



Agenda Report

22-1266

Agenda Date: 12/6/2022

REPORT TO COUNCIL

SUBJECT

Action on the City of Santa Clara Audited Annual Comprehensive Financial Report (ACFR) and Audited Silicon Valley Power (SVP) Financial Statements for Fiscal Year Ended June 30, 2022, as Recommended by the Audit Committee

COUNCIL PILLARS

Enhance Community Engagement and Transparency
Promote Sustainability and Environmental Protection

BACKGROUND

On November 30, 2022, the Audit Committee took action to accept the City of Santa Clara Audited Annual Comprehensive Financial Report and Silicon Valley Power Financial Statements for Fiscal Year Ended June 30, 2022 and referred the reports to the City Council to be noted and filed at a meeting in December 2022.

The annual financial audit is a City Charter requirement per Section 1319. The ACFR presents the audited financial information of the City in accordance with Generally Accepted Accounting Principles (GAAP) applicable to governments and provides the City Council valuable information for financial oversight, as well as providing information to creditors and the residents of Santa Clara.

The separate audited annual financial report for SVP is presented to make available additional information and disclosure relevant to the electric industry. The unmodified opinions from the auditor enhance the reputation of the Utility, and its adherence to GAAP applicable to governmental entities.

DISCUSSION

The annual financial audit of the City was recently completed and the City's external auditor, Maze & Associates, issued an unmodified ("clean") opinion on the City's Annual Comprehensive Financial Report (ACFR) for fiscal year ended June 30, 2022. The ACFR includes an extensive discussion and presentation of the financial data of the City and its related agencies in accordance with GAAP applicable to governmental entities. The ACFR also includes selected multi-year statistical information about the City. In addition, the City issued a separate, audited comparative financial statement report for SVP for fiscal year ended June 30, 2022.

City Finance staff prepares the financial statements and Maze & Associates audits the financial information contained within. Part of the audit is to determine whether City staff have the appropriate skills, knowledge, and expertise to prepare the ACFR in accordance with GAAP and other reporting requirements. Based on Maze and Associates' determination, the City's Finance staff has the necessary skills, knowledge, and expertise to compile high quality reports.

Overall, the City's financial condition was solid at the end of the fiscal year despite the COVID-19 impacts in fiscal year 2021-22. Key financial highlights for fiscal year June 30, 2022 are as follows:

- The assets of the City, as a whole, exceeded its liabilities by \$2.2 billion in fiscal year 2021-22.
- The City's total net position increased by \$198 million and primarily includes a \$48 million increase in the governmental activities and a \$150 million increase in business activities.
- At the close of fiscal year 2021-22, the General Fund had assets of \$334 million and a fund balance of \$141 million. This represents a decrease in fund balance of \$37 million, or 20.8% from the prior fiscal year. The decrease was mainly due to a fund recategorization for the building permit related activities. The building related development fund balance of \$29 million was reclassified to the development service fee fund in Special Revenue Fund category.
- The City's total outstanding long-term debt decreased by \$33 million during the current fiscal year primarily due to the repayment of Stadium Authority debt.
- The City's total net pension liability, which includes governmental activities and business-type activities, decreased by \$151 million to \$448 million at June 30, 2022. The changes were mainly due to the increase in investment earnings from the California Public Employees Retirement System (CalPERS). The City is a member of the CalPERS, which is a public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

City staff and Maze & Associates met with the City Council Audit Committee on November 30, 2022. Present were Committee members Watanabe, Jain and Park. During the Committee meeting, Maze & Associates gave a presentation about the audit process and scope of work, as well as the auditor's opinion. The Director of Finance and staff gave an overview of the financial reports. Maze & Associates and staff responded to Committee member questions. The Audit Committee accepted the ACFR and SVP Financial Statements presented at the Committee meeting and recommended that the City Council note and file the reports at a December 2022 Council meeting.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

FISCAL IMPACT

The staff and the external auditor costs associated with the audit and financial reports production are included in the annual appropriations.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>>.

RECOMMENDATION

Note and file, as recommended by the Audit Committee:

1. The audited City of Santa Clara Annual Comprehensive Financial Report (ACFR) for fiscal year ended June 30, 2022; and
2. The audited City of Santa Clara Electric Utility Enterprise Fund (Silicon Valley Power) Financial Statements for fiscal year ended June 30, 2022.

Reviewed by: Kenn Lee, Director of Finance

Approved by: Rajeev Batra, City Manager

ATTACHMENTS

1. Annual Comprehensive Financial Report (ACFR)
2. Silicon Valley Power (SVP) Financial Statements