

City Council Questions – PART II

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. Investment income increased \$25m (p 11), which historically appears to be an unusually large increase. What specifically accounts for this increase? How will this income be used?

About \$14 million of the increase is related to an accounting annual adjustment to record changes in fair value of the City's investments. Accounting rules require the City to record its portfolio at fair (market) value each year even though the City's practice is to hold its investments until maturity. Due to changes in the interest rate environment from FY18 to FY19, the adjustment was much larger this year. This "revenue" is not spendable as it is an accounting gain only. Other reasons for the increase were a larger average portfolio balance and higher yields earned on the portfolio compared to the prior year.

2. Looking over previous CAFRs, the Equipment Maintenance & Replacement Internal Service Fund (p 138) activity year-over-year appears to be quite limited, and the reserve is growing. Is the fund balance in relation to yearly activity reasonable?

The assets in this fund are held primarily for replacement of the City's computers, Computer Aided Dispatch and Records Management Systems (CAD/RMS), Communications Center, Radios for Police and Fire, City Fleet and Golf Fleet. The reserve must provide sufficient funds to replace these assets as they are needed or scheduled for replacement. The balance is reasonable based on funding requirements.

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

This answer will be provided later this afternoon or at the Council meeting.

4. Why is the unassigned General Fund Balance historically high? (\$30m in 2010 and increasing every year.)

As discussed above, the unassigned balance represents a combination of policy and not yet to be committed use of resources that are earmarked in the following fiscal year. The balance has increased over the past number of years due, in large part, to the continuing growth in the economy and level of activity occurring within the City, resulting in excess operating balances during this period of time. Reserve balances that are based on operating expenditures will grow as the budget grows which is one reason the GF reserve balance has increased over the years.

5. "Use of money and property" revenue in Governmental Funds (p 159) increased by \$25m from 2018 to 2019, which historically appears to be an unusually large increase. What accounts for this increase? How will this revenue be used?

As stated above, this is an accounting gain only and is not spendable as revenue.

6. "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.

Additional information regarding the use of funds will be provided later this afternoon or at the Council meeting.

7. 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?

This answer will be provided later this afternoon or at the Council meeting.

8. 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?

This answer will be provided later this afternoon or at the Council meeting.

**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?

This answer will be provided later this afternoon or at the Council meeting.