



Agenda Report

20-1279

Agenda Date: 1/14/2020

REPORT TO COUNCIL

SUBJECT

Action on the City of Santa Clara Audited Comprehensive Annual Financial Report (CAFR), Audited Silicon Valley Power (SVP) Financial Statements, and Audited Transportation Development Act (TDA) Financial Statements for Fiscal Year Ended June 30, 2019, as Recommended by the City Council Audit Committee [Council Pillars: Enhance Community Engagement and Transparency and Sustainability]

BACKGROUND

On December 9, 2019, the Audit Committee took action to accept the City of Santa Clara Audited Comprehensive Annual Financial Report, Silicon Valley Power Financial Statements, and Transportation Development Act Financial Statements for Fiscal Year Ended June 30, 2019 and referred the reports for note and file to the full Council at the January 14, 2020 Council and Authorities Concurrent meeting.

The annual financial audit is a City Charter requirement per Section 1319. The CAFR 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 the Electric Utility 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.

The separate audited financial statements for the TDA are to report on funds distributed through the Metropolitan Transportation Commission for the construction of pedestrian pathways, wheelchair ramps, and bicycle master plan studies. The unmodified or clean opinion from the auditors means that the City is in compliance with TDA, Article 3 requirements.

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 Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2019. The CAFR 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 CAFR also includes selected multi-year statistical information about the City. In addition, the City issued a separate, audited comparative financial statement report for the Electric Utility dba Silicon Valley Power (SVP) for fiscal year ended June 30, 2019, and a separate, audited financial statement for the Transportation Development Act (TDA) funds.

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 CAFR 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 and compiles high quality reports.

Overall the City's financial situation continues to improve. Key financial highlights for fiscal year June 30, 2019 are as follows:

- The assets of the City, as a whole, exceeded its liabilities by \$1.8 billion in fiscal year 2018-19.
- The City's total net position increased by \$143 million primarily due to a \$41 million decrease in the governmental activities and a \$102 million increase in business activities.
- At the close of fiscal year 2018-19, the General Fund had assets of \$238 million and a fund balance of \$229 million. This represents an increase in fund balance of \$33 million, or 17% from prior fiscal year.
- The City's total outstanding long-term debt decreased by \$57 million during the current fiscal year primarily due to the repayment of Stadium Authority debt.

City staff and Maze & Associates met with the City Council Audit Committee on December 9, 2019. Present were Committee members Hardy and Watanabe. 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 and responded to Committee member questions. The Audit Committee accepted the CAFR, SVP, and TDA Financial Statements presented at the Committee meeting and recommended that the City Council note and file the reports at the January 14, 2020 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>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

Note and file, as recommended by the City Council Audit Committee:

1. The audited City of Santa Clara Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2019;
2. The audited City of Santa Clara Electric Utility Enterprise Fund (Silicon Valley Power) Financial Statements for fiscal year ended June 30, 2019; and
3. The audited Transportation Development Act (TDA) Financial Statements for fiscal year ended June 30, 2019.

Reviewed by: Kenn Lee, Director of Finance

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Report to Audit Committee #19-1285
2. Comprehensive Annual Financial Report (CAFR)
3. Silicon Valley Power (SVP) Financial Statements
4. Transportation Development Act (TDA) Financial Statements