



Santa Clara Valley Water District

File No.: 17-0151

Agenda Date: 4/11/2017

Item No.: 3.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Fiscal Year 2015-16 Year-End Closing Budget Adjustment and Fiscal Year 2016-17 Mid-Year Budget Adjustment.

RECOMMENDATION:

- A. Approve the Fiscal Year 2015-16 year-end closing budget adjustment; and
- B. Approve the Fiscal Year 2016-17 mid-year budget adjustment.

SUMMARY:

At the end of each fiscal year, the District conducts a reconciliation of budget reserve estimates with actual reserves. The result of this reconciliation is to implement the year-end closing budget adjustment. The year-end closing budget adjustments are submitted to the Board on an annual basis as part of the year-end closing process (FY2015-16). The projected year-end budget reserves are adjusted to reflect the FY2015-16 actual reserves validated by the external audit process conducted by independent auditors Vavrinek, Trine, Day & Co., LLP.

Concurrently, staff submits to the Board, the FY2016-17 mid-year adjustment to reflect impacts of prior year-end fiscal close and to recommend two budget adjustments in anticipation of necessary expenses not included at the time of adoption.

The FY2015-16 year-end closing budget adjustments are presented in Attachment 1 summarized as follows:

1. Capital project budget adjustments: The Coyote Creek, Montague Expressway to I-280 Project (#26174043) is on hold; therefore, \$19.0 million will be released from the project budget. The Sunnyvale East & West Channels project (#26074002) and the Upper Llagas Creek, Non-Reimbursable project (#26174054) both remain active; however, budget reductions of \$20.0 million and \$28.0 million, respectively, are recommended for funds not presently needed. All three projects total \$67.0 million, and are temporary capital budget reductions in the Safe, Clean Water Fund. Project managers will re-budget funds to the same projects as needed in future years through the normal budget request process per the capital improvement plan.

2. Increases to inter-fund transfers in FY2015-16: Transfer \$2.6 million from the Water Utility Enterprise Fund to the General Fund to reimburse actual expenses for the Drought Emergency

Response Project (#60061007). In addition, transfer \$2.4 million from the Watershed Stream Stewardship Fund to the Water Utility Enterprise Fund for the sale of excess property that was budgeted to occur in FY2015-16. Staff anticipates the sale to occur in FY2016-17, which will reimburse the Watershed Stream Stewardship Fund.

3. Adjust FY 2015-16 budget reserves: To reflect the audited reserves for FY 2015-16 resulting from final revenues, expenses, transfers and debt proceeds net of the previously described budget adjustments. The District-wide change to reserves total \$48.6 million. Attachment 1, item 3 shows the specific reserve adjustments.

The FY 2016-17 mid-year budget adjustments are presented in Attachment 2 and summarized as follows:

4. Adjust various capital projects funding to reflect capital carry forward budget from FY2015-16 unspent or unencumbered appropriation balances remaining at year-end: Based on FY2016-17 projected spending in Capital Improvement Plan \$178.5 million.

5. Capital project budget adjustments: Move \$1.0 million budget from the PeopleSoft Upgrade Project (#73274002) to the Vena Budget System Project (#73274007).

6. Operating project budget adjustments: To reflect the re-appropriation of the Water Conservation program (# 91151001) unspent funds at FY2015-16 year-end for rebates and enforcement \$2.1 million.

FINANCIAL IMPACT:

Approval of the FY2015-16 budget adjustments recommended (Attachment 1) will reduce three capital project budgets \$67.0 million in FY2015-16, increase inter-fund transfers \$5.0 million and increase year-end reserves \$48.6 million. These recommended FY2015-16 budget adjustments will ensure that the final estimated budget reserves are aligned with the audited reserve balances as of June 30th, 2016.

Approval of the recommended FY2016-17 budget adjustments (Attachment 2) will appropriate the capital carry forward \$178.5 million, transfer \$1 million from the PeopleSoft Upgrade project to the Vena Budget System project, and increase operating projects \$2.1 million. The projected FY2016-17 year-end reserves' balance with these adjustments is currently estimated at \$308.8 million, up \$0.9 million from \$307.9 million in the FY2016-17 adopted budget.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

Attachment 1: FY2015-16 Year-End Closing Budget Adjustment

Attachment 2: FY2016-17 Mid-Year Budget Adjustment

File No.: 17-0151

Agenda Date: 4/11/2017
Item No.: 3.1.

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068