



## Legislation Details (With Text)

**File #:** 18-1298      **Version:** 1      **Name:**  
**Type:** Public Hearing/General Business      **Status:** Agenda Ready  
**File created:** 9/14/2018      **In control:** Council and Authorities Concurrent Meeting  
**On agenda:** 12/4/2018      **Final action:**  
**Title:** Action on FY 2017/18 Budget Year-End Report and Related Budget Amendments and the Monthly Investment Report for June 2018

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. FY 2017/18 Budget Amendments, 2. FY 2018/19 Budget Amendments, 3. Summary of Other Funds Performance, 4. FY 2018/19 Budget Amendments - Summary of CIP Carryover, Grants, and Donations, 5. Monthly Investment Report for June 2018, 6. POST MEETING MATERIAL

Date	Ver.	Action By	Action	Result
12/4/2018	1	Council and Authorities Concurrent Meeting	Approved	Pass

## REPORT TO COUNCIL

### SUBJECT

Action on FY 2017/18 Budget Year-End Report and Related Budget Amendments and the Monthly Investment Report for June 2018

### EXECUTIVE SUMMARY

This report provides the year-end financial condition of the City of Santa Clara on a budgetary basis for the fiscal year ended June 30, 2018 and recommends approval of the related budget amendments. Consistent with the Council pillar to enhance transparency, this report was substantially restructured to provide the Council and the public with the status of, and recommended increases to, reserves in key funds; detailed descriptions of recommended budget actions (Attachment 1 and 2); summary of year-end performance for the General Fund as described in the body of this report and for all other funds (Attachment 3); and a summary of a reconciliation of carryover capital projects, grant, and donation funds (Attachment 4). Previously, expenditures related to grants and donations were not consistently budgeted; therefore causing an understatement of funds available for department operations. This report also submits to City Council the Monthly Investment Report as of June 30, 2018 (Attachment 5).

The General Fund is a major operating fund for the City and includes multiple programs, services, and activities for the residents of the City. Overall, the General Fund ended the year above the final budget by \$17.7 million after accounting for encumbrances that carryover into FY 2018/19 for ongoing contracts and purchase orders. The City received \$243.6 million in revenue, which is \$7.7 million, or 3.3% higher than the final budget. Additionally, actual expenditures came in \$10.0 million, or 4.2%, lower than the final budget with a net \$3.4 million savings in salaries and benefits categories primarily due to vacancies.

As part of assigning the \$17.7 million in General Fund surplus, this report recommends allocating \$15.3 million to reserves and \$2.4 million to several budget amendments to cover unanticipated expenses incurred in fiscal year 2017/18 which are in alignment with previous Council action. In addition to the recommended reserve allocation of \$15.3 million, staff also recommends transferring \$4.8 million from a retirement liability account to the Pension Trust thereby increasing reserves by \$20.1 million as summarized below. The table below also shows a total increase of \$24.1 million to the General Fund Budget Stabilization Reserve (BSR). Of the \$24.1 million, \$4.2 million was assumed with the adoption of the FY2018/19 Budget. With this report, staff recommends further increasing the BSR by another \$4.9 million. Additionally, with an anticipated increase in the amount of \$15 million to the BSR scheduled for early 2019 the BSR balance will increase to \$78.3 million, well above the required reserve level of 25% of the adopted expenditure budget.

Reserve Type	July 1, 2017 Beginning Balance	July 1, 2018 Beginning Balance	Proposed Contribution for Dec 2018	2018/19 Use of Reserves	Total Reserve Balance	Estimated One-time Increase in 2019	Estimated 18/19 Reserve Balance
General Fund Budget Stabilization (BSR)	\$50.0	\$55.1	\$9.1	(\$0.9)	\$63.3	\$15.0	\$78.3
General Fund Capital Projects	\$32.8	\$31.0	\$3.6	(\$10.1)	\$24.5	-	\$24.5
Land Sale Reserve	\$39.3	\$29.1	-	(\$7.9)	\$21.2	-	\$21.2
Building Inspection	\$8.4	\$12.4	\$0.4	(\$3.2)	\$9.6	-	\$9.6
Special Liability	\$0.5	\$3.8	\$2.2	(\$2.0)	\$4.0	-	\$4.0
Pension Trust (all funds)	\$5.0	\$15.5	\$4.8	-	\$20.3	-	\$20.3
Electric Rate Stabilization	\$87.0	\$121.0	-	-	\$121.0	-	\$121.0
<b>Total</b>	<b>\$223.0</b>	<b>\$267.9</b>	<b>\$20.1</b>	<b>(\$24.1)</b>	<b>\$263.9</b>	<b>\$15.0</b>	<b>\$278.9</b>

## BACKGROUND

Section 1305 of the Charter of the City of Santa Clara, entitled 'Budget - Appropriations,' states that:

*...from the effective date of the budget, the several amounts stated therein as proposed expenditures shall be and become appropriated to the several departments, offices and agencies for the respective objects and purposes therein named; all appropriations shall lapse at the end of the fiscal year to the extent that they shall not have been expended or lawfully encumbered; and at any meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the affirmative votes of at least five members so as to authorize the transfer of unused balances appropriated for one purpose to another purpose, or to appropriate available revenue not included in the budget.*

Based on two Council-adopted Budget Principles highlighted below, staff has prepared this report with recommendations for the allocation of one-time FY 2017/18 General Fund year-end fund balance.

Budget Principles for FY 2018/19, as adopted by the City Council on January 20, 2018 include:

- Use one-time unrestricted revenues (e.g., annual General Fund surplus) for one-time uses such as increasing reserves, funding capital or Information Technology projects, paying off debt, and/or paying off unfunded pension or other post-employment benefits liabilities.

- In accordance with Council policy, continue to maintain the General Fund Budget Stabilization Reserve balance at or above the policy level of 25% of adopted budget expenditures for the long term fiscal health of the City.

Each year as part of budget development and budget close-out, staff reviews the reserve fund balances and the reserve targets for the General Fund Contingency Reserve which is broken down into the Budget Stabilization Reserve and the Capital Projects Reserve. Per Council Policy, 25% of General Fund Operations for the Budget Stabilization is established and the Capital Projects Reserve is set at a minimum fund balance target of \$5.0 million in the long term. Further, during good economic times, the Council is well positioned to increase reserve balances beyond its own policy requirement in preparation for the inevitable downturn.

A report detailing the year-end surplus and the recommended allocation of those additional funding amounts is brought forward each year after the year-end financial close. The financial review as of June 30, 2018 provides a year-to-date financial update to the City Council for fiscal year 2017/18.

Also, in compliance with the Charter of the City of Santa Clara and the adopted Investment Policy, the Director of Finance is to provide a periodic report to the City Council on the City's investments. By practice, this has been reported to the City Council monthly. Due to the transactions required to close-out the fiscal year, the June 2018 Monthly Investment Report for June 2018 is submitted as part of this year-end report for your information.

## **DISCUSSION**

This report includes a brief summary of budget to actual revenue and expenditure/expense performance for the General Fund, Enterprise Funds, and Special Revenue Funds. In most cases revenues exceeded estimated levels and expenditures/expenses were within budgeted limits.

Based on the City Charter, the legal appropriation control is designated at the department or office level within a fund. In certain Internal Service and Special Revenue Funds, appropriations are allocated by function rather than departments or offices. In these funds, the appropriation control is at the fund level. Below the appropriation level are expenditure categories and line items. In many cases, actual expenditures may exceed the categories or line items within a department; however, savings from other categories and line items within the same department and fund may offset these overages (for example, savings due to staff vacancies may be offset by an increase in contractual services). Attachment 1 - FY 2017-18 Budget Amendments includes a list of appropriations that exceeded the appropriation control authority and are recommended to be adjusted in order to meet the legal appropriation control limit or to reconcile specific reserves to policy requirements.

## **General Fund**

The revenue comparison of budget to actuals is shown in Table 1. As shown in the table, actual revenue performance was approximately \$7.7 million higher than the budgeted estimate of \$235.9 million primarily attributable to Property Taxes, Other Taxes, Revenue from Other Agencies, and Other Fees for Services revenue categories. Higher than budgeted revenues in these categories were partially offset by lower than estimated Sales Tax and Licenses and Permits revenue categories.

The increase in the property tax category which includes both secured and unsecured taxes is primarily due to the secured property tax ending the year approximately \$3.6 million higher than the final budget of \$48.9 million. This increase can be primarily attributed to the high property values that

resulted from property development or real estate transactions that occurred during the year.

Sales Tax revenue ended the year approximately \$3.2 million below the budgeted estimate of \$59.0 million. This revenue category is difficult to forecast due to the volatile nature of business to business and retail sales tax categories. Staff will continue to monitor these revenues and revise future projections in the upcoming budget as necessary.

The Other Taxes category includes franchise tax, transient occupancy tax, and documentary transfer tax. This revenue category increased by \$1.9 million higher than budgeted primarily due to increase in both the transient occupancy tax and documentary transfer tax. Each generated over \$0.8 million more than the final budget of \$20.6 million and \$1.2 million, respectively. Both of these taxes are also difficult to forecast as they are sensitive to the local, regional, and national economies.

Licenses and Permits ended the year \$1.6 million below budgeted estimates primarily related to lower building, electric, plumbing and mechanical permits issued. Staff will continue to monitor development activity trends. It should be noted that a municipal fee study to evaluate cost recovery, including these permit fees, is planned for early 2019.

Revenue from Other Agencies includes the redistribution of land sale proceeds and ground leases, in addition to State-mandated reimbursements. This category came in significantly higher than the final budget, with approximately \$4.6 million in actual revenues compared to a budget of \$1.2 million. This major increase is a result of one-time land sale proceeds due to the City from the sale of former redevelopment agency property.

The Other Fees for Services category encompasses various fees associated to plan check and zoning, engineering, fire prevention, as well as community service revenue from recreational activities. In FY 2017/18, fire prevention fees came in \$2.2 million higher than its budget, while plan check and sign fees and engineering fees were \$0.9 million and \$0.5 million higher than anticipated.

Interest earnings ended the year \$1.4 million higher than budget due to the rising interest rate environment as further documented in the monthly investment report for June 2018.

**Table 1 - General Fund Revenue and Transfers In  
Final Budget vs. Actual**

Description	FISCAL YEAR 2017/18			
	Final Budget	Actual Revenues	Variance Favorable/ (Unfavorable)	Percent Variance
Property Taxes	\$51,359,000	\$55,008,929	\$3,649,929	7.1%
Sales Tax	59,047,475	55,881,563	(3,165,912)	(5.4%)
Taxes – Other	25,716,300	27,650,252	1,933,952	7.5%
Licenses and Permits	8,459,000	6,894,974	(1,564,026)	(18.5%)
Fines and Penalties	1,606,300	1,800,351	194,051	12.1%
Revenue from Other Agencies	1,150,000	4,588,958	3,438,958	299.0%
Revenue from State	165,000	232,110	67,110	40.7%
Charges for Services	0	(13,142)	(13,142)	(100.0%)
Other Fees for Services	41,271,526	42,274,985	1,003,459	2.4%
Interest	2,000,000	3,354,356	1,354,356	67.7%
Rent	11,019,497	11,161,128	141,631	1.3%
Other Revenue	443,767	597,767	154,000	34.7%
Contribution In Lieu	21,661,903	21,985,803	323,900	1.5%
Other Sources	0	7,500	7,500	100.0%
<b>Subtotal Revenue</b>	<b>223,899,768</b>	<b>231,425,534</b>	<b>7,525,766</b>	<b>3.4%</b>
<b>Transfers In</b>	<b>11,986,244</b>	<b>12,194,836</b>	<b>208,592</b>	<b>(1.7%)</b>
<b>Revenue Total</b>	<b>\$235,886,012</b>	<b>\$243,620,370</b>	<b>\$7,734,358</b>	<b>3.3%</b>

A comparison of budget to actual expenditures is shown in Tables 2 and 3, with Table 2 showing by function and Table 3 showing by category. Overall, departments ended the fiscal year within their final budget, with the exception of the Fire Department, resulting in \$12.1 million in expenditure savings before adjustments for net increased encumbrance carryovers. After adjustment of \$2.1 million for net increased encumbrances, which are funds related to issued contracts and purchase orders carried over from FY 2017/18 to FY 2018/19, the expenditure savings amount to \$10.0 million. To adjust the Fire Department budget, a recommended budget action is included in Attachment 1 of this report to account for the payout of unanticipated salary costs to comply with a recent FLSA court decision.

**Table 2 - General Fund Expenditures and Transfers Out  
Final Budget vs. Actual by Function**

Function	FISCAL YEAR 2017/18			
	Final Budget	Actual Expenditures	Variance Favorable/ (Unfavorable)	Percent Variance
<b>General Government</b>				
City Council Offices	\$819,430	\$721,940	\$97,490	11.9%
City Attorney's Office	1,750,457	1,747,582	2,875	0.2%
City Clerk's Office	1,531,311	1,329,568	201,743	13.2%
City Manager's Office	8,173,117	7,786,035	387,082	4.7%
Finance	11,044,109	10,697,291	346,818	3.1%
Human Resources	3,314,779	3,189,477	125,302	3.8%
Information Technology	11,731,905	11,373,689	358,216	3.1%
<b>Total General Government</b>	<b>38,365,108</b>	<b>36,845,582</b>	<b>1,519,526</b>	<b>4.0%</b>
<b>Public Works</b>	<b>23,738,466</b>	<b>23,075,327</b>	<b>663,139</b>	<b>2.8%</b>
<b>Community Development</b>	<b>14,194,399</b>	<b>12,254,006</b>	<b>1,940,393</b>	<b>13.7%</b>
<b>Parks and Recreation</b>	<b>17,960,501</b>	<b>17,742,284</b>	<b>218,217</b>	<b>1.2%</b>
<b>Public Safety</b>				
Fire	45,680,651	47,050,289	(1,369,638)	(3.0%)
Police	70,599,515	67,747,044	2,852,471	4.0%
<b>Total Public Safety</b>	<b>116,280,166</b>	<b>114,797,333</b>	<b>1,482,833</b>	<b>1.3%</b>
<b>Library</b>	<b>9,989,388</b>	<b>9,860,515</b>	<b>128,873</b>	<b>1.3%</b>
<b>Non-Departmental</b>	<b>2,702,479</b>	<b>1,436,768</b>	<b>1,265,711</b>	<b>46.8%</b>
<b>Subtotal Expenditures</b>	<b>223,230,507</b>	<b>216,011,815</b>	<b>7,218,692</b>	<b>3.2%</b>
<b>Transfers Out</b>	<b>17,689,306</b>	<b>12,774,219</b>	<b>4,915,087</b>	<b>27.8%</b>
<b>Expenditures Subtotal</b>	<b>\$240,919,813</b>	<b>\$228,786,034</b>	<b>\$12,133,779</b>	<b>5.0%</b>
Net Encumbrance Carryover		2,133,564		
<b>Expenditures Total</b>	<b>\$240,919,813</b>	<b>\$230,919,598</b>	<b>\$10,000,215</b>	<b>4.2%</b>

Table 3 depicts budgeted vs. actual revenues by category. Due to turn-over of staff, departments generated net salary and benefits savings in the amount of \$3.4 million. To ensure service delivery to our residents, these savings were offset with higher than budgeted as-needed salary and overtime expenditures. Additionally, savings were achieved in the materials/services/supplies and Transfers-Out expenditure categories resulting in overall expenditure savings of \$12.1 million in the General Fund. After accounting for increased encumbrances that carryover into FY 2018/19 for ongoing contracts and purchase orders, the expenditure savings amounted to \$10.0 million. Transfers-Out savings are due to the fact that the FY2017/18 Adopted Budget was balanced with a surplus and these funds were not transferred to the Budget Stabilization Fund in that year. With the recommendation to fund the BSR in the amount of \$9 million as outlined in this report this inadvertent oversight will be corrected.

**Table 3 - General Fund Expenditures and Transfers Out**



## Final Budget vs. Actual by Category

Category	FISCAL YEAR 2017/18			
	Final Budget	Actual Expenditure	Variance Favorable/ (Unfavorable)	Percent Variance
<b>Salaries</b>				
Salary and Wages – Regular	\$100,958,304	\$91,637,477	\$9,320,827	9.2%
Vacancy Savings	(8,450,000)	0	(8,450,000)	100.0%
Salary and Wages – As Needed	6,098,836	6,491,077	(392,241)	(6.4%)
Overtime	6,146,083	10,102,836	(3,956,753)	(64.4%)
Other	3,758,096	3,706,345	51,751	1.4%
<b>Subtotal Salaries</b>	<b>108,511,319</b>	<b>111,937,735</b>	<b>(3,426,416)</b>	<b>(3.2%)</b>
<b>Benefits</b>				
Retirement – Safety	23,434,308	21,995,122	1,439,186	6.1%
Retirement – Misc.	17,738,289	15,186,565	2,551,724	14.4%
Health	9,373,842	8,084,035	1,289,807	13.8%
Social Security	3,179,127	2,864,837	314,290	9.9%
Retiree Healthcare	3,867,875	3,867,875	0	0.0%
Other Benefits	4,453,539	3,241,401	1,212,138	27.2%
<b>Subtotal Benefits</b>	<b>62,046,980</b>	<b>55,239,835</b>	<b>6,807,145</b>	<b>11.0%</b>
<b>Materials/Services/Supplies</b>	41,566,480	37,848,840	3,717,640	8.9%
<b>Interfund Services</b>	10,202,144	10,202,144	0	0.0%
<b>Capital Outlay</b>	903,584	783,261	120,323	13.3%
<b>Transfers Out</b>	17,689,306	12,774,219	4,915,087	27.8%
<b>Expenditures Subtotal</b>	<b>\$240,919,813</b>	<b>\$228,786,034</b>	<b>\$12,133,779</b>	<b>5.0%</b>
Net Encumbrance Carryover		2,133,564		
<b>Expenditure Total</b>	<b>\$240,919,813</b>	<b>\$230,919,598</b>	<b>\$10,000,215</b>	<b>4.2%</b>

Through excess revenue of \$7.7 million and expenditure savings of \$10.0 million, the General Fund ended with a surplus prior to recommended budget adjustments in the amount of \$17.7 million. Table 4 below summarizes, as detailed in Attachment 2, various recommended budget actions to dispose \$17.7 million in General Fund surplus by funding \$2.4 million in required adjustments to align with previous Council action and \$15.3 million in contributions to reserves as well as net-zero adjustments.

Required adjustments totaling \$2.4 million include several adjustments needed as a result of prior Council action or where additional funding is needed to complete ongoing analysis or projects such as retroactive pay as required per the August 2018 approved MOU between the City and IAFF Local 1171 and FLSA required payments per a recent court case. An additional contribution to reserves totaling \$15.3 million is recommended and will provide funding for future capital projects, liability claims, and to provide for an economic buffer in the event of a potential economic slowdown. Net-zero adjustments, offset by revenue reimbursement are recommended for approval to provide funding for expenditures related to the College Football Championship as currently estimated, continuation of ongoing Convention Center performance audit, and to true-up a County grant for the Police Department. These net-zero or revenue reimbursed adjustments add approximately \$607,000 to the total General Fund budget. Lastly, net-zero expenditure adjustments are included to shift an Audit Program position and associated funding from the City Clerk's Office to the Finance

Department. When combining required adjustments (\$2.4 million), contributions to reserves (\$15.3 million) and net-zero adjustments (\$607,000) a total of \$18.3 million in additional General Fund budget adjustments are included in this report.

**Table 4 - Summary of Net General Fund FY 2018/19 Budget Adjustments**

<b>Required Adjustments</b>	<b>\$ in Million</b>
Fire Unit 1 Retroactive Pay	\$ 1.400
FLSA Study and Payouts	1.000
City Hall Security and Key Systems Upgrade Project	0.050
Cultural Commission Sister City Reimbursement	0.006
<b>Required Adjustments Subtotal</b>	<b>2.456</b>
<b>Additional Contributions to Reserves</b>	
Budget Stabilization Reserve	9.060
Capital Projects Reserve	3.650
Special Liability	2.200
Advanced Planning Fee Clean-Up	0.369
<b>Additional Contributions to Reserves Subtotal</b>	<b>15.279</b>
<b>Other Net-Zero Adjustments</b> (College Football National Championship, Convention Center Performance Audit, and Police – County Specialized Crimes Action Team Reimbursement)	
<b>Total Net General Fund Adjustments</b>	<b>\$ 17.735</b>

### Other Funds

Attachment 3 - Summary of Other Funds Performance summarizes budget to actual performance for the City's special revenue funds, internal service funds, and enterprise funds. As previously described, the appropriation control level for special revenue and internal service funds are at the fund level. However, similar to the General Fund, enterprise funds include appropriations at the department level and any overages must be corrected.

At the end of FY 2017/18, all special revenue funds ended the year within budgeted levels on an overall fund level and no appropriation action is required as fund balances are sufficient to cover any overages. The expenditure overage in the Convention Center Maintenance Fund resulted from the timing of the liquidation of a closed out purchase order. An encumbrance carried over from FY 2016/17 that is no longer needed is included in the expenditure figure. When accounting for the liquidation of this encumbrance, this expenditure category is positive.

Expenditures exceeded budgeted levels in the Workers' Compensation and Special Liability Insurance Funds. In the Workers' Compensation Fund, the City experienced higher than projected medical claims payouts. Sufficient ending fund balance is available in this fund to offset this overage. In the Special Liability Insurance Fund, payouts from settlements and jury verdicts occurred during the year. Adjustments for FY 2017/18 and FY 2018/19 are included in this fund and detailed in Attachment 1 and 2.

Several enterprise funds exceeded their budget as of June 30, 2018. Separate actions are



recommended in Attachment 1 to correct the overages in the Water Utility, Water Recycling, and Cemetery Funds. These overages are primarily due to higher than anticipated activity levels in each of these funds offset with revenues. In the Solid Waste Fund, overages resulted from the timing of the liquidation of closed out purchase order encumbrances. When accounting for the liquidation of encumbrances, this expense category is positive.

It should be noted that several Silicon Valley Power projects exceeded the budgeted appropriation due to City staff costs not included in the development of the project budget. Moving forward, the Finance Department will work with departments to ensure that capital improvement program budgets incorporate all costs necessary to fully deliver projects.

### **Retirement Liability Balance**

In addition to the budget amendments included in Attachments 1 and 2 as a result of the FY 2017/18 performance, the staff recommends the transfer of approximately \$4.8 million from the City's retirement liability account to the Pension Stabilization Reserve. Retirement costs were charged to City departments and funds based on the CalPERS actuarial normal cost and unfunded liability retirement rates. The actual CalPERS invoice is paid out of the liability account. Over the last two fiscal years, the City has prepaid the unfunded liability portion of the retirement costs to CalPERS that had generated City savings. In addition, the unfunded liability portion of the retirement costs that are due is calculated as a dollar amount rather than a rate. Because the City's actual payroll on which the unfunded liability rate is charged to departments and funds is higher than the payroll assumed by CalPERS to develop the rate, savings in City Funds occurred. A transfer from this account to the Pension Stabilization Reserve is recommended with the following funding breakdown:

**Table 5 - Summary of Unfunded Retirement Liability with Recommended Retirement Liability Balance Transfer to Pension Stabilization Reserve**

<b>Fund</b>	<b>Pension Stabilization Reserve Balance as of June 30, 2018</b>	<b>Retirement Liability Balance Amount (Recommended Transfers)</b>	<b>Estimated Pension Stabilization Reserve (with rec. transfers)</b>	<b>New Projected Unfunded Liability</b>	<b>Projected Pension Stabilization Reserve Percent of Unfunded Liability</b>
General Fund	\$12,124,373	\$3,849,250	\$15,973,623	\$374,636,242	4.1%
Electric	3,488,543	729,297	4,217,840	88,517,479	4.5%
Water		138,968	138,968	19,802,970	0.7%
Recycled Water		9,468	9,468	971,718	1.0%
Sewer		60,387	60,387	7,762,581	0.8%
Solid Waste		19,847	19,847	4,276,154	0.5%
<b>Total</b>	<b>\$15,612,916</b>	<b>\$4,807,217</b>	<b>\$20,420,133</b>	<b>\$495,967,144</b>	<b>4.0%</b>

As summarized in Table 5, the recommended transfer of \$4.8 million to the Pension Stabilization Reserve would increase the total reserve to \$20.4 million and the total percent of unfunded liability to

approximately 4% based on the figures reported in the Consolidated Annual Financial Report GASB 68 Report. While some of the figures vary by funding source, future budget processes will evaluate additional transfers to keep the percent of the liability aligned by fund, as future funding allows.

Because the funds are in a liability account and not budgeted, no separate Council appropriation amendments are required.

### **Capital Project, Grants, and Donations Carryover Reconciliation**

Due to the timing of the production of the FY 2018/19 and 2019/20 Adopted Capital Improvement Program Budget, estimates are used to carryover unspent project funds from FY2017/18 to FY 2018/19. Attachment 4 - FY 2018/19 Amendments - Summary of CIP Carryover, Grants, and Donations details a reconciliation of those project carryover amounts based on actual year-end activity totaling \$89.2 million. The actions included in Attachment 4 are recommended as part of the FY2018/19 Budget Amendment in this report. Because capital projects often cross fiscal years, these funds are necessary to continue the projects without delay. When projects are closed out, carryover funds are unallocated and available for future programming through the budget process. In addition to the carryover amounts for capital projects, the carryover of unspent donations/reimbursements (\$1.8 million) and grant (\$8.4 million) funding is included in Attachment 4. Many of these funds had not been previously budgeted. Budgeting the carryover amounts for both donations and grants received increases transparency of the City's expenditures. While the budget actions in this report recommend the carryover of unspent funds, the upcoming budget will include a full budgetary reconciliation and appropriation of the City's grants and donations.

### **Monthly Investment Report**

In compliance with the Charter of the City of Santa Clara and the adopted Investment Policy, the Director of Finance is to provide periodic report to the City Council on the City's investments. Due to the transactions required to close-out the fiscal year, the June 2018 the Monthly Investment Report for June 2018 is included in this year-end report.

The June 2018 portfolio return totaled 1.64% compared to the benchmark of 1.96% and a return of 1.28% in June 2017. The average maturity of the City's portfolio was 2.01 years. All securities held by the City of Santa Clara as of June 30, 2018 were in compliance with the City's Investment Policy Statement regarding current market strategy and long-term goals and objectives. All securities held are rated "A" or higher by two nationally recognized rating agencies. There is adequate cash flow and maturity of investments to meet the City's needs for the next six months.

The City's investment strategy for June 2018 was to invest funds not required to meet current obligations, in securities listed in the prevailing Investment Policy Statement, with maturities not to exceed five years from the date of purchase. This strategy ensures safety of the City's funds, provides liquidity to meet the City's cash needs, and earns a reasonable portfolio return. In compliance with the Charter of the City of Santa Clara and the adopted Investment Policy, the Monthly Investment Report for June 2018 is submitted for your information in Attachment 5.

### **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**

Overall all City funds ended the FY 2017/18 in a positive net position. The General Fund generated a surplus of \$17.7 million with a recommendation to increase reserve levels by \$15.3 million. As the General Fund faces both revenue and expenditure pressures in future years, only necessary adjustments in the amount of \$2.4 million are included in the budget amendments detailed in Attachments 1 and 2. A summary of year-end performance for all other funds is detailed in Attachment 3 and summary of a reconciliation of carryover capital projects, grant, and donation funds is itemized in Attachment 4. Additionally, staff recommends allocating \$4.8 million from a retirement liability account to the City's pension trust reserve.

## **COORDINATION**

This report was coordinated with the City Attorney's Office.

## **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.

## **ALTERNATIVES**

1. Note and file the FY 2017/18 Budget Year-End Report and Approve the Related Budget Amendments (Five Affirmative Council Votes Required for Revenue actions only).
2. Authorize the Transfer of \$4,807,217 to the City's Pension Trust Fund.
3. Note and file the Monthly Investment Report for June 2018 as presented.
4. Do not note and file the FY 2017/18 Budget Year-End Report and do not approve the Related Budget Amendments (Five Affirmative Council Votes Required for Revenue actions only).
5. Do not authorize the Transfer of \$4,807,217 to the City's Pension Trust Fund.
6. Do not note and file the Monthly Investment Report for June 2018 as presented.
7. Other action the Council deems appropriate.

## **RECOMMENDATION**

Alternatives 1, 2, and 3:

1. Note and file the FY 2017/18 Budget Year-End Report and Approve the Related Budget Amendments (Five Affirmative Council Votes Required for Revenue actions only),
2. Authorize the Transfer of \$4,807,217 to the City's Pension Trust Fund; and,
3. Note and file the Monthly Investment Report for June 2018 as presented.

Reviewed by: Angela Kraetsch, Director of Finance

Approved by: Deanna J. Santana, City Manager

## **ATTACHMENTS**

1. FY 2017/18 Budget Amendments
2. FY 2018/19 Budget Amendments
3. Summary of Other Funds Performance
4. FY 2018/19 Budget Amendments - Summary of CIP Carryover, Grants, and Donations
5. Monthly Investment Report for June 2018

