease Bonds			143,510,379
City of Sunnyvale Subscriptions			2,061,943
Subtotal Direct Debt			145,572,322
Total Direct and Overlapping Debt ³			\$ 1,475,892,394

Sources: California Municipal Statistics Inc
City of Sunnyvale

Notes:

¹ Percentage of overlapping agency's assessed valuation located within the boundaries of the City.

² Direct debt excludes revenue bonds reported in the enterprise funds and Redevelopment Successor Agency Central Core Tax Allocation Bonds.

³ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

CITY OF SUNNYVALE**Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)**

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Debt limit	\$ 10,262,569	\$ 9,451,564	\$ 8,741,160	\$ 8,326,671	\$ 7,554,589	\$ 7,042,644	\$ 6,326,652	\$ 5,801,897	\$ 5,285,706	\$ 4,774,271
Total net debt applicable to limit	294,308	284,096	265,242	258,812	95,129	14,860	16,464	18,000	19,465	20,860
Legal debt Margin	<u>\$ 9,968,261</u>	<u>\$ 9,167,468</u>	<u>\$ 8,475,918</u>	<u>\$ 8,067,859</u>	<u>\$ 7,459,460</u>	<u>\$ 7,027,784</u>	<u>\$ 6,310,188</u>	<u>\$ 5,783,897</u>	<u>\$ 5,266,241</u>	<u>\$ 4,753,411</u>
Total net debt applicable to the limit as a percentage of debt limit	2.87%	3.01%	3.03%	3.11%	1.26%	0.26%	0.31%	0.37%	0.44%	0.57%

Legal Debt Margin Calculation for Fiscal Year 2024

Assessed value	\$ 67,576,263
Add back: exempt real property	840,864
Total assessed value	<u>\$ 68,417,127</u>
Debt limit (15% of total assessed value)	\$ 10,262,569
Debt applicable to limit:	
Total bonded debt	326,028
Less:	
Water and Wastewater Series 2017A	<u>(31,720)</u>
Total net debt applicable to limit	<u>294,308</u>
Legal debt margin	<u>\$ 9,968,261</u>

Note: Section 1308 of the City Charter of the City of Sunnyvale, California, states: "The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen (15%) percent of the total assessed valuation of property within the City, exclusive of any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending or maintaining municipally owned utilities, for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to provisions of the State Constitution and of this Charter."

CITY OF SUNNYVALE
**Pledged-Revenue Coverage
Last Ten Fiscal Years
(dollars in thousands)**

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Water and Wastewater										
Revenue Bonds										
Gross Revenues	\$ 124,108	\$ 119,188	\$ 130,386	\$ 111,831	\$ 130,935	\$ 124,734	\$ 114,566	\$ 83,371	\$ 73,946	\$ 65,536
Less: Operating Expenses ¹	95,340	84,630	72,027	76,201	71,290	70,144	67,775	63,547	53,452	44,141
Less: Operating Transfers ²	860	843	826	2,599	2,124	2,245	869	415	1,362	6,716
Net Available Revenue ⁵	\$ 27,908	\$ 33,715	\$ 57,533	\$ 33,031	\$ 57,521	\$ 52,345	\$ 45,922	\$ 19,409	\$ 19,132	\$ 14,679
Debt Service										
Principal	\$ 1,860	\$ 1,810	\$ 1,755	\$ 1,715	\$ 1,670	\$ 1,640	\$ 2,925	\$ 2,330	\$ 2,220	\$ 2,115
Interest	1,284	1,338	1,400	1,434	1,486	1,523	1,560	2,411	2,522	2,624
Coverage	8.9	10.7	18.2	10.5	18.2	16.5	10.2	4.1	4.0	3.1
Solid Waste Revenue										
Bonds/Notes Payable ⁴										
Gross Revenues	\$ 63,285	\$ 57,655	\$ 53,344	\$ 50,541	\$ 53,587	\$ 54,988	\$ 50,587	\$ 48,052	\$ 46,698	\$ 43,295
Other Agencies Shares ³	-	-	-	197	196	196	156	971	972	1,004
Less: Operating Expenses ¹	61,131	57,036	48,969	43,845	44,627	43,503	40,369	38,856	37,433	34,517
Less: Operating Transfers ²	-	-	-	-	1,501	1,167	921	743	723	3,135
Net Available Revenue ⁵	\$ 2,154	\$ 619	\$ 4,375	\$ 6,893	\$ 7,655	\$ 10,514	\$ 9,453	\$ 9,424	\$ 9,514	\$ 6,647
Debt Service										
Principal	\$ -	\$ -	\$ -	\$ 703	\$ 692	\$ 685	\$ 531	\$ 2,392	\$ 2,365	\$ 2,165
Interest ⁴	-	-	-	2	13	21	29	47	76	394
Coverage	Not Applicable	Not Applicable	Not Applicable	9.8	10.9	14.9	16.9	3.9	3.9	2.6

Notes:

- 1 Excludes depreciation expense.
 - 2 Operating expense-related transfers.
 - 3 Proportion of debt service shared by Cities of Mountain View and Palo Alto according to the Memorandum of Understanding.
 - 4 The City paid off the Solid Waste Revenue Bonds during Fiscal Year 2021.
 - 5 Net Available Revenue or pledged revenue is "Gross Revenues" received from the respective systems minus the amount to pay "Operation and Maintenance Costs" of the systems.
- For the Solid Waste Note Payable, Net Available Revenue includes the proportionate share of debt service from Cities of Mountain View and Palo Alto.

CITY OF SUNNYVALE**Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population	Personal Income (millions of dollars) ¹	Per Capita Personal Income ¹	Median Age	School Enrollment	Civilian Labor Force	Unemployment Rate
2015	146,629	164,047	82,603	35	17,078	84,814	3.9%
2016	148,948	177,759	88,801	35	16,908	86,577	3.4%
2017	150,599	193,230	96,174	35	16,755	87,011	3.1%
2018	153,944	210,975	104,834	35	16,971	87,282	2.4%
2019	155,766	222,231	110,756	36	16,704	87,113	2.2%
2020	154,252	239,211	119,863	35	16,386	83,972	7.2%
2021	153,326	275,500	141,146	35	15,527	83,869	4.2%
2022	156,364	272,265	139,912	35	14,410	86,482	2.3%
2023	157,187	288,043	148,036	35	14,240	86,752	3.1%
2024	157,566	Not Available	Not Available	35	14,416	86,022	3.5%

Sources: California Department of Education
State of California, Department of Finance
U.S. Department of Commerce, Bureau of Economic Analysis
U.S. Department of Labor, Bureau of Labor Statistics
United States Census Bureau

Note: 1 San Jose-Sunnyvale-Santa Clara, CA

CITY OF SUNNYVALE

Principal Employers Current Year and Nine Years Ago

Employer	2024			2015		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Google	14,426	1	16.77%	3,797	4	4.48%
Apple	12,458	2	14.48%	4,000	2	4.72%
Amazon.Com Services	6,578	3	7.65%	n/a	n/a	n/a
Intuitive Surgical Operations	3,836	4	4.46%	1,203	10	1.42%
Lockheed Martin Space Systems	3,576	5	4.16%	5,045	1	5.95%
Applied Materials	3,389	6	3.94%	1,572	9	1.85%
Facebook	3,090	7	3.59%	n/a	n/a	n/a
Cepheid	3,042	8	3.54%	n/a	n/a	n/a
Walmart	2,398	9	2.79%	n/a	n/a	n/a
Synopsys	2,392	10	n/a	n/a	n/a	n/a
Yahoo!	n/a	n/a	n/a	3,993	3	4.71%
NetApp	n/a	n/a	n/a	3,081	5	3.63%
Juniper Networks	n/a	n/a	n/a	2,502	6	2.95%
Hewlett Packard	n/a	n/a	n/a	2,070	7	2.44%
A2Z Development Center	n/a	n/a	n/a	1,834	8	2.16%

Source: City of Sunnyvale, Department of Finance
U.S. Department of Labor, Bureau of Labor Statistics

CITY OF SUNNYVALE**Full-time Equivalent City Government Employees Budgeted by Department
Last Ten Fiscal Years**

	Full-time Equivalent Employees Budgeted by Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Departments										
Planning and Management	152	150	130	131	139	125	122	110	114	108
Public Safety ¹	289	289	257	268	265	262	266	275	285	271
Community Development	54	55	47	44	45	43	42	39	41	36
Public Works	196	193	163	170	175	178	170	173	186	168
Environmental Services	131	130	112	116	119	116	106	105	118	105
Library and Recreational Services	82	81	68	66	73	74	88	91	100	88
NOVA Workforce Services	37	38	29	30	33	33	35	33	43	32
Total	941	936	806	825	849	831	829	826	887	808

Source: City of Sunnyvale, Department of Finance

Note: 1 The City's Department of Public Safety is a fully integrated Police/Fire agency. All officers are certified in both disciplines.

CITY OF SUNNYVALE

Operating Indicators by Function Last Ten Fiscal Years

Function	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Public Safety:										
Police										
Emergency Responses	45,440	43,707	41,635	39,128	38,937	35,068	40,525	41,050	31,848	37,662
Crime Investigations	1,238	1,336	1,036	609	1,270	2,640	7,057	2,030	4,718	2,855
Traffic Events and Citations	13,258	11,583	10,384	16,682	16,592	11,794	15,846	10,155	8,829	9,772
Fire										
Emergency Responses	7,487	7,981	7,410	6,965	7,094	7,204	7,241	7,483	7,774	7,438
Fire Safety Inspections	5,419	5,892	7,758	7,509	6,724	8,541	6,778	7,585	6,682	6,439
Transportation:										
Streets Resurfacing (1,000 square feet)	877	279	1,134	10,311	6,547	215	3,034	Not Available	None	1,177
Street Preventive Maintenance (1,000 sq feet)	544	771	665	3,867	2,316	6,300	4,577	4,728	4,473	3,641
Street Lamps Replaced ¹	1	3	329	352	106	100	996	946	1,656	1,242
Cultural:										
Library Visitors	389,171	339,671	282,385	39,807	398,830	619,986	657,343	683,739	669,796	699,128
Library Materials Circulated	1,693,807	1,477,948	1,398,369	922,634	1,418,597	1,983,152	2,098,751	2,191,068	2,396,689	2,576,329
Library Materials Turnover Rate (average use)	5.1	9.5	8.6	5.1	6.0	6.8	6.9	7.2	6.6	8.7
Recreation Programs Registration (hours)	252,835	328,376	312,144	131,989	545,162	657,961	758,387	Not Available	821,950	866,750
Rental Use of Recreation Facilities	164,660	225,324	164,033	30,643	71,915	106,735	89,792	Not Available	92,842	103,122
Water Supply and Distribution:										
Average Daily Demand (million gallons)	16.7	15.2	16.6	18.0	17.4	16.4	16.8	15.4	14.0	19.4
Peak Daily Use (million gallons)	29.9	27.4	29.9	32.4	31.4	29.5	30.3	27.8	21.0	29.1
Water Main Repairs	9	38	28	34	23	39	28	19	30	38
Wastewater Management:										
Average Daily Sewage Treatment (million gallons)	13.3	13.5	12.4	12.5	12.9	13.3	12.4	12.7	11.7	12.8
Solid Waste Management:										
Refuse collected (tons per day)	234.6	231.2	235.0	219.0	236.0	251.0	237.0	255.0	250.0	244.0
Recyclables collected (tons per day)	103.7	96.3	88.0	88.0	96.0	98.0	90.0	79.5	78.5	71.5
SMaRT Station:										
Refuse received (tons per day)	466.9	451.3	514.0	577.0	598.0	648.0	620.0	643.0	640.0	652.0
Golf and Tennis:										
Plays at Golf Courses	141,586	132,450	142,278	152,637	98,309	97,875	109,874	105,632	111,011	121,997

Source: City of Sunnyvale, various departments

Note: 1 Starting FY 2019, the City replaced High Pressure Sodium (HPS) lights with Light-Emitting Diode (LED) lights, which have extended life and reduced lamp failure.

CITY OF SUNNYVALE

Capital Asset Statistics by Function Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Public Safety										
Police:										
Jail Facilities	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)
Vehicular Patrol Units	79	79	79	79	73	73	71	72	69	70
Fire Stations	6	6	6	6	6	6	6	6	6	6
Transportation										
Streets (miles)	261	261	261	261	261	261	261	261	300	300
Streetlights	9,354	9,354	9,354	9,354	9,354	9,354	9,353	9,352	9,354	9,357
Traffic Signals	136	135	135	135	134	132	132	132	131	131
Cultural¹										
Park Acreage	351	351	351	345	345	344	344	344	329	329
Parks	25	25	25	24	24	23	23	23	21	21
Swimming Pools	3	3	3	3	3	3	3	3	4	4
Skate Parks	2	2	2	2	2	2	2	2	2	2
Recreation Centers	3	3	3	3	3	3	3	3	3	3
Water Supply and Distribution										
Water Mains (miles)	340	340	340	340	340	340	340	340	340	340
Fire Hydrants	3,433	3,433	3,433	3,433	3,433	3,433	3,433	3,412	3,400	3,362
Storage Capacity (million gallons)	26.5	26.5	26.5	26.5	26.5	26.5	26.5	26.5	26.5	27.5
Wastewater Management										
Sanitary Sewer (miles)	312	312	312	312	312	312	310	310	310	310
Permitted Treatment Plant Capacity (million gallons)	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5
SMaRT Station										
Refuse transfer and recovery station capacity (ton per day)	1,500	1,599	1,599	1,599	1,599	1,599	1,500	1,500	1,500	1,500
Golf and Tennis										
Golf Courses	2	2	2	2	2	2	2	2	2	2
Tennis Courts	49	49	49	49	49	49	49	49	49	49

Source: City of Sunnyvale, various departments

Note: 1 No capital asset indicators are available for library function.

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APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

Indenture of Trust

Definitions.

"Authorized Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall be entitled to rely upon any investment direction from the City as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State):

(a) Federal Securities;

(b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: (i) Export-Import Bank; (ii) Farm Credit System Financial Assistance Corporation, (iii) Farmers Home Administration; (iv) General Services Administration; (v) U.S. Maritime Administration; (vi) Small Business Administration; (vii) Government National Mortgage Association (GNMA); (viii) U.S. Department of Housing & Urban Development (PHA's); (ix) Federal Housing Administration and (x) Federal Financing Bank;

(c) senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, senior debt obligations of other government-sponsored agencies approved by AMBAC Indemnity, obligations of the Resolution Funding Corporation (RFFCORP) and senior debt obligations of other government sponsored agencies;

(d) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P, provided that ratings on holding companies are not considered as the rating of the bank;

(e) commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P, and which matures not more than 270 days after the date of purchase;

(f) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including any such money market fund from which the Trustee or its affiliates receive fees for services to such fund;

(g) pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based upon an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's and S&P or any successors thereto; or (ii)(A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) general obligations of States with a rating of at least "A2/A" or higher by both Moody's and S&P

(i) the Local Agency Investment Fund maintained by the State of California.

"Authorized Representative" means: (a) with respect to the Authority, its Executive Director, Treasurer, Secretary or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Executive Director and filed with the City and the Trustee; and (b) with respect to the City, its City Manager, Director of Finance or any other person designated as an Authorized Representative of the City by a Written Certificate of the City signed by its City Manager and filed with the Authority and the Trustee.

"Bond Counsel" means (a) Jones Hall LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City or the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"Bond Law" means the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

"Bond Year" means each twelve-month period extending from November 2 in one calendar year to November 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including November 1, 2026.

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the City in which the Office of the Trustee is located.

"Debt Service" means, during any period of computation, the amount obtained for such period by totaling the following amounts:

(a) The principal amount of all Outstanding Series 2025 Bonds scheduled to be paid or redeemed by operation of mandatory Sinking Fund Installments in such period; and

(b) The interest which would be due during such period on the aggregate principal amount of Series 2025 Bonds which would be Outstanding in such period if the Series 2025 Bonds are paid or redeemed as scheduled.

"Depository" means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository under the Indenture.

"Depository System Participant" means any participant in the Depository's book-entry system.

"Event of Default" means any of the events specified in the Indenture.

"Federal Securities" means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the City as its official fiscal year period.

"Improvements" means the improvements to the Solid Waste System which are acquired and constructed from amounts held in the Improvement Fund in accordance with the Installment Sale Agreement, consisting generally of the improvements

described in Appendix B to the Installment Sale Agreement and any other or additional improvements which may be financed from the proceeds of the Series 2025 Bonds in accordance with the Installment Sale Agreement.

"Improvements Costs" means, with respect to the Improvements, all costs of the acquisition, construction and installation thereof which are paid from moneys on deposit in the Improvement Fund, including but not limited to:

- (a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition, construction and installation of the Improvements;
- (b) obligations incurred for labor and materials in connection with the acquisition, construction and installation of the Improvements;
- (c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and installation of the Improvements;
- (d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Improvements;
- (e) any sums required to reimburse the City for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition, construction and installation of the Improvements;
- (f) all Costs of Issuance and other financing costs incurred in connection with the acquisition, construction and installation of the Improvements; and
- (g) the interest components of the Installment Payments allocable to the Improvements, which come due during the period of acquisition, construction and installation of the Improvements.

"Improvement Fund" means the fund by that name established and held by the Trustee under the Indenture.

"Indenture" means the Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture under the provisions hereof.

"Information Services" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system.

"Interest Account" means the account by that name established and held by the Trustee in the Bond Fund under the Indenture.

"Installment Sale Agreement" means the Installment Sale Agreement between the City and the Authority, together with any duly authorized and executed amendments thereto.

"Installment Payments" means all payments required to be paid by the City on any date under the Installment Sale Agreement, including any amounts payable upon delinquent installments and including any prepayment thereof under the Installment Sale Agreement.

"Interest Payment Date" means each May 1 and November 1 commencing May 1, 2026, so long as any Series 2025 Bonds remain unpaid.

"Interest Requirement" means, as of any particular date of calculation, the amount equal to any unpaid interest then due and payable, plus an amount which will on the next succeeding Interest Payment Date be equal to the interest to become due and payable on the Series 2025 Bonds on such next succeeding Interest Payment Date.

"Moody's" means Moody's Investors Service, its successors and assigns.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under the Indenture.

"Office" means the corporate trust office of the Trustee in Los Angeles, California, or such other or additional offices as the Trustee may designate in writing to the Corporation from time to time as the corporate trust office for purposes of the Indenture; except that with respect to presentation of Series 2025 Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee in St. Paul, MN, or any other office designated by the Trustee at which, at any particular time, its corporate trust business is conducted.

"Original Purchaser" means Stifel, Nicolaus & Company, Incorporated, as original purchaser of the Series 2025 Bonds at the negotiated sale thereof.

"Outstanding", when used as of any particular time with reference to Series 2025 Bonds, means all Series 2025 Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Series 2025 Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Series 2025 Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, including Series 2025 Bonds (or portions thereof) described in the Indenture; and (c) Series 2025 Bonds for the transfer or exchange of or in lieu of or in substitution for which other Series 2025 Bonds shall have been authenticated and delivered by the Trustee under the Indenture.

"Owner", whenever used in the Indenture with respect to a Series 2025 Bond, means the person in whose name the ownership of such Series 2025 Bond is registered on the Registration Books.

"Principal Account" means the account by that name established and held by the Trustee in the Bond Fund under the Indenture.

"Qualified Credit Instrument" means any irrevocable standby or direct-pay letter of credit, insurance policy or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least "A" from S&P or "A" from Moody's and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P, or "A" from Moody's or, if not rated by S&P or Moody's but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company; (b) such letter of credit, insurance policy or surety bond has a term of at least twelve (12) months; (c) such letter of credit, insurance policy or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture and (d) the Trustee is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments required pursuant to the Indenture.

"Record Date" means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established and held by the Trustee under the Indenture.

"Registration Books" means the records maintained by the Trustee under the Indenture for the registration and transfer of ownership of the Series 2025 Bonds.

"Revenues" means: (a) all of the Installment Payments, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority designates in written notice filed with the Trustee.

"Series 2025 Bonds" means the Sunnyvale Financing Authority Solid Waste Revenue Bonds, Series 2025, authorized by and at any time Outstanding under the Indenture.

"S&P" means Standard & Poor's, a division of the McGraw Hill Companies, of New York, New York, its successors and assigns.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Indenture) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

"Term" means, when used with respect to the Installment Sale Agreement, the time during which the Installment Sale Agreement is in effect.

"Trustee" means U.S. Bank Trust Company, National Association, a national banking association organized and existing under the laws of the United States of America, or its successor or successors, as Trustee under the Indenture as provided in Article VIII.

"Written Certificate," "Written Request" and "Written Requisition" of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Transfer and Exchange of Series 2025 Bonds; Restrictions on Transfer.

Transfer. Any Series 2025 Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Series 2025 Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Series 2025 Bonds under the Indenture. Whenever any Series 2025 Bond or Series 2025 Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Series 2025 Bond or Series 2025 Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority shall pay the cost of printing Series 2025 Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Series 2025 Bonds.

Exchange. The Series 2025 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Series 2025 Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Series 2025 Bonds under this paragraph. The Authority shall pay the cost of printing Series 2025 Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Series 2025 Bonds.

Limitations. The Trustee may refuse to transfer or exchange, under the provisions of the Indenture, any Series 2025 Bonds selected by the Trustee for redemption under the Indenture, or any Series 2025 Bonds during the period established by the Trustee for the selection of Series 2025 Bonds for redemption.

Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Series 2025 Bonds, which shall upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Series 2025 Bonds provided in the Indenture.

Improvement Fund.

The Trustee will establish and maintain a separate fund to be known as the "Improvement Fund". Except as otherwise provided in the Indenture, moneys in the Improvement Fund will be used solely for the payment of the Improvements Costs. The Trustee will disburse moneys in the Improvement Fund from time to time to pay Improvements Costs (or to reimburse the City for payment of Improvements Costs) in accordance with Written Requisitions filed by the City with the Trustee in substantially

the form of Appendix C. Each such Written Requisition must state, with respect to each payment to be made thereby, (i) the name and address of the firm or corporation to whom payment is to be made, (ii) the amount and purpose of the payment and (iii) that each payment constitutes a Improvements Cost. Each Written Requisition must be accompanied by an invoice or statement evidencing each payment to be made thereunder. All such payments shall be made by check or wire transfer in accordance with payment instructions contained in the Written Requisition or in any invoice attached thereto, and the Trustee has no duty or obligation to authenticate such payment instructions or the authorization thereof. The Trustee has no responsibility for payments made in accordance with the Indenture. The City shall maintain accurate records showing all disbursements from the Improvement Fund.

Upon the receipt by the Trustee of a Written Certificate of the City under the Installment Sale Agreement, stating that the Improvements have been completed, the Trustee shall withdraw from the Improvement Fund and deposit in the Interest Account all amounts remaining on deposit in the Improvement Fund, other than amounts estimated by the City (as identified in such Written Certificate) to be required to pay future Improvements Costs. Upon the filing with the Trustee of a Written Certificate of the City stating that no further amounts are intended to be requisitioned from the Improvement Fund, the Trustee shall thereupon close the Improvement Fund and transfer all remaining amounts therein to the Principal Account or the Interest Account, as directed in a Written Certificate of the City. If and to the extent so directed in writing by a City Representative, the Trustee shall apply all or a portion of the amounts so transferred from the Improvement Fund to the Interest Account or the Principal Account to the prepayment of Installment Payments under the Installment Sale Agreement and the corresponding redemption of the Series 2025 Bonds under the optional redemption provisions of the Indenture.

If an Event of Default occurs under Section 6.1(a) of the Installment Sale Agreement prior to the closure of the Improvement Fund by the Trustee, the Trustee shall transfer all amounts remaining on deposit in the Improvement Fund to the Interest Account, to be credited to the payment of the Installment Payment then in default.

Certain Redemption Provisions.

Selection of Series 2025 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Series 2025 Bonds of a single maturity, the Trustee shall select the Series 2025 Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Series 2025 Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Series 2025 Bond.

Notice of Redemption; Rescission. The Trustee shall mail notice of redemption of the Series 2025 Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any Series 2025 Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Information Services. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Series 2025 Bonds are to be redeemed, the CUSIP numbers and (in the event that not all Series 2025 Bonds are called for redemption) the Series 2025 Bond numbers of the Series 2025 Bonds to be redeemed and the maturity or maturities of the Series 2025 Bonds to be redeemed, and in the case of Series 2025 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Series 2025 Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2025 Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Series 2025 Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

The Authority has the right to rescind any notice of an optional redemption of Series 2025 Bonds by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Series 2025 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee have no liability to the Series 2025 Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this paragraph.

Partial Redemption of Series 2025. Upon surrender of any Series 2025 Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Series 2025 Bond or Series 2025 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Series 2025 Bonds surrendered.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the Series 2025 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Series 2025 Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Series 2025 Bonds so called for redemption shall cease to accrue, said Series 2025 Bonds (or portions

thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said Series 2025 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Series 2025 Bonds redeemed under the provisions of the Indenture shall be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

Pledge of Revenues and Other Amounts.

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues and all amounts held in the Bond Fund or the Redemption Fund are hereby pledged to secure the payment of the principal of and interest and premium (if any) on the Series 2025 Bonds in accordance with their terms and the provisions of the Indenture. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

The Authority hereby irrevocably transfers, assigns and sets over to the Trustee, without recourse to the Authority, all of its rights in the Installment Sale Agreement (excepting only the Authority's rights under Sections 4.8, 5.2 and 6.4 thereof), including but not limited to all of the Authority's rights to receive and collect all of the Installment Payments. The Trustee is entitled to collect and receive all of the Installment Payments, and any Installment Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and shall, subject to the provisions of the Indenture, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Installment Sale Agreement.

Deposit of Revenues in Bond Fund.

All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Installment Sale Agreement to be deposited in the Redemption Fund shall be promptly deposited in such funds. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the Series 2025 Bonds or provision therefore under Article X, and (ii) any applicable fees and expenses to the Trustee shall be withdrawn by the Trustee and remitted to the City.

On or before each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority:

- (a) *Deposit to Interest Account.* The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Series 2025 Bonds then Outstanding.

All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series 2025 Bonds as it comes due and payable (including accrued interest on any Series 2025 Bonds purchased or redeemed prior to maturity).

- (b) *Deposit to Principal Account.* The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Series 2025 Bonds coming due and payable on such Interest Payment Date, including the principal amount of Series 2025 Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date under the Indenture.

All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the sinking fund redemption amounts on the Series 2025 Bonds, as set forth in the Indenture.

Investments.

All moneys in any of the funds or accounts established with the Trustee under the Indenture shall be invested by the Trustee solely in Authorized Investments. Such investments shall be directed by the Authority under a Written Request of the Authority filed with the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in Authorized Investments described in clause (f) of the definition thereof. Authorized Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent Authorized Investments are registrable, such Authorized Investments must be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture shall be deposited in the Bond Fund. For

purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under the Indenture.

The Trustee may make any investments under the Indenture through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture. The Trustee is hereby authorized, in making or disposing of any investment permitted by this paragraph, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as a principal for its own account.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Authority a periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

Covenants of the Authority.

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Series 2025 Bonds in strict conformity with the terms of the Series 2025 Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of the Revenues and other amounts pledged for such payment as provided in the Indenture.

Extension of Payment of Series 2025 Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Series 2025 Bonds or the time of payment of any claims for interest by the purchase of such Series 2025 Bonds or by any other arrangement, and in case the maturity of any of the Series 2025 Bonds or the time of payment of any such claims for interest shall be extended, such Series 2025 Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Series 2025 Bonds then Outstanding and of all claims for interest thereon which have not been so extended. Nothing in this paragraph limits the right of the Authority to issue Series 2025 Bonds for the purpose of refunding any Outstanding Series 2025 Bonds, and such issuance does not constitute an extension of maturity of the Series 2025 Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Series 2025 Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

Power to Issue Series 2025 Bonds and Make Pledge and Assignment. The Authority is duly authorized under law to issue the Series 2025 Bonds and to enter into the Indenture and to pledge and assign the Revenues and other amounts purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Series 2025 Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of the Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Series 2025 Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Series 2025 Bonds and all funds and accounts established under the Indenture. The Trustee shall make such books of record and account available for inspection by the Authority and the City, during business hours, upon reasonable notice, and under reasonable circumstances.

Limitation on Additional. The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

Tax Covenants.

(a) Private Business Use Limitation. The Authority shall assure that the proceeds of the Series 2025 Bonds are not used in a manner which would cause the Series 2025 Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Authority may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2025 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Authority may not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Series 2025 Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Series 2025 Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The Authority shall take all actions necessary to assure the exclusion of interest on the Series 2025 Bonds from the gross income of the Owners of the Series 2025 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The Authority will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds

(f) Record Retention. The Authority will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least 3 years after the Series 2025 Bonds mature or are redeemed (whichever is earlier); however, if the Series 2025 Bonds are redeemed and refunded, the Authority will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Series 2025 Bonds.

(g) Compliance with Tax Certificate. The Authority will comply with the provisions of the Certificate as to Arbitrage and the Certificate Regarding Use of Proceeds with respect to the Series 2025 Bonds, which are incorporated in the Indenture as if fully set forth in the Indenture. The covenants of this Section will survive payment in full or defeasance of the Series 2025 Bonds.

Enforcement of Installment Sale Agreement. The Trustee shall promptly collect all amounts (to the extent any such amounts are available for collection) due from the City under the Installment Sale Agreement. Subject to the provisions of Article VIII, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the City under the Installment Sale Agreement.

Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Series 2025 Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

Events of Default; Remedies.

Events of Default. The following events constitute Events of Default under the Indenture:

- (a) Failure to pay any installment of the principal of any Series 2025 Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Series 2025 Bonds when due.
- (c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Series 2025 Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee; *provided, however*, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the Authority institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in the Installment Sale Agreement.

Remedies Upon Event of Default. If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Series 2025 Bonds at the time Outstanding shall, in each case, upon receipt of indemnification satisfactory to Trustee against the costs, expenses and liabilities to be incurred in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Series 2025 Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Series 2025 Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall

have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Series 2025 Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Series 2025 Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, including the allocated costs of internal attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Series 2025 Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Series 2025 Bonds then Outstanding, by written notice to the Authority, the City and the Trustee, may, on behalf of the Owners of all of the Series 2025 Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Application of Revenues and Other Funds After Default. If an Event of Default occurs and is continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee in the following order of priority:

- (a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal attorneys) incurred in and about the performance of its powers and duties under the Indenture;
- (b) To the payment of the principal of and interest then due on the Series 2025 Bonds (upon presentation of the Series 2025 Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, as follows:

First. To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

Second. To the payment to the persons entitled thereto of the unpaid principal of any Series 2025 Bonds which shall have

become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Series 2025 Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Series 2025 Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Trustee to Represent Series 2025 Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Series 2025 Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Series 2025 Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Series 2025 Bonds, the Indenture and applicable provisions of any law. All rights of action under the Indenture or the Series 2025 Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Series 2025 Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Series 2025 Bonds, subject to the provisions of the Indenture.

Limitation on Series 2025 Bond Owners' Right to Sue. Notwithstanding any other provision hereof, no Owner of any Series 2025 Bonds has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Installment Sale Agreement or any other applicable law with respect to such Series 2025 Bonds, unless (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Series 2025 Bonds then Outstanding have requested the Trustee in writing to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Owners of a majority in aggregate principal amount of the Series 2025 Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Series 2025 Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Series 2025 Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of

the Indenture or the rights of any other Owners of Series 2025 Bonds, or to enforce any right under the Series 2025 Bonds, the Indenture, the Installment Sale Agreement or other applicable law with respect to the Series 2025 Bonds, except in the manner provided therein, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Owners of the Outstanding Series 2025 Bonds, subject to the provisions of the Indenture.

Absolute Obligation of Authority. Nothing in the Indenture or in any other provision of the Indenture or in the Series 2025 Bonds contained affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Series 2025 Bonds to the respective Owners of the Series 2025 Bonds at their respective dates of maturity, or upon acceleration or call for redemption, as in the Indenture provided, but only out of the Revenues and other assets in the Indenture pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Series 2025 Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or by any one or more Series 2025 Bond Owners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee or the Series 2025 Bond Owners, then in every such case the Authority, the Trustee and the Series 2025 Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Series 2025 Bond Owners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the Series 2025 Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or any Owner of the Series 2025 Bonds to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or the Owners of the Series 2025 Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or the Series 2025 Bond Owners.

Notice to the Series 2025 Bond Owners of Default. Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business

Days following becoming aware of such occurrence, the Trustee shall promptly give written notice thereof by first class mail, postage prepaid, to the Owner of each Outstanding Series 2025 Bond, unless such Event of Default has been cured before the giving of such notice; *provided, however* that except in the case of an Event of Default described in Sections 7.01(a) or 7.01(b), the Trustee may elect not to give such notice to the Series 2025 Bond Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Series 2025 Bond Owners not to give such notice.

Certain Provisions Related to the Trustee.

Acceptance of Trusts; Removal and Resignation of Trustee. The Trustee hereby accepts the express trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

- (a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture and no implied duties or covenants shall be read into the Indenture against the Trustee.
- (b) The Authority may remove the Trustee at any time, unless an Event of Default has occurred and is then continuing, and shall remove the Trustee (a) if at any time requested to do so by the Owners of a majority in aggregate principal amount of the Series 2025 Bonds then Outstanding (or their attorneys duly authorized in writing) or (b) if at any time the Trustee ceases to be eligible in accordance with the Indenture, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. Any such removal shall be made upon at least 30 days' prior written notice to the Trustee.
- (c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City, and by giving the Series 2025 Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books.
- (d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. In the event of the removal or resignation of the Trustee under subsections (b) or (d), respectively, the Authority shall promptly appoint a successor Trustee.

If no successor Trustee has been appointed and accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture, must signify its acceptance of such appointment by executing and delivering to the Authority, and to its predecessor Trustee a written acceptance thereof, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture. At the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions in the Indenture set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall promptly mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which is then rating the Series 2025 Bonds and to the Series 2025 Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

- (e) Any Trustee appointed under the Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, shall be authorized under such laws to exercise corporate trust powers, shall have (or, in the case of a corporation or association that is a member of a bank holding company system, the related bank holding company has) a combined capital and surplus of at least \$50,000,000, and shall be subject to supervision or examination by a federal or state agency, so long as any Series 2025 Bonds are

Outstanding. If such corporation or association publishes a report of condition at least annually under law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection (e), the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If the Trustee at any time ceases to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

Merger or Consolidation. Any bank, federal savings association, or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, federal savings association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, federal savings association, or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, federal savings association, or trust company shall be eligible under subsection (e) of Section 8.02 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Liability of Trustee.

(a) The recitals of facts in the Indenture and in the Series 2025 Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture, the Series 2025 Bonds or the Installment Sale Agreement, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated in the Indenture in connection with the respective duties or obligations of Trustee in the Indenture or in the Series 2025 Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Series 2025 Bonds. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence. The Trustee may become the Owner of Series 2025 Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Series 2025 Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Series 2025 Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made by a responsible officer, unless it is proved that the Trustee was grossly negligent in ascertaining the pertinent facts.

(c) The Trustee is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Series 2025 Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture or assigned to it under the Indenture.

(d) The Trustee is not liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default under the Indenture, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default under the Indenture unless and until it shall have actual knowledge thereof, or a corporate trust officer shall have received written notice thereof at its Office from the City, the Authority or the Owners of at least 25% in aggregate principal amount of the Outstanding Series 2025 Bonds. Except as otherwise expressly provided in the Indenture, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority or the City of any of the terms, conditions, covenants or agreements in the Indenture, under the Installment Sale Agreement or the Series 2025 Bonds or of any of the documents executed in connection with the Series 2025 Bonds, or as to the existence of a default or an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee is not responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain or inquire as to the performance or observance by the City or the Authority of the terms, conditions, covenants or agreements set forth in the Installment Sale Agreement, other than the covenants of the City to make Installment Payments to the Trustee when due and to file with the Trustee when due, such reports and certifications as the City is required to file with the Trustee thereunder.

(f) No provision of the Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers.

(g) The Trustee may execute any of the trusts or powers under the Indenture or perform any duties under the Indenture either directly or through agents, receivers or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, receiver or attorney appointed with due care by it under the Indenture.

(h) The Trustee has no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of the Series 2025 Bond Owners under

the Indenture, unless such Owners have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities (including but not limited to fees and expenses of its attorneys) which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee under the Indenture shall be construed to impose a duty to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of Section 8.02(a), this Section 8.04 and Section 8.05, and shall be applicable to the assignment of any rights to the Trustee under the Indenture.

(j) The Trustee is not accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the provisions of the Indenture.

(k) The Trustee makes no representation or warranty, expressed or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or the City of the Improvements. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Installment Sale Agreement or the Indenture for the existence, furnishing or use of the Improvements.

(l) The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Series 2025 Bonds.

(m) In no event shall the Trustee or an agent of the Trustee be responsible or liable for special, indirect, consequential, punitive or incidental loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee or an agent of the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(n) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under the Indenture arising out of or caused, directly or indirectly, by circumstances beyond its control, including without limitation, any act or provision of any present or future law or regulation or governmental authority; acts of God; earthquakes; fires; floods; wars; terrorism; civil or military disturbances; sabotage; epidemics; quarantine restrictions; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service; accidents; labor disputes; acts of civil or military authority or governmental actions; or the unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility.

(o) The Trustee shall have the right to accept and act upon instructions or directions, including funds transfer instructions, pursuant to the Indenture and the Financing Agreement sent by Electronic Notice; provided, however, that the Authority and the City and other parties as the case may be shall provide to the Trustee an incumbency certificate listing designated persons authorized to provide such instructions ("Authorized Officers"), which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Authority, City or other applicable parties elect to give the Trustee instructions by Electronic Notice and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Authority, City or other applicable parties agree that the Trustee cannot determine the identity of the actual sender of such instructions and that the Trustee shall conclusively presume that instructions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority, City or other applicable parties shall be responsible for ensuring that only Authorized Officers transmit such instructions to the Trustee, and the Authority, City or other applicable parties and the Authorized Officers are responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and authentication keys provided by the Trustee, if any. The Trustee shall not be liable for any losses, costs, or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction delivered by other means. The Authority, City or other applicable parties agree (i) to assume all risks arising out of the use of such Electronic Notice to submit instructions and direction to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting instructions to the Trustee and that there may be more secure methods of transmitting instructions than the use of Electronic Notice; (iii) that the security procedures (if any) to be followed in connection with its transmission of instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) that it will notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Amendments.

Amendments With the Owner's Consent. The Indenture and the rights and obligations of the Authority and of the Owners of the Series 2025 Bonds and of the Trustee may be modified or amended from time to time and at any time by Supplemental Indenture, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Series 2025 Bonds then Outstanding are filed with the Trustee. No such modification or amendment may (i) extend the fixed maturity of any Series 2025 Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Series 2025 Bond so affected, or (ii) reduce the aforesaid percentage of Series 2025 Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the Series 2025 Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Series 2025 Bonds then Outstanding. It is not necessary for the consent of the Series 2025 Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

Amendments Without Owner Consent. The Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Series 2025 Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Series 2025 Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Series 2025 Bonds, including, without limitation, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Series 2025 Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority;
- (ii) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the

interests of the Series 2025 Bond Owners, in the opinion of Bond Counsel filed with the Trustee;

- (iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or
- (iv) to modify, amend or supplement the Indenture in such manner as may be necessary or desirable to assure that the interest on the Series 2025 Bonds remains excluded from gross income under the Tax Code.

Limitation. The Trustee is not obligated to enter into any Supplemental Indenture authorized the Indenture which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Bond Counsel Opinion Requirement. Prior to the Trustee entering into any Supplemental Indenture under the Indenture, the Authority shall deliver to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Series 2025 Bonds.

Notice of Amendments. The Authority shall deliver or cause to be delivered a draft of any Supplemental Indenture to each rating agency which then maintains a rating on the Series 2025 Bonds, at least 10 days prior to the effective date of such Supplemental Indenture under the Indenture.

Defeasance.

Discharge of Indenture. Any or all of the Outstanding Series 2025 Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

- (a) by paying or causing to be paid the principal of and interest and premium (if any) on such Series 2025 Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem such Series 2025 Bonds; or

- (c) by delivering all of such Series 2025 Bonds to the Trustee for cancellation.

If the Authority also pays or causes to be paid all other sums payable under the Indenture by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any of such Series 2025 Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture with respect to such Series 2025 Bonds and all covenants, agreements and other obligations of the Authority under the Indenture with respect to such Series 2025 Bonds shall cease, terminate, become void and be completely discharged and satisfied, subject to the Indenture. In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Authority all moneys or securities or other property held by it under the Indenture which are not required for the payment or redemption of any of such Series 2025 Bonds not theretofore surrendered for such payment or redemption. The Trustee is entitled to conclusively rely on any such Written Certificate or Written Request and, in each case, is fully protected in relying thereon.

Discharge of Liability on Series 2025 Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Series 2025 Bonds (whether upon or prior to the maturity or the redemption date of such Series 2025 Bonds), provided that, if such Series 2025 Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Series 2025 Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture.

Notwithstanding anything to the contrary in the Indenture, in the event of defeasance of all Outstanding Series 2025 Bonds, such defeasance will not operate to discharge any of the following:

- (a) the obligation of the Trustee to transfer and exchange Series 2025 Bonds under the Indenture,
- (b) the obligation of the Authority to pay or cause to be paid to the Owners of such Series 2025 Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and

- (c) the obligations of the Authority to compensate and indemnify the Trustee under the Indenture.

The Authority may at any time surrender to the Trustee, for cancellation by Trustee, any Series 2025 Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Series 2025 Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Series 2025 Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established under the Indenture and shall be:

- (a) lawful money of the United States of America in an amount equal to the principal amount of such Series 2025 Bonds and all unpaid interest thereon to maturity, except that, in the case of Series 2025 Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Series 2025 Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or
- (b) non-callable Federal Securities, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal of and interest and premium (if any) on the Series 2025 Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of Series 2025 Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the Authority) to apply such money to the payment of such principal, interest and premium (if any) with respect to such Series 2025 Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Series 2025 Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above). The Trustee shall be entitled to

conclusively rely on such Written Request or opinion and shall be fully protected, in each case, in relying thereon.

Unclaimed Funds. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Series 2025 Bonds and remaining unclaimed for 2 years after the principal of all of the Series 2025 Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or 2 years after the date of deposit of such moneys if deposited after said date when all of the Series 2025 Bonds became due and payable, shall be repaid to the Authority free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however,* that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall (at the cost of the Authority) first mail to the Owners of Series 2025 Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Series 2025 Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

Limitation of Liability.

Liability of Authority Limited to Revenues. Notwithstanding anything in the Indenture or in the Bonds contained, the Authority is not required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Authority may, but is not required to, advance for any of the purposes of the Indenture any funds of the Authority which may be made available to it for such purposes.

Limitation of Rights to Parties and Series 2025 Bond Owners. Nothing in the Indenture or in the Series 2025 Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Series 2025 Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or in the Indenture contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City and the Owners of the Series 2025 Bonds.

Installment Sale Agreement

Definitions.

Unless the context clearly otherwise requires or unless otherwise defined in the Installment Sale Agreement, the capitalized terms in the Installment Sale Agreement have the respective meanings given such terms in the Installment Sale Agreement. Capitalized terms in the Installment Sale Agreement and not otherwise defined in the Installment Sale Agreement have the respective meanings given them in the Indenture.

"Additional Payments" means the amounts payable by the City under the Installment Sale Agreement.

"Charges" means fees, tolls, assessments, rates and charges prescribed by the Council for the services and facilities of the Solid Waste System furnished by the City to the residents of the City, and industrial and commercial entities located within the City.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Series 2025 Bonds or (except as otherwise referenced in the Installment Sale Agreement) as it may be amended to apply to obligations issued on the date of issuance of the Series 2025 Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Debt Service" means, during any period of computation, the amount obtained for such period by totaling the following amounts:

(i) the scheduled Installment Payments, except to the extent payable solely from any security deposit under the Installment Sale Agreement

(ii) the principal amount of all Parity Debt scheduled to be paid or redeemed by operation of mandatory sinking fund redemption payments in such period, except to the extent payable solely from a security deposit under the applicable Parity Debt Instrument; and

(iii) the interest which would be due during such period on the aggregate principal amount of all Parity Debt in such period if the Parity Debt is paid or redeemed as scheduled, except to the extent payable solely from a security deposit under the applicable Parity Debt Instrument.

"Event of Default" means any of the events specified in the Installment Sale Agreement.

"General Fund Administration" means annual overhead reimbursement transfers from the Solid Waste Management Fund to the City's General Fund, which are accounted for as General Fund Administration in the financial statements for the Solid Waste System.

"Gross Revenues" means, for any period of computation, all gross charges received for, and all other gross income and revenues derived by the City from, the ownership or operation of the Solid Waste System or otherwise arising from the Solid Waste System during such period, including but not limited to (a) all Charges received by the City for use of the Solid Waste System, and (b) all receipts derived from the investment of the Solid Waste Management Fund held by the City. In addition, for purposes of calculating Gross Revenues, (a) to the extent that the City appropriates Gross Revenues in a Fiscal Year into a rate stabilization reserve account for the Solid Waste System, a deduction will be made from Gross Revenues in the Fiscal Year during which the transfer occurred, and (b) to the extent that the City appropriates funds from a rate stabilization reserve account for the Solid Waste System into the Solid Waste Fund, the City may count the funds so transferred as Gross Revenues in the Fiscal Year in which the transfer occurs. Gross Revenues do not include Mountain Debt Service Payments or Participant Debt Service Payments.

"Independent Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the City, and who, or each of whom-

(a) is in fact independent and not under domination of the Authority or the City;

(b) does not have any substantial interest, direct or indirect, in the Authority or the City; and

(c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

"Independent Consultant" means any financial or engineering consultant (including without limitation any Independent Certified Public Accountant) with an established reputation in the field of municipal finance or firm of such consultants appointed and paid by the City, and who, or each of whom-

(a) is in fact independent and not under domination of the City;

(b) does not have any substantial identity of interest, direct or indirect, with the City; and

(c) is not and no member of which is connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or other audits of the books of or reports to the City.

"Installment Payment Date" means, with respect to any Interest Payment Date, the 5th Business Day immediately preceding such Interest Payment Date.

"Maintenance and Operation Costs" means (i) the reasonable and necessary costs spent or incurred by the City for maintaining and operating the Solid Waste System, calculated in accordance with sound accounting principles, and all reasonable and necessary expenses of management and repair and other expenses to maintain and preserve the Solid Waste System in good repair and working order, and including all Personnel Costs, insurance, taxes (if any), expenses, compensation and indemnification of the Trustee, and fees of auditors, accountants, attorneys or engineers, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of this Installment Sale Agreement or any Parity Debt Instrument and (ii) the Net SMaRT Station Payments; but *excluding* depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles or other bookkeeping entries of a similar nature, and General Fund Administration.

"Maximum Annual Debt Service" means, as of the date of any calculation, the maximum amount of Debt Service for the current or any future Fiscal Year.

"Memorandum of Understanding" means that certain New Memorandum of Understanding Among the Cities of Mountain View and Sunnyvale Relating to the Operation of a Materials Recovery and Transfer Station, dated December 22, 2021, as amended from time to time in accordance with its terms.

"Mountain View" means the City of Mountain View.

"Mountain View Debt Service Payments" means payments scheduled to be made by Mountain View to pay (i) the Installment Payments under the Memorandum of Understanding and (ii) Debt Service on any Parity Debt.

"Net Revenues" means for any period of computation, the amount of the Gross Revenues received from the Solid Waste System during such period, less the amount of Maintenance and Operation Costs of the Solid Waste System becoming payable during such period.

"Net SMaRT Station Payments" means (i) the reasonable and necessary costs spent or incurred by the City for maintaining and operating the SMaRT Station, calculated in accordance with sound accounting principles, and all reasonable and necessary expenses of management and repair and other expenses to maintain and

preserve the SMaRT Station in good repair and working order, *net* of (ii) SMaRT Station Revenues.

"Parity Debt" means all bonds, notes, leases, installment sale agreements or other obligations of the City payable from and secured by a pledge of and lien upon any of the Net Revenues issued or incurred pursuant to the Installment Sale Agreement.

"Parity Debt Instrument" means the resolution, trust indenture or installment sale agreement adopted, entered into or executed and delivered by the City, and under which Parity Debt is issued.

"Participant" means a public entity other than Mountain View whose inhabitants or customers are served by the SMaRT Station and agrees in a contract with the City to pay Debt Service on any Parity Debt.

"Participant Debt Service Payments" means payments scheduled to be made by a Participant to pay Debt Service on any Parity Debt.

"Personnel Costs" means the costs of salaries, wages and the necessary contribution to retirement of Solid Waste System employees.

"Series 2025 Bonds" has the meaning given that term in the Recitals.

"SMaRT Station" means the Sunnyvale Materials Recovery and Transfer (SMaRT) Station.

"SMaRT Station Fund" means the fund of that name established and maintained by the City.

"SMaRT Station Revenues" means all gross charges and revenues derived by Sunnyvale from the ownership or operation of the SMaRT Station, including operating payments made to the City under the Memorandum of Understanding, payments from other public entities and solid waste haulers whose inhabitants or customers are served by the SMaRT Station pursuant to contracts with the City, and payments from members of the general public. SMaRT Station Revenues do not include Mountain Debt Service Payments or Participant Debt Service Payments.

"Solid Waste Management Fund" means the fund of that name established and held by the City.

"Solid Waste System" means the existing solid waste refuse collection and disposal system of the City, exclusive of the SMaRT Station.

"Tax Regulations" means temporary and permanent regulations promulgated under the Code.

Acquisition, construction and installation of the Improvements.

The Authority hereby agrees with due diligence to supervise and provide for, or cause to be supervised and provided for, the acquisition, construction and installation of the Improvements in accordance with the plans and specifications, purchase orders, construction contracts and other documents relating thereto and approved by the City under all applicable requirements of law. All contracts for, and all work relating to, the acquisition, construction and installation of the Improvements are subject to all applicable provisions of law relating to the acquisition, construction and installation of public works by the City. The Authority expects that the Improvements will be completed on or before December 31, 2027. The failure of the Authority to complete the Improvements by that date does not constitute an Event of Default or a grounds for termination of the Indenture, nor does any such failure result in the diminution, abatement or extinguishment of the obligations of the City under the Installment Sale Agreement to pay the Installment Payments when due under the Installment Sale Agreement.

Installment Payments.

The City shall deposit the Installment Payment coming due and payable on any Interest Payment Date with the Trustee, as assignee of the Authority under the Indenture, on the related Installment Payment Date in an amount which, together with amounts then held by the Trustee in the Installment Payment Fund, is equal to the full amount of such Installment Payment. The Installment Payments are secured by the sources specified in the Installment Sale Agreement.

If the City prepays all remaining Installment Payments in full under the Installment Sale Agreement, the City's obligations under the Installment Sale Agreement will thereupon cease and terminate, including but not limited to the City's obligation to pay Installment Payments therefor under the Installment Sale Agreement; *provided, however,* that the City's obligations to compensate and indemnify the Trustee under will survive such prepayment. If the City prepays the Installment Payments in part but not in whole under the Installment Sale Agreement, the principal component of each succeeding Installment Payment will be reduced as provided in such Sections, and the interest component of each remaining Installment Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Series 2025 Bonds thereby redeemed under the applicable provisions of the Indenture.

If the City fails to make any of the payments required under the Installment Sale Agreement, the payment in default will continue as an obligation of the City until fully

paid, and the City agrees to pay the same with interest thereon at the rate of interest on the Series 2025 Bonds.

Certain rights of the Authority, including but not limited to the right of the Authority to receive payment of the Installment Payments, have been assigned by the Authority to the Trustee in trust under the Indenture, for the benefit of the Owners of the Series 2025 Bonds, and the City hereby consents to such assignment. The Authority hereby directs the City, and the City hereby agrees, to pay to the Trustee at its Trust Office, all payments payable by the City under the Installment Sale Agreement and all amounts payable by the City under Article VII.

Pledge of Net Revenues.

The City hereby transfers, places a charge upon, assigns and sets over to the Trustee, for the benefit of the Owners, that portion of the Net Revenues which is necessary to pay the Installment Payments in any Fiscal Year, and such portion of the Net Revenues is hereby irrevocably pledged to the punctual payment of the Installment Payments. The Net Revenues constitute a trust fund for the security and payment of the Installment Payments. The Net Revenues shall not be used for any other purpose while any of the Series 2025 Bonds remain Outstanding, except that out of Net Revenues there may be apportioned and paid such sums for such purposes, as are expressly permitted by this Article.

The pledge of Net Revenues shall constitute a first, direct and exclusive charge and lien on the Net Revenues for the payment of the Installment Payments in accordance with the terms of the Installment Sale Agreement, on a parity basis with Parity Debt issued in accordance with the Installment Sale Agreement.

The general fund of the City is not liable and the credit or taxing power of the City is not pledged for the payment of the Installment Payments. The Installment Payments are not a debt of the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of its property, or upon any of its income, receipts, or revenues except the Net Revenues.

Receipt, Deposit and Application of Revenues.

(a) The City covenants and agrees that all SMaRT Station Revenues, Mountain View Debt Service Payments and Participant Debt Service Payments, when and as received, will be deposited by the City in the SMaRT Station Fund, and the City shall apply such funds in accordance with the Memorandum of Understanding or other applicable contracts entered into by the City. The City shall account for all such amounts separately and apart from all other money, funds, accounts or other resources of the City.

The City will transfer the Mountain View Debt Service Payments to the Solid Waste Management Fund no later than 45 days prior to each Installment Payment Date (or such later date that the Mountain View Debt Service Payments are received from Mountain View).

(b) The City covenants and agrees that all Gross Revenues, when and as received, will be deposited by the City in the Solid Waste Management Fund, and will be accounted for and held in trust in the Solid Waste Management Fund. The City shall account for the Gross Revenues separately and apart from all other money, funds, accounts or other resources of the City.

(c) The City will apply amounts on deposit in the Solid Waste Management Fund to pay when due the following amounts in the following order of priority:

(i) all Maintenance and Operation Costs;

(ii) the Installment Payments and all Debt Service on any Parity Debt, except to the extent that any such Installment Payments or Parity Debt may be paid with Mountain View Debt Service Payments or Participant Debt Service Payments;

(iii) amounts required to remedy any deficiency in any reserve fund established for Parity Debt;

(iv) any other payments required to comply with the provisions of the Installment Sale Agreement and any Parity Debt Documents, including the Additional Payments; and

(v) any other lawful purposes of the Gross Revenues, including (A) the payment of any subordinate obligations or any unsecured obligations, (B) the acquisition and construction of improvements to the Solid Waste System or the SMaRT Station, (C) the prepayment of any obligations of the City relating to the Solid Waste System, (D) the administrative costs of the City attributable to the Solid Waste System, including General Fund Administration, and (E) deposits into a rate stabilization reserve account for the Solid Waste System or the SMaRT Station.

(d) Payment of the Installment Payments and the Debt Service on any Parity Debt will be made from Net Revenues without preference or priority among the Installment Payments and such Parity Debt. If the amount of Net Revenues is at any time insufficient to enable the City to pay when due the Installment Payments and the Debt Service on any Parity Debt, such payments will be made from Net Revenues on a pro rata basis based on the scheduled payment, without taking into account Mountain View Debt

Service Payments, Participant Debt Service Payments or amounts in a debt service reserve account.

Special Obligation of the City; Obligations Absolute.

The City's obligation to pay the Installment Payments and any other amounts coming due and payable under the Installment Sale Agreement is a special obligation of the City limited solely to the Net Revenues and other sources specifically identified in the Installment Sale Agreement for the payment of the Installment Payments and such other amounts. Under no circumstances is the City required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified in the Installment Sale Agreement for the payment of the Installment Payments and such other amounts. No other funds or property of the City are liable for the payment of the Installment Payments and any other amounts coming due and payable under the Installment Sale Agreement.

The obligations of the City to pay the Installment Payments from the Net Revenues and to perform and observe the other agreements contained in the Installment Sale Agreement are absolute and unconditional and are not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the City or otherwise with respect to the Solid Waste System, whether under the Installment Sale Agreement or otherwise, or out of indebtedness or liability at any time owing to the City by the Authority or the Trustee. Until all of the Installment Payments, all of the Additional Payments and all other amounts coming due and payable under the Installment Sale Agreement are fully paid or prepaid, the City (a) will not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts, (b) will perform and observe all other agreements contained in the Installment Sale Agreement, and (c) will not terminate the Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Solid Waste System, failure to complete the acquisition, construction and installation of the Improvements by the estimated completion date thereof, sale of the Solid Waste System, the taking by eminent domain of title to or temporary use of any component of the Solid Waste System, commercial frustration of purpose, any change in the tax or law other laws of the United States of America or the State of California or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or the Installment Sale Agreement.

The foregoing provisions do not release the Authority from the performance of any of the agreements on its part contained in the Installment Sale Agreement or in the Indenture, and if the Authority fails to perform any such agreements, the City may institute such action against the Authority as the City deems necessary to compel

performance, so long as such action does not abrogate the obligations of the City contained in the preceding paragraph. The City may, however, at its cost and expense and in its name or in the name of the Authority, prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect the City's rights under the Installment Sale Agreement, and in such event the Authority shall cooperate fully with the City and shall take such action necessary to effect the substitution of the City for the Authority in such action or proceeding if the City may request.

Additional Payments.

In addition to the Installment Payments, the City shall pay when due the following amounts to the following parties:

- (a) to the Authority, all costs and expenses incurred by the Authority to comply with the provisions of the Installment Sale Agreement and the Indenture; and
- (b) to the Trustee upon request therefor, all of its costs and expenses payable as a result of the performance of and compliance with its duties under the Installment Sale Agreement or under the Indenture or any related documents;
- (c) to the Authority and the Trustee, all amounts required to indemnify the Authority and the Trustee under the Indenture;
- (d) all costs and expenses of auditors, engineers and accountants for professional relating to the Solid Waste System or the Series 2025 Bonds; and
- (e) all excess investment earnings payable under the Installment Sale Agreement.

The Additional Payments are payable from, but are not secured by a pledge or lien upon, the Net Revenues. The rights of the Trustee and the Authority, and the obligations of the City, related to Additional Payments shall survive the termination of the Installment Sale Agreement.

Covenants of the City.

Sale or Eminent Domain of Solid Waste System

- (a) Except as provided in the Installment Sale Agreement, the City covenants that the Solid Waste System will not be encumbered, sold, leased, pledged, any charge

placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the City to pay the Installment Payments or the Debt Service on any Parity Debt, or would materially adversely affect its ability to comply with the terms of the the Installment Sale Agreement or any Parity Debt Instrument. The City may not enter into any agreement which impairs the operation of the Solid Waste System or any part of it necessary to secure adequate Net Revenues to pay the Installment Payments or the Debt Service any Parity Debt, or which otherwise would impair the rights of the Bond Owners or the Trustee with respect to the Net Revenues. If any substantial part of the Solid Waste System is sold, the payment therefor must either applied by the City in a manner that, in the opinion of Bond Counsel, will not adversely impact the tax-exempt status of the interest on the Series 2025 Bonds.

(b) If all or any part of the Solid Waste System shall be taken by eminent domain proceedings, any amounts received as awards shall be deposited in an Insurance and Condemnation Fund established and held by the City and applied as follows:

(i) If the City has determined that it needs to use the award to make additions, betterments, extensions or improvements to the Solid Waste System in order for the City to comply with the Installment Sale Agreement, the City shall use such award to make such additions, betterments, extensions or improvements. If the amount of such award shall exceed the costs of such additions, betterments, extensions or improvements that are required for the City to comply with the Installment Sale Agreement, the excess shall be applied to any lawful purpose of the Solid Waste System, including (A) the payment of Installment Payments and Debt Service on any Parity Debt, (B) the prepayment or discharge of Installment Payments and Debt Service on any Parity Debt and (C) the payment of capital costs of improvements to the Solid Waste System or the SMaRT Station.

(ii) If the City has determined that it does not need to use the award to make additions, betterments, extensions or improvements to the Solid Waste System in order for the City to comply with the Installment Sale Agreement, the City shall use such award for any lawful purpose of the Solid Waste System, including (A) the payment of Installment Payments and Debt Service on any Parity Debt, (B) the prepayment or discharge of Installment Payments and Debt Service on any Parity Debt and (C) the payment of capital costs of improvements to the Solid Waste System or the SMaRT Station.

(iii) Notwithstanding the foregoing, to the extent the award relates to improvements financed by the Series 2025 Bonds, until such time as the Series 2025 Bonds have been redeemed or paid at maturity, (A) any use of such related award shall comply with the Installment Sale Agreement, (B) such related award may not pay Debt Service on or prepay, discharge or redeem any Parity Debt, (C) if such related award will be used to pay Debt Service on or prepay, discharge or

redeem the Installment Payments and the Series 2025 Bonds, they cannot be invested at a yield that is greater than the arbitrage yield of the Series 2025 Bonds and (D) if the Series 2025 Bonds are refunded by tax-exempt refunding bonds ("Refunding Bonds"), such related award in the Insurance and Condemnation Fund shall be transferred to an insurance and condemnation fund established for the Refunding Bonds and used for purposes not inconsistent with 5.12 of the Installment Sale Agreement.

Insurance.

(a) The City shall at all times maintain with responsible insurers all such insurance on the Solid Waste System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Solid Waste System.

(b) All amounts collected from insurance against accident to or destruction of any portion of the Solid Waste System shall be deposited in an Insurance and Condemnation Fund established and held by the City and applied as follows:

(i) If the City has determined that it needs to use the insurance proceeds to make additions, betterments, extensions or improvements to the Solid Waste System in order for the City to comply with the Installment Sale Agreement, the City shall use such insurance proceeds to make such additions, betterments, extensions or improvements. If the amount of such insurance proceeds shall exceed the costs of such additions, betterments, extensions or improvements that are required for the City to comply with the Installment Sale Agreement, the excess shall be applied to any lawful purpose of the Solid Waste System, including (A) the payment of Installment Payments and Debt Service on any Parity Debt, (B) the prepayment or discharge of Installment Payments and Debt Service on any Parity Debt and (C) the payment of capital costs of improvements to the Solid Waste System or the SMaRT Station.

(ii) If the City has determined that it does not need to use the insurance proceeds to make additions, betterments, extensions or improvements to the Solid Waste System in order for the City to comply with the Installment Sale Agreement, the City shall use such award for any lawful purpose of the Solid Waste System, including (i) the payment of Installment Payments and Debt Service on any Parity Debt, (ii) the prepayment or discharge of Installment Payments and Debt Service on any Parity Debt and (iii) the payment of capital costs of improvements to the Solid Waste System or the SMaRT Station.

(iii) Notwithstanding the foregoing, to the extent the insurance proceeds relate to improvements financed by the Bonds, until such time as the Bonds have been redeemed or paid at maturity, (A) any use of such related

insurance proceeds shall comply with the Installment Sale Agreement, (B) such related insurance proceeds may not pay Debt Service on or prepay, discharge or redeem any Parity Debt, (C) if such related insurance proceeds will be used to pay Debt Service on or prepay, discharge or redeem the Installment Payments and the Series 2025 Bonds, they cannot be invested at a yield that is greater than the arbitrage yield of the Series 2025 Bonds and (iv) if the Series 2025 Bonds are refunded by tax-exempt refunding bonds ("Refunding Bonds"), such related insurance proceeds in the Insurance and Condemnation Fund shall be transferred to an insurance and condemnation fund established for the Refunding Bonds and used for purposes not inconsistent with the Installment Sale Agreement.

(c) The City will also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Authority, the Trustee and the Owners of the Series 2025 Bonds.

(d) Any policy of insurance required under the Installment Sale Agreement may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance.

Records and Accounts. The City shall keep proper books of record and accounts of the Solid Waste System in which complete and correct entries are made of all transactions relating to the Solid Waste System. Said books shall, upon prior request, be subject to the reasonable inspection of the Owners of not less than 10% of the Outstanding Series 2025 Bonds, or their representatives authorized in writing, upon not less than 2 Business Days' prior notice to the City.

The City shall cause the books and accounts of the Solid Waste System to be audited annually by an Independent Accountant not more than nine months after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Bond Owners at the office of the City and at the Trust Office of the Trustee. Such report may be part of a combined financial audit or report covering all or part of the City's finances.

Enforcement of Memorandum of Understanding. The City shall take all steps necessary to comply with, and to enforce the obligations of Mountain View under, the Memorandum of Understanding

Rates and Charges.

(a) Gross Revenues Sum Sufficiency Rate Covenant. The City shall fix, prescribe, revise and collect Charges for the Solid Waste System during each Fiscal Year which are

at least sufficient to produce Gross Revenues (including any transfers from a rate stabilization reserve account into the Solid Waste Management Fund) which, together with Mountain View Debt Service Payments and Participant Debt Service Payments, are sufficient to pay one hundred percent (100%) of the following amounts in the following order:

(i) all Maintenance and Operation Costs estimated by the City to become due and payable in such Fiscal Year;

(ii) the Installment Payments and any Debt Service on Parity Debt to become due and payable in such Fiscal Year

(iii) all other payments required for compliance with this Installment Sale Agreement and any Parity Debt Instruments; and

(iv) all payments required to meet any other obligations of the City which are charges, liens, or encumbrances upon or payable from the Gross Revenues.

(b) Net Revenues Rate Covenant. The City shall fix, prescribe, revise and collect Charges for the Solid Waste System during each Fiscal Year which are sufficient to yield Net Revenues based on Maintenance and Operation Costs estimated by the City to become due and payable in such Fiscal Year (including any transfers from a rate stabilization reserve account into the Solid Waste Management Fund) which, together with Mountain View Debt Service Payments and Participant Debt Service Payments, are at least equal to one hundred twenty percent (120%) of the Installment Payments and the Debt Service on any Parity Debt to become due and payable in such Fiscal Year.

Superior and Subordinate Obligations. The City may not issue or incur any additional bonds or other obligations during the Term of the Installment Sale Agreement having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments. Nothing in the Installment Sale Agreement limits or affects the ability of the City to pay Maintenance and Operation Costs, or to issue or incur (a) Parity Debt under the Installment Sale Agreement or (b) obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established under the Installment Sale Agreement.

Issuance of Parity. In addition to the Installment Payments, the City may, by Parity Debt Instrument, issue or incur Parity Debt payable from Net Revenues to provide financing for the Solid Waste System or the SMaRT Station, in such principal amount as shall be determined by the City.

The City may issue or incur any such Parity Debt subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Parity Debt:

(a) The City shall be in compliance with all covenants set forth in this Installment Sale Agreement.

(b) The Net Revenues (excluding any transfers from a rate stabilization reserve account to the Solid Waste Management Fund), calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any twelve (12) month period selected by the City occurring during the 18 months prior to the approval by the City Council of the Parity Debt Instrument pursuant to which such Parity Debt is incurred, as shown by the books of the City, *plus*, at the option of the City, any or all of the items described in clauses (i) and (ii) of this paragraph, shall at least equal one hundred twenty percent (120%) of the result of the following equation: Maximum Annual Debt Service immediately subsequent to the issuance of such Parity Debt *minus* the Mountain View Debt Service Payments and Participant Debt Service Payments for the Fiscal Year in which the Maximum Annual Debt Service occurs. For purposes of calculating Net Revenues to demonstrate compliance with the preceding sentence, any or all of the following items may be added to Net Revenues:

(i) An allowance for Net Revenues from any additions to or improvements or extensions of the Solid Waste System to be made with the proceeds of such Parity Debt, and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of such Fiscal Year or such twelve (12) month period, were not in service, all in an amount equal to ninety percent (90%) of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first thirty-six (36) month period in which each addition, improvement or extension is respectively to be in operation, all as shown in the written report of an Independent Consultant engaged by the City; and

(ii) An allowance for earnings arising from any increase in the Charges which has become effective prior to the incurring of such additional indebtedness but which, during all or any part of such Fiscal Year or such twelve (12) month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in Charges had been in effect during the whole of such Fiscal Year or such twelve (12) month period, all as shown in the written report of an Independent Consultant engaged by the City.

(c) The Parity Debt Instrument providing for the issuance of such Parity Debt under the Installment Sale Agreement shall provide that:

(i) The proceeds of such Parity Debt shall be applied to the acquisition, construction, improvement, financing or refinancing of facilities, equipment or improvements of the Solid Waste System or the SMaRT Station, or otherwise for facilities, improvements or property which the City determines are of benefit to the Solid Waste System or the SMaRT Station, or for the purpose of refunding the Installment Payments or any Parity Debt in whole or in part, including all costs (including costs of issuing such Parity Debt, capitalized interest on such Parity Debt during any period which the City deems necessary or advisable, and a reserve account for such Parity Debt) relating thereto;

(ii) Interest on such Parity Debt shall be payable on an Interest Payment Date; and

(iii) The principal of such Parity Debt shall be payable on November 1 in any year in which principal is payable.

(d) The City will deliver to the Trustee a Written Certificate of the City certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a), (b) and (c) have been satisfied.

(e) For purposes of illustration but not limitation, Parity Debt secured by a pledge of Net Revenues on a parity basis with the Installment Payments could be issued in the following forms:

(i) the City could enter into an installment payment agreement to finance improvements to the SMaRT Station secured by a pledge of Net Revenues and additional payments made by Mountain View under the Memorandum of Understanding;

(ii) the City could enter into an installment payment agreement to finance improvements to the SMaRT Station secured by a pledge of Net Revenues and additional payments made by Mountain View under a different agreement with the City;

(iii) the City could enter into an installment payment agreement to finance improvements to the SMaRT Station secured by a pledge of Net Revenues and Participant Debt Service Payments;

(iv) the City could enter into an installment payment agreement to finance improvements to the Solid Waste System or the SMaRT Station secured by a pledge of Net Revenues only.

Net Revenues will be applied to pay the Installment Payments and Debt Service on any Parity Debt in accordance with the Installment Sale Agreement.

Operation of Solid Waste System in Efficient and Economical Manner. The City covenants and agrees to operate the Solid Waste System and the SMaRT Station in an efficient and economical manner and to operate, maintain and preserve the Solid Waste System and the SMaRT Station in good repair and working order.

Assignment and Amendment of the Indenture. The Authority and the City may at any time amend or modify any of the provisions of the Installment Sale Agreement, but only: (a) with the prior written consents of the Owners of a majority in aggregate principal amount of the Outstanding Series 2025 Bonds; or (b) without the consent of the Trustee or any of the Owners of the Series 2025 Bonds, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City contained in the Installment Sale Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power in the Installment Sale Agreement reserved to or conferred upon the City;
- (ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Installment Sale Agreement, to conform to the original intention of the City and the Authority;
- (iii) to modify, amend or supplement the Installment Sale Agreement in such manner as to assure that the interest on the Series 2025 Bonds remains excluded from gross income under the Code;
- (iv) in any other respect whatsoever as the Authority and the City deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Series 2025 Bonds.

No such modification or amendment may (a) extend or have the effect of extending any Installment Payment Date or reducing any Installment Payment, without the express consent of the Owners of the affected Series 2025 Bonds, or (b) modify any of the rights or obligations of the Trustee without its written assent thereto.

Tax Covenants.

a) Private Activity Bond Limitation. The City shall assure that the proceeds of the Series 2025 Bonds are not used in a manner such that the Series 2025 Bonds will satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

b) Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Series 2025 Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

c) Rebate Requirement. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Series 2025 Bonds.

d) No Arbitrage. The City shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Series 2025 Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Series 2025 Bonds would have caused the Series 2025 Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

e) Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Series 2025 Bonds from the gross income of the owners of the Series 2025 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Series 2025 Bonds.

f) Record Retention. The City will retain its records of all accounting and monitoring it carries out with respect to the Series 2025 Bonds for at least three years after the Series 2025 Bonds mature or are redeemed (whichever is earlier); however, if the Series 2025 Bonds are redeemed and refunded, the City will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

g) Compliance with Tax Certificates. The City will comply with the provisions of the Certificate as Arbitrage and the Certificate Regarding Use of Proceeds with respect to the Series 2025 Bonds, which are incorporated in the Installment Sale Agreement as if fully set forth in the Installment Sale Agreement. The tax covenants will survive payment in full or defeasance of the Series 2025 Bonds.

Rate Stabilization Reserve Accounts. The City has the right at any time to establish one or more rate stabilization reserve accounts to be held by it and administered in accordance with the Installment Sale Agreement, for the purpose of stabilizing the rates and charges imposed by the City with respect to the Solid Waste System. From time to time the City may deposit amounts in such rate stabilization reserve accounts, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Installment Payments and any Parity Debt, as the City may determine.

The City may, but is not be required to, withdraw amounts on deposit in such rate stabilization reserve accounts and deposit such amounts in the Solid Waste Management Fund in any Fiscal Year for the purpose of paying the Maintenance and Operation Costs, the Installment Payments or the principal of and interest on any Parity Debt coming due and payable in such Fiscal Year. Amounts so transferred from such rate stabilization reserve accounts to the Solid Waste Management Fund in any Fiscal Year constitute Gross Revenues for that Fiscal Year, and will be applied for the purposes of the Solid Waste Management Fund. Amounts on deposit in such rate stabilization reserve accounts are not pledged to and do not secure the Installment Payments or any Parity Debt. All interest or other earnings on deposits in such rate stabilization reserve accounts will be retained therein or, at the option of the City, be applied for any other lawful purposes. The City has the right at any time to withdraw any or all amounts on deposit in such rate stabilization reserve accounts and apply such amounts for any other lawful purposes of the City.

Events of Default; Remedies.

Events of Default. The following events constitute Events of Default under the Installment Sale Agreement:

- (a) Failure by the City to pay any Installment Payment when due and payable under the Installment Sale Agreement.
- (b) Failure by the City to pay any Additional Payment when due and payable under the Installment Sale Agreement, and the continuation of such failure for a period of 30 days.
- (c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee; *provided, however,* that if the City notifies the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 30-day period, such failure will

not constitute an event of default under the Installment Sale Agreement if the City commences to cure such failure within such 30 day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

- (d) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.
- (e) The occurrence of any event of default under and as defined in any Parity Debt Instrument.
- (f) Any representation or warranty made, or financial statement, certificate or other document provided by the City shall prove to have been false or misleading in any material respect.
- (g) The Installment Sale Agreement, the Series 2025 Bonds or the Indenture shall, for any reason, cease to be valid and binding on the parties thereto, or shall be declared null and void, or the validity or enforceability thereof shall be contested by any of the parties thereto.

Remedies on Default. If an Event of Default occurs and is continuing, the Trustee as assignee of the Authority has the right, at its option and without any further demand or notice, to take any one or more of the following actions:

- (a) Declare all principal components of the unpaid Installment Payments, together with accrued interest thereon from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable.

The Trustee shall rescind and annul such declaration and its consequences if, before any judgment or decree for the payment of the moneys due has been obtained or entered, (i) the City deposits with the Trustee a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment

Payments, with interest on such overdue principal and interest components, and (ii) the City pays the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and (iii) any and all other defaults known to the Trustee (other than in the payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) have been made good. No such rescission and annulment will extend to or shall affect any subsequent default, or impair or exhaust any right or power consequent thereon.

- (b) Take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of the Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under the Installment Sale Agreement.
- (c) As a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Bond Owners under the Installment Sale Agreement, cause the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged under the Installment Sale Agreement, with such powers as the court making such appointment may confer.

No Remedy Exclusive. No remedy in the Installment Sale Agreement conferred upon or reserved to the Authority is intended to be exclusive. Every such remedy is cumulative and in addition to every other remedy given under the Installment Sale Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default impairs any such right or power or operates as a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article VI, it is not necessary to give any notice, other than such notice as may be required in this Article VI or by law.

Trustee and Bond Owners to Exercise Rights. Such rights and remedies as are given to the Authority under this Article VI have been assigned by the Authority to the Trustee under the Indenture, to which assignment the City hereby consents. Such rights and remedies will be exercised by the Trustee and the Owners of the Series 2025 Bonds as provided in the Indenture.

Prepayment of Installment Payments.

Security Deposit. Notwithstanding any other provision hereof, the City may on any date secure the payment of Installment Payments, in whole or in part, by irrevocably depositing with the Trustee an amount of cash which, together with other available amounts, is either:

- (a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, when due under the Installment Sale Agreement, or
- (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an Independent Accountant (which opinion is addressed and delivered to the Trustee), together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Installment Payments when due under the Installment Sale Agreement or when due on any optional prepayment date under the Installment Sale Agreement, as the City instructs at the time of said deposit.

If the City makes a security deposit under this Section for the payment of all remaining Installment Payments, all obligations of the City under the Installment Sale Agreement, and the pledge of Net Revenues and all other security provided by the Installment Sale Agreement for said obligations, will thereupon cease and terminate, excepting only the obligation of the City to make, or cause to be made, all Installment Payments from the security deposit. The security deposit will be deemed to be and will constitute a special fund for the payment of the Installment Payments in accordance with the provisions hereof.

Optional Prepayment. The City may exercise its option to prepay the principal components of the Installment Payments in whole or in part on any date on or after the optional redemption date specified in the Indenture. The City may exercise such option by payment of a prepayment price equal to the sum of (a) the aggregate principal components of the Installment Payments to be prepaid, and (b) the interest component of the Installment Payment required to be paid on or accrued to such date. The Trustee shall deposit the prepayment price in the Installment Payment Fund to be applied to the redemption of Series 2025 Bonds under the optional redemption provisions of the Indenture. If the City prepays the Installment Payments in part but not in whole, the principal components will be prepaid among such maturities and in such integral multiples of \$5,000 as the City designates in written notice to the Trustee.

Credit for Amounts on Deposit. If the City prepays the Installment Payments in full under this Article VII, such that the Indenture is discharged by its terms as a result of the prepayment, and upon payment in full of all Additional Payments and other amounts

then due and payable under the Installment Sale Agreement, all available amounts then on deposit in the funds and accounts established under the Indenture will be credited towards the amounts then required to be so prepaid.

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

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November __, 2025

Sunnyvale Financing Authority
456 W Olive Ave.
Sunnyvale, CA 94086

OPINION: Sunnyvale Financing Authority Solid Waste Revenue Bonds, Series 2025

Members of the Board:

We have acted as bond counsel to the City of Sunnyvale (the "City") in connection with the issuance by the Sunnyvale Financing Authority (the "Authority") of the revenue bonds captioned above, dated the date hereof (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, opinions and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Bond Law"), the Indenture of Trust, dated as of November 1, 2025 (the "Indenture"), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), and a resolution (the "Resolution") of the Board of Directors of the Authority adopted on October 21, 2025.

Under the Indenture, the Authority has pledged certain revenues (the "Revenues") for the payment of principal, premium (if any), and interest on the Bonds when due, including installment payments made by the City under an Installment Sale Agreement dated as of November 1, 2025 (the "Installment Sale Agreement") between the Authority and the City.

Regarding questions of fact material to our opinion, we have relied on representations of the Authority contained in the Indenture and the City contained in the Installment Sale Agreement, and on the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation. Regarding certain questions of law material to our opinion, we have assumed the correctness of certain legal conclusions contained in the written opinions of the general counsel to the City, and others, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Authority is a duly created and validly existing joint exercise of powers authority with the power to adopt the Resolution, enter into the Indenture and the Installment Sale Agreement, perform the agreements on its part contained therein, and issue the Bonds.

2. The City is a duly created and validly existing municipal corporation and charter city with the power to enter into the Installment Sale Agreement and perform the agreements on its part contained therein.

3. The Indenture has been duly authorized, executed and delivered by the Authority, and constitutes a valid and binding obligation of the Authority, enforceable against the Authority.

4. The Installment Sale Agreement has been duly authorized, executed and delivered by the Authority and the City, and constitutes a valid and binding obligation of the Authority and the City, enforceable against the Authority and the City.

5. The Indenture creates a valid lien on the Revenues and other funds pledged by the Indenture for the security of the Bonds, on a parity with other bonds (if any) issued or to be issued in accordance with the Indenture.

6. The Installment Sale Agreement creates a valid lien on the revenues and other funds pledged by the Installment Sale Agreement for the security of the Installment Payments, on a parity with other obligations (if any) issued or to be issued in accordance with the Installment Sale Agreement.

7. The Bonds have been duly authorized and executed by the Authority, and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Indenture.

8. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It should be noted however that interest on the Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the City have made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

9. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or any court; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions, and any assumptions expressed herein, and in reliance upon the representations, and covenants referenced above. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
SUNNYVALE FINANCING AUTHORITY
SOLID WASTE REVENUE BONDS, SERIES 2025

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Sunnyvale (the “City”), on behalf of the Sunnyvale Financing Authority (the “Authority”) and itself, in connection with the issuance by the Authority of the bonds captioned above (the “Bonds”). The Bonds are being issued under an Indenture of Trust dated as of November 1, 2025 (the “Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City on behalf of itself and the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means April 1 of each year.

“*Dissemination Agent*” means Digital Assurance Certification LLC or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement, executed by the Authority and the City in connection with the issuance of the Bonds.

“Participating Underwriter” means Stifel, Nicholas & Company, Incorporated, as the initial purchaser of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2026, with the report for the 2024-25 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) a notice to the MSRB in a timely manner, in an electronic format as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the City, which shall include financial statements of the City’s Solid Waste System (the “Solid Waste System”) and the City’s Solid Waste Materials Recovery and Transfer Station (the “SMaRT Station”), prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official

Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the Report Date, financial information and operating data with respect to the City, the Solid Waste System and the SMaRT Station for the preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the Official Statement, updated to include information for the Fiscal Year covered by the respective Annual Report:

- (i) Table 1, SmaRT Station, Historical Inbound Waste Flows;
- (ii) Table 2, SMaRT Station, Historical Revenues and Expenses; and
- (iii) Table 11, Solid Waste System, Revenues and Expenses and Debt Service Coverage (including debt service coverage on the Bonds and any Parity Debt outstanding during the applicable Fiscal Year).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
- (7) Modifications to rights of security holders, if material.

- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes (without any obligation to provide any notices of changes in the outlook assigned to or associated with any rating).
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (13) The consummation of a merger, consolidation, or acquisition involving the City, or the sale of all or substantially all of the assets of the City (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional Trustee or the change of name of the Trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 Business Days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Upon occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the the MSRB consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Digital Assurance Certification LLC. Any Dissemination Agent may resign by providing 30 days’ written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer:	Sunnyvale Financing Authority c/o City of Sunnyvale 456 W. Olive Avenue Sunnyvale, California 94086
To the Dissemination Agent	Digital Assurance Certification LLC 315 East Robinson Street Suite 300 Orlando, Florida 32801 Attention: Mary Wyatt Telephone: (407) 515-1100

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

[Signature Page Follows]

Date: _____, 2025

CITY OF SUNNYVALE

By: _____
City Manager

AGREED AND ACCEPTED:
DIGITAL ASSURANCE CERTIFICATION LLC
as Dissemination Agent

By: _____
Title: _____

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, the issuer of the Bonds (the "Issuer") makes no representations concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC and its Participants. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a

custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Book-Entry Only System. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Discontinuance of DTC Services. In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the Issuer determines that DTC will no longer so act and delivers a written certificate to the Trustee to that effect, then the Issuer will discontinue the Book-Entry Only System with DTC for the Bonds. If the Issuer determines to replace DTC with another qualified securities depository, the Issuer will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Indenture. If the Issuer fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds will no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but will be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds designates.

If the Book-Entry Only System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) principal of, and redemption premiums, if any, on, the Bonds will be payable upon surrender thereof at the corporate trust office of the Trustee, (iii) interest on the Bonds will be payable by check mailed by first-class mail or, upon the written request of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds received by the Trustee on or prior to the 15th day of the calendar month immediately preceding the interest payment date, by wire transfer in immediately available funds to an account with a financial institution within the continental United States of America designated by such Owner, and (iv) the Bonds will be transferable and exchangeable as provided in the Indenture.

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Sunnyvale



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