City Council Questions – PART III

December 10, 2019 Council Meeting

ITEM 3.1 COMPREHENSIVE ANNUAL FINANCIAL REPORT AND OTHER RELATED REPORTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

1. The unassigned General Fund Balance is $64m (p157). Can staff break down the intended use of this unassigned balance?

The balances are broken down as follows:

General Operating Fund (GOF)	***$11.3M***
General Non-operating Fund (GNOF)	***$26.7M***
General Fund Reserve (GFR)	***$25.4M***
General Operating Fund, Investments (GOF)	***$1.1M***
	$64.5M

The GOF is the balance that consists primarily of encumbrance carryovers as well as unallocated excess of operating revenues over expenditures.

The GNOF consists primarily of a combination of current and remaining prior year available balances as well as one-time revenues and expenditures savings of approximating $19.5 million. Of this amount, approximately $13.2 million was allocated in the FY 2019-20 budget for Limited-period expenditures ($4.4 million), CIP reserve (up to $3 million), CalPERS contributions ($2 million), Compensated Absences reserve ($2 million) and General Fund Reserve ($1.8 million), leaving $6.3 million unallocated for Council discretion. At the midyear update in February, staff will bring back this remaining unallocated amount to Council for direction/allocation.

The GFR represents the amount 20-25% financial policy set aside based on the General Operating Fund expenditures.

The "Investments" GOF balance of $1.1 million is related to the allocated gain adjustment on investments.

2. "Other" revenue in Governmental Funds (p 159) increased by $10m from 2018 to 2019, which historically appears to be an unusually large increase. What accounts for this increase? How will this revenue be used?

This is the one-time public benefit contribution of $11.4 million paid by LinkedIn. It was for the SR237/MIDDLEFIELD INTERCHANGE IMP project and was recorded in the Capital Projects fund. Normally, this would have been recorded in the Public Benefit In-lieu fund; however, as the East Whisman Precise Plan was not yet adopted at the time of collection, it was recorded as Capital Project fund revenue.

Staff anticipates the funding would cover the final project approval and final design as well as possible Phase II construction although this would likely come back to Council for approval in 2020.

3. How are community benefits categorized in the CAFR, and how much revenue has been generated from developer community benefit obligations this previous fiscal year? How much revenue has been generated from community benefits since 2013?

The City generally uses a Public Benefit In-Lieu fund (Fund 206) to track community benefit revenues. However, in some cases, such as the one-time contribution from Linked-In was recorded in the Capital Projects fund directly. Below is a summary of what was received in Fund 206 the past three years (since the fund was created).

FY2019	28,184	CMV TRANSPORTATION IMPACT FEE
FY2018	315,000	PUB BENEFIT CONT-N BAYSHORE
	170,060	TRANSIT ORIENTED DEV - 590 E MIDDLEFIELD RD
	485,060	
FY2017	5,065,317	PUBLIC BENEFIT INLIEU-SAN ANTO
	10,217,855	PUBLIC BENEFIT INLIEU-NBS
	15,283,172	

4. Does staff periodically audit the use of restricted funds, like impact fees? For instance, has it occurred that a capital improvement intended to be funded using an impact fee (or other restricted funding source) was instead funded by another source, like community benefit funding?

Impact fees are not specifically "audited". However, they are subject to compliance reporting to ensure that funds are spent on the projects they were intended for. This item was brought before Council on November 12, 2019 for review. Should a funding source not be spent as intended, it would be reported on the annual compliance report and would be subject to refund if not spent within the specified timeframes. In general, staff prioritizes the use of such restricted funds over less restricted funds such as community benefit funds.

ITEM 8.1 ADOPT A RESOLUTION GOVERNING COMPENSATION RELATED TO CALPERS COST-SHARE FOR UNREPRESENTED EMPLOYEES, FOR THE PERIOD OF JULY 1, 2017 THROUGH JUNE 30, 2020

1. While I understand that there is no financial impact to the City, does this mean there are no circumstances under which the City's liability would be increased because of this change? For example, if someone withdraws their cost-share contribution, the City would not be required to make up for it?

Staff reached out to the City's CalPERS actuary to discuss possible impacts of the cost share. It was noted that although the employee will pay and receive the credit for the cost share portion, there is not a significant impact to the liability for the employer. When an employee withdraws from CalPERS, they will receive the cost share portion of the contribution; however, they also leave the employer accrued portion of the benefit that will then be applied towards the City's liability obligation.