



# Santa Clara Valley Water District

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**File No.:** 19-0115

**Agenda Date:** 2/26/2019

**Item No.:** 8.1.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Fiscal Year 2017-18 Year-End Closing Budget Adjustment and Fiscal Year 2018-19 Mid-Year Budget Adjustment.

### **RECOMMENDATION:**

- A. Approve the Fiscal Year 2017-18 year-end closing budget adjustment; and
- B. Approve the Fiscal Year 2018-19 mid-year budget adjustment.

### **SUMMARY:**

At the end of each fiscal year (FY), 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.

The projected year-end budget reserves are adjusted to reflect the FY 2017-18 actual reserves validated by the external audit process conducted by independent auditors Vavrinek, Trine, Day & Co., LLP.

Concurrently, staff submits to the Board the FY 2018-19 mid-year adjustment to reflect impacts of prior year-end fiscal close and to recommend other budget adjustments in anticipation of necessary expenses not included at the time of adoption.

**The FY 2017-18 year-end closing budget adjustments are presented in Attachment 1 summarized as follows:**

1. Reduce capital project appropriation: There are no FY 2017-18 reductions in capital project appropriations.
2. Deferral of capital project budget to FY 2018-19: There are no capital project budget deferrals from FY 2017-18 to FY 2018-19.
3. Update FY 2017-18 budget reserves: To reflect the audited reserves for FY 2017-18 resulting

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from final revenues, expenses, transfers and debt proceeds. These year-end reserves become the beginning reserves for FY 2018-19. Hence, this adjustment brings the FY 2018-19 reserves budget into alignment with the prior year-end results. The change to reserves total is \$96.2 million. Attachment 1 shows the specific reserve adjustments.

**The FY 2018-19 mid-year budget adjustments are presented in Attachment 2 and summarized as follows:**

4. Recognize capital carryforward: Adjust various capital projects funding to reflect capital carry forward budget from FY 2017-18 unspent or unencumbered appropriation balances remaining at year-end which totals to \$138.9 million.
5. Capital project budget adjustments: There are no capital project mid-year budget adjustments for FY 2018-19.
6. Recognize additional Property Tax revenue: To increase property tax revenue for FY 2018-19 by \$5.0 million.
7. Estimated Reserve Balances: Reflects current estimated reserve balances for FY 2018-19 as of February 1, 2019 of \$369.8 million (see Attachment 2) versus the adopted FY 2018-19 budget of \$334.0 million.
8. Cancel Operating Transfers In/Out: The operating transfer of \$2,029,000 from the Water Enterprise Fund (61) to the Safe Clean Water Fund (26) is no longer needed for FY 18-19, due to the one-time transfer of \$11.38 million that has been transferred from Water Enterprise Fund to Safe Clean Water Fund for the Main/Madrone capital project at FY 2017-18 year-end.
9. Debt Financing: The planned debt financing for the Safe Clean Water Fund (26) will be reduced from \$110 million to \$30 million.

**FINANCIAL IMPACT:**

Approval of the recommended FY 2017-18 budget adjustments (Attachment 1) will ensure the final estimated budget reserves are aligned with the audited reserve balances as of June 20, 2018.

Approval of the recommended FY 2018-19 mid-year budget adjustments (Attachment 2) will appropriate the \$138.9 million capital carryforward, adjust \$5.0 million in additional property tax revenue, cancel a \$2.0 million operating transfer from fund 61 to fund 26, and reduce the planned debt financing for the Safe Clean Water Fund (26) from \$110 million to \$30 million.

**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.

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**ATTACHMENTS:**

Attachment 1: FY 2017-18 Year-End Closing

Attachment 2: FY 2018-19 Mid-Year

**UNCLASSIFIED MANAGER:**

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