

# MEMORANDUM

## *Engineering Division*

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**To:** Russell Morreale, Finance Director  
**From:** Steven Machida, Director of Engineering *SM*  
**Subject:** **FY 15-16 Year End Close Adjustment**  
**Date:** August 25, 2016

The adopted 2016-2021 Capital Improvement Program contains a list of projects recommended to be closed as of June 30, 2016. Upon further review, the Engineering Department is requesting to keep the following capital improvement projects open as described below.

**Project 6110 Sewer System Hydraulic Modeling:** This modeling is necessary to verify proper sizing of new pipelines at new developments and to address operational shut down scenarios. Modeling for developer projects is reimbursable through the PJ account system. Staff requests keeping this project open for the entire FY16-17.

**Project 7070 Pressure Reducing Valve Replacement:** This project replaces the Capitol Pressure Reducing Valve (PRV) which has reached the end of its useful life. Since the BART contractor needed to take the water distribution system piping around the PRV out of service for several weeks, staff requested the BART contractor to replace the PRV at the same time, thus eliminating a future water system shutdown. The work is complete, however, Valley Transportation Authority (VTA), City, and contractor require more time to finalize costs regarding some unseen work. Staff requests keeping this project open several months until the final payment is made.

**Project 7114 Water Meter Replacement:** This project replaces water meters located in median islands and planter strips along high traffic roadways with new meters. These new meters are equipped with radio transmitter that allow for remote reading, thus improving meter reader safety. The work also includes installation and testing of some gateways to transmit meter readings to the City wirelessly, and to enable the financial billing system to accept the wireless readings. Staff requests keeping this project open for the entire FY16-17.

**City of Milpitas, California  
BUDGET CHANGE FORM**

Type of Change	From		To	
	Account	Amount	Account	Amount
<b>Check one:</b>	<b>100-3609</b>	<b>124,866</b>	<b>100-120-4237</b>	<b>124,866</b>
<input checked="" type="checkbox"/> <b>Budget Appropriation</b>	<b>350-2940</b>	<b>50,760</b>	<b>350-120-4237</b>	<b>50,760</b>
<input type="checkbox"/> <b>Budget Transfer</b>	<b>100-3568</b>	<b>253,033</b>	<b>100-812-4113</b>	<b>253,033</b>
	<b>506-2940</b>	<b>37,030</b>	<b>506-512-4237</b>	<b>37,030</b>
	<b>214-2940</b>	<b>55,062</b>	<b>214-512-4237</b>	<b>55,062</b>
	<b>100-910-4124</b>	<b>87,876</b>	<b>100-111-4124</b>	<b>87,876</b>
	<b>100-910-4124</b>	<b>483,491</b>	<b>100-812-4124</b>	<b>483,491</b>
	<b>100-3110</b>	<b>3,006,862</b>	<b>100-2937</b>	<b>3,006,862</b>

**Approve Fiscal Year 2015-16 Year End Budget Adjustments (Staff Contact: Russell Morreale, 586-3111)**

**Background:** Finance staff is in the process of closing the City accounts for Fiscal Year 15-16 with a focus on expenditures. To maintain conformity with the City's budgeting policies and to prepare for the annual external financial audit, staff examined all expenditure accounts and identified the following budget adjustments. These adjustments recognize items arising during the fiscal year that were not included or vary from original FY 15-16 budget estimates. This is a common annual "true-up" process that is critical to the year-end audit/close.

The detail for each budget adjustment item is described below.

1. Increase General Fund budget appropriations for the City Attorney's Department by \$124,866 to record FY 15-16 reimbursable expenditures incurred in the review of agreements related to the developers' project. The source of funding for the budget appropriation is from General Fund developer fees.
2. Increase the budget appropriations for the City Attorney's Department by \$50,760 for expenditures incurred in reviewing agreements related to the Transit Area Specific Plan Area. The source of funding for the budget appropriation is from developer fees collected and recorded in the Transit Area Impact Fee Fund.
3. Increase General Fund budget appropriations for the Fire Department by \$253,033 for incurred overtime expenditures to respond to regional fires through the California Fire Service and Rescue Emergency Mutual Aid System. The source of funding for the budget appropriation is from reimbursements received from the State of California Office of Emergency Services (OES).
4. Increase the Planning Department operating budget within the Permit Automation and Community Planning Funds (both fee based funds) in the amounts of \$37,030 and \$55,062 respectively. This adjustment is needed to support an existing contract entered into in FY 15-16.
5. A reallocation of employee leave cash-out amounts from General Fund Non-Departmental to the Policy, Planning and Implementation Department and Fire Department in the amounts of \$87,876 and \$483,491, respectively. The annual leave cash-out is routinely budgeted in non-departmental as a placeholder for employee separations as they occur.
6. Keeping the following projects open and roll them into FY 16-17 per the attached memo from the Director of Engineering
  - Project 6110 Sewer System Hydraulic Modeling
  - Project 7070 Pressure Reducing Valve Replacement
  - Project 7114 Water Meter Replacement
7. The approved FY 16-17 budget projected an increase in the PERs stabilization reserve using the collection of

“state triple-flip” dollars originally estimated to be received at the end of August 2016. These dollars were remitted by the State earlier than expected, July 2016, making them subject to recognition in FY 15-16. The actual amount received equals \$3,006,862. As such, staff is proposing an adjustment to recognize these collections in the current year as required by City audit policy. This action remains consistent with FY 16-17 budget in using these one-time dollars to bolster the City’s CalPERS reserves as described in the budget message.

The attached Budget Change Form identifies the items and budget codes associated with these budget increases/reallocations and the PERS stabilization reserve funding.

**Fiscal Impact:** The budget adjustments above are fee based reimbursements by developers and/or OES. The cash-out reallocation has no overall appropriation impact. The increase in the PERs stabilization reserve will serve as intended to mitigate near to mid-term term rising pension costs.

**Recommendation:** Approve the Fiscal Year 15-16 year-end budget appropriations and reallocations as itemized in the budget change form, increase the PERs stabilization reserve, as anticipated in the approved FY 16-17 budget in the amount of \$3,006,862, and approve keeping open CIP projects 6110, 7070 and 7114.

**Check if City Council Approval required.**

**Meeting Date:** September 6, 2016

<b>Requested by:</b>	<b>Russell Morreale</b>	<b>Date:</b>
<b>Reviewed by:</b>	<b>Finance Director:</b>	<b>Date:</b>
<b>Approved by:</b>	<b>City Manager:</b>	<b>Date:</b>
<b>Date approved by City Council, if required:</b>		<b>Confirmed by:</b>