



City of Santa Clara

The Center of What's Possible

MONTHLY FINANCIAL STATUS REPORT

May 2020

This report summarizes the City's financial performance for the month ended May 31, 2020. Financial analysis for the report is provided for the General Fund, select Special Revenue Funds, Enterprise Operating Funds, and Capital Improvement Funds. Financial information included in this report is unaudited.

General Fund

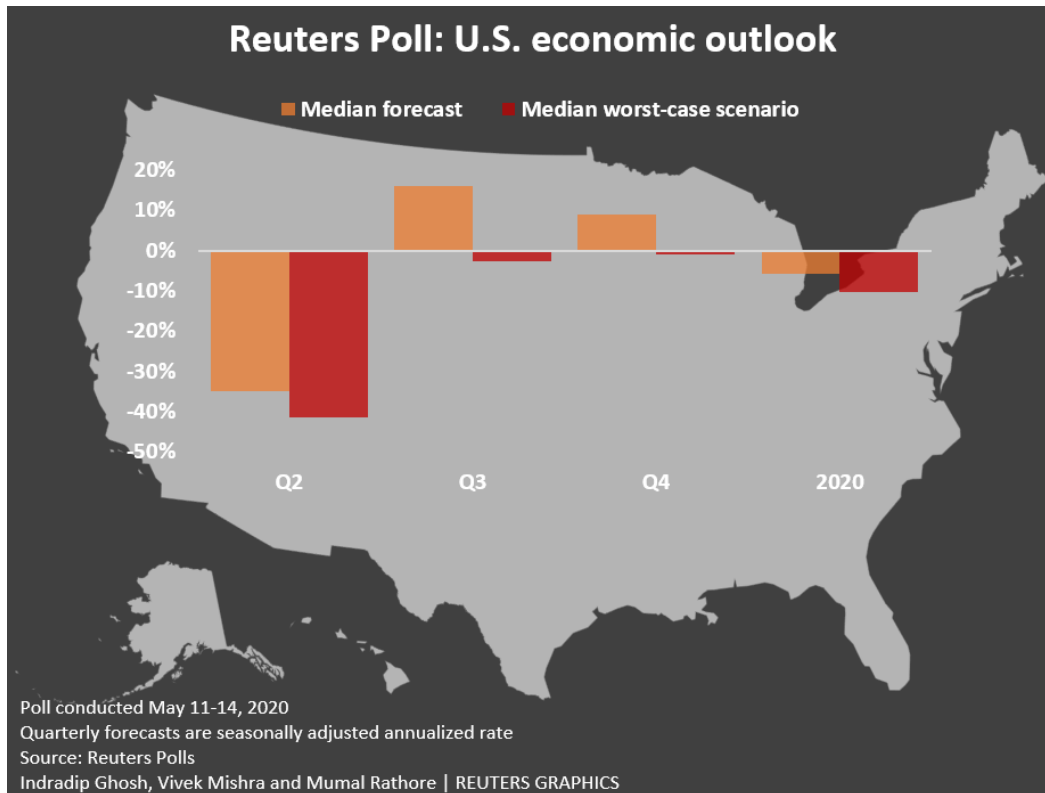
The General Fund is the major operating fund for the City and includes multiple programs, services, and activities for the residents of the City. The adopted budget for both operating revenues and expenditures for fiscal year 2019/20 was \$263.2 million. The amended budget for both was revised to \$274.9 million to reflect carryover appropriations from fiscal year 2018/19 and various budget amendments approved by the City Council through May 2020.

At the end of fiscal year 2018/19, the City implemented an accounting change that switched from a cash basis to a modified-accrual basis, which is reflected in the tables of this report. As a result of this change, a number of revenues were tracking lower than prior year collections and appear below par through May due to the timing of payments. In addition, General Fund revenues have been significantly impacted by COVID-19 and are now expected to end the year below the budgeted estimate. While revenues are expected to fall below budget, expenditures are tracking within budgeted expectations through May and should end the year with savings.

The COVID-19 virus and associated safety precautions have impacted revenue collections in areas such as transient occupancy tax, sales tax, fees for services and classes, and interest earnings as well as City costs. With the shelter-in-place and other actions residents and businesses have been taking to reduce the spread of the virus, economic activity in this region and throughout the country has experienced a significant decline.

On a national level, economic conditions have worsened in a very short period of time and many economists are now projecting one of the worst recessions in generations. In the May 2020 Reuters poll of economists, a recovery is still forecast for the second half of 2020, but the economy is not expected to come close to regaining the ground it lost this year. The economists are now projecting the 2nd quarter 2020 to shrink an unprecedented 35% after contracting 4.8% in the first quarter 2020. According to the poll, growth of 16% and 9% are projected in the last two quarters of 2020, compared with growth of 12% and 9% in the previous poll. In the worst-case scenario, however, declines of 2.5% and 1% are projected for the last two quarters of 2020.¹

¹ <https://www.reuters.com/article/uretuers-usa-economy-poll/near-term-us-economic-outlook-darkens-slow-recovery-to-follow-reuters-poll-idUSKBN22R063>



In May, the U.S. unemployment rate remained high at 13.3%. It is important to note that in its May 2020 Employment Situation news release, the Bureau of Labor Statistics discusses a data categorization issue that continues to understate the unemployment rate. “As was the case in March and April, household survey interviewers were instructed to classify employed persons absent from work due to coronavirus-related business closures as unemployed on temporary layoff. However, it is apparent that not all such workers were so classified. BLS and the Census Bureau are investigating why this misclassification error continues to occur and are taking additional steps to address this issue. If the workers who were recorded as employed but absent from work due to “other reasons” (over and above the number absent for other reasons in a typical May), had been classified as unemployed on temporary layoff, the overall unemployment rate would have been about 3 percentage points higher than reported (on a not seasonally adjusted basis).”²

Significant impacts are also expected on the State and local level. After the largest monthly drop in State history in April 2020, the California unemployment rate of 16.3% in May 2020 was slightly below the revised April unemployment rate of 16.4%. This unemployment figure remains well above the 12.3% experienced during the height of the Great Recession.³ The unadjusted unemployment rate in

² <https://www.bls.gov/news.release/pdf/empisit.pdf>

³ <https://www.edd.ca.gov/newsroom/unemployment-june-2020.htm>

the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA) was 11.2% in May 2020, down from a revised 12.0% in April 2020 and significantly higher than the May 2019 level of 2.2%.⁴

In its June 2020 projections, the Federal Reserve (Fed) expects unemployment to end 2020 at 9.3% and remain at higher levels with a projection of 5.5% unemployment in 2022. The Fed is also expecting a significant economic contraction with Gross Domestic Product (GDP) projected to decline by 6.5% in 2020. At a press conference following the Fed's two-day policy meeting, Fed Chair Jerome H. Powell commented that the extent of the downturn and pace of recovery remain "extraordinarily uncertain".⁵ According to Powell, "This is the biggest economic shock, in the U.S. and in the world, really, in living memory". "We went from the lowest level of unemployment in 50 years to the highest level in close to 90 years, and we did it in two months."⁶

The State of California is projecting a \$54.3 billion impact as a result of COVID-19, including a \$41.2 billion drop in tax revenues and approximately \$13.1 billion in additional costs. This includes projected drops of 27.2% in sales taxes and 25.5% in personal income taxes. For context, this impact is three and a half times the State's "rainy day" emergency reserves and is almost as much as the \$57.1 billion spent on K-12 schools and community colleges spent last year. The state also projects the 2020 unemployment rate will increase to 18%, up 50% from the Great Recession.⁷

Many local jurisdictions are now projecting significant shortfalls. For instance, the City of San José addressed a \$71.6 million General Fund budget deficit in its FY 2020/21 Proposed Budget, reducing staffing and programs throughout the organization. In addition to the General Fund, San Jose's Airport, Convention Center, and Development Fee Program were also significantly impacted.⁸ The City of Palo Alto will eliminate 74 full time positions and make cuts to many services and capital funding to address a projected revenue shortfall of almost \$39 million.⁹

Santa Clara's General Fund revenues will also be significantly impacted immediately and over the longer term based on the declining economic situation. Revenues are tracking to end the year \$10 million to \$15 million below the budget, which will be partially offset by expenditure savings in FY 2019/20. In FY 2020/21, a General Fund shortfall of almost \$23 million is projected as presented in the Proposed FY 2020/21 and FY 2021/22 Biennial Capital Budget.

Several cost savings measures were implemented April 1, 2020 to generate current year savings as well as savings that will be used in FY 2020/21 and in the development of the FY 2021/22 and FY 2022/23 Biennial Operating Budget. These actions include a hiring freeze and controls around overtime, as-needed staff, marketing, travel, technology and vehicle purchases. In the current year, the goal will be to generate \$5 million to \$10 million in General Fund savings to help offset anticipated revenue reductions resulting from COVID-19.

⁴ [https://www.labormarketinfo.edd.ca.gov/file/lfmonth/sjos\\$pds.pdf](https://www.labormarketinfo.edd.ca.gov/file/lfmonth/sjos$pds.pdf)

⁵ <https://www.nytimes.com/2020/06/10/business/economy/federal-reserve-economy-coronavirus.html>

⁶ <https://www.politico.com/news/2020/06/10/fed-economy-shrink-65-percent-2020-311212>

⁷ <https://www.mercurynews.com/2020/05/07/california-budget-to-take-54-3-billion-coronavirus-hit/>

⁸ <https://www.sanjoseca.gov/home/showdocument?id=58406>

⁹ <https://www.mercurynews.com/2020/05/27/palo-alto-will-eliminate-74-full-time-positions-at-city-hall-cut-back-popular-services/>

While there remains uncertainty regarding how the COVID-19 will impact the local economy and the City's budget, the General Fund may end the year in a negative position and, in that case, would have to draw on the Budget Stabilization Reserve to balance the budget in 2019/20. The City currently has \$57 million in this reserve to address any negative balance after factoring in the use of \$22.7 million of this reserve as an interim strategy to balance the FY 2020/21 budget. A high-level General Fund budget balancing strategy is included in the FY 2020/21 and FY 2021/22 Biennial Capital Budget, and specific budget actions for FY 2020/21 are planned to be brought forward in September 2020.

Staff will closely monitor the City's financial performance during this uncertain time and provide updates as part of future Monthly Financial Reports.

Financial Status Report as of May 31, 2020

General Fund Revenues

As of May 31, 2020, \$231.4 million or 84.2% of the General Fund estimated revenue was received. Revenue is currently tracking below par of 91.7% and below the prior year. As mentioned above, the change in budgeting methodology to an accrual basis impacted the timing of revenue receipts when compared to FY 2018/19. Factoring out these timing differences, revenues are still expected to end the year below budget as a result of the COVID-19 impacts as discussed below.

**CITY OF SANTA CLARA
GENERAL FUND
REVENUE OVERVIEW AND COMPARISON BY TYPE**

Function	FISCAL YEAR 2019/20				PY REVENUE COMPARISON		
	Adopted Budget	Amended Budget	Actual Through 05/31/2020	Percentage Received	Actual Through 05/31/2019	\$ Change From Prior Year	Percentage Change
TAXES							
Sales Tax	\$ 58,200,400	\$ 58,200,400	\$ 43,124,235	74.10%	\$ 54,460,246	\$ (11,336,011)	-20.82%
Property Tax	64,438,315	64,438,315	54,446,250	84.49%	51,628,067	2,818,183	5.46%
Transient Occupancy Tax	23,002,500	23,002,500	15,283,812	66.44%	21,505,708	(6,221,896)	-28.93%
Other Taxes	6,080,151	6,080,151	4,914,439	80.83%	5,721,182	(806,743)	-14.10%
Total Taxes	151,721,366	151,721,366	117,768,736	77.62%	133,315,203	(15,546,467)	-11.66%
LICENSES & PERMITS							
Business Licenses	959,500	959,500	785,647	81.88%	857,216	(71,569)	-8.35%
Fire Operation Permits	2,250,000	2,250,000	1,840,881	81.82%	2,319,689	(478,808)	100.00%
Building Permits	4,657,500	4,657,500	4,450,949	95.57%	7,948,666	(3,497,717)	-44.00%
Electric Permits	517,500	517,500	543,008	104.93%	733,715	(190,707)	-25.99%
Plumbing Permits	310,500	310,500	497,206	160.13%	610,088	(112,882)	-18.50%
Mechanical Permits	258,750	258,750	440,397	170.20%	570,029	(129,632)	-22.74%
Miscellaneous Permits	46,575	46,575	58,435	125.46%	85,256	(26,821)	-31.46%
Total Licenses & Permits	9,000,325	9,000,325	8,616,523	95.74%	13,124,659	(4,508,136)	-34.35%
FINES & PENALTIES	1,689,225	1,689,225	1,124,951	66.60%	1,837,135	(712,184)	-38.77%
INTERGOVERNMENTAL	168,755	5,239,529	5,900,502	112.62%	2,793,015	3,107,487	111.26%
CHARGES FOR SERVICES	33,144,722	33,180,892	31,484,340	94.89%	35,499,378	(4,015,038)	-11.31%
CONTRIBUTION IN LIEU	24,333,275	24,333,275	22,305,502	91.67%	21,170,040	1,135,462	5.36%
USE OF MONEY & PROPERTY							
Interest	5,697,500	5,697,500	3,161,430	55.49%	4,630,102	(1,468,672)	-31.72%
Rent	8,658,991	8,658,991	7,880,072	91.00%	7,711,525	168,547	2.19%
Total Use of Money & Property	14,356,491	14,356,491	11,041,502	76.91%	12,341,627	(1,300,125)	-10.53%
MISCELLANEOUS REVENUES	100,001	100,001	2,000,782	2000.76%	502,288	1,498,494	298.33%
LAND PROCEEDS	4,050,000	4,050,000	164,606	4.06%	-	164,606	100.00%
OTHER FINANCING SOURCES							
Operating Transfer In - Storm Drain	1,398,145	1,398,145	1,398,145	100.00%	1,447,000	(48,855)	-3.38%
Operating Transfer In - Reserves	11,290,582	14,154,274	14,154,274	100.00%	4,182,281	9,971,993	238.43%
Operating Transfer In - Fund Balances ⁽¹⁾	-	5,338,670	5,338,670	100.00%	10,459,221	(5,120,551)	-48.96%
Operating Transfer In - Miscellaneous	667,885	1,736,115	1,736,115	100.00%	54,250	1,681,865	3100.21%
Total Other Financing Sources	13,356,612	22,627,204	22,627,204	100.00%	16,142,752	6,484,452	40.17%
STADIUM OPERATION							
Charges for Services	7,988,313	7,988,313	7,767,941	97.24%	5,660,711	2,107,230	37.23%
Rent and Licensing	3,333,185	633,185	639,410	100.98%	571,578	67,832	11.87%
Total Stadium Operation	11,321,498	8,621,498	8,407,351	97.52%	6,232,289	2,175,062	34.90%
TOTAL GENERAL FUND	\$ 263,242,270	\$ 274,919,806	\$ 231,441,999	84.19%	\$ 242,958,386	\$ (11,516,387)	-4.74%

(1) The Operating Transfer In - Fund Balances includes the carryover encumbrances of open purchase orders as of June 30, 2019 and mid-year budget amendment from reserves.

General Fund Revenues

Sales Tax: The City of Santa Clara sales tax rate is 9.0%, of which the City receives 1.0%. Through May 31, 2020, sales tax collections were \$43.1 million. These collections represent the sales tax revenue generated for the months of July through March 2020. While last year saw collections of \$54.5 million through the same period, these collections were for the months of May 2018 through March 2019. Based on receipts for the first two quarters, collections were projected to slightly exceed the budgeted estimate of \$58.2 million. However, as a result of actions associated with COVID-19, sales tax revenue is now expected to fall well below the budget. In the third quarter, which was only impacted by COVID-19 in the month of March, collections fell 10.9% from the same quarter in the previous year. If receipts drop 25% - 50% in the last quarter of the fiscal year, sales tax revenue will end the year below the budgeted estimate by \$4 million - \$8 million. Data for the fourth quarter will be available in August 2020.

Property Tax: The majority of property tax revenue is collected in January and April each year. Based on the latest estimates from the County of Santa Clara, it is anticipated that collections in this category will reach \$65.4 million, slightly exceeding the FY 2019/20 budgeted estimate of \$64.4 million. Property tax collections totaled \$54.4 million through May, which is higher than what was collected last year through the same period. COVID-19 is expected to have minimal potential impacts on 2019/20 revenue collections.

Transient Occupancy Tax (TOT): TOT is calculated as a percentage of City hotel/motel room charges. The City's current TOT rate is 9.5%. Through May 31, 2020, \$15.3 million has been collected, which is \$6.2 million below the receipts collected through May 2019. This variance from last year's collections is attributable to both the budget methodology change and the significant drop in revenue associated with COVID-19. With the budget methodology change, \$4.1 million was accrued to FY 2018/19 at the end of last fiscal year which has impacted the timing of payments. The remaining drop is associated with the COVID-19 impacts.

If there is a 50% to 90% decline in receipts through the end of the fiscal year, collections would reach \$16 million - \$18 million, dropping below the budgeted estimate of \$23.0 million by \$5 million to \$7 million.

Other Taxes: Includes franchise tax and documentary transfer tax. The City has collected \$4.9 million, which is 81% of the budgeted estimate of \$6.1 million. This decrease in revenue compared to last year's collections through the same period is primarily attributable to the change in budgeting methodology and the timing of payments. Franchise tax collections, budgeted at \$4.4 million, are lower due to prior year accruals and the timing of the receipt of payments; these receipts are expected to end the year close to the budgeted estimate.

Documentary transfer tax revenue of \$1.2 million through May is consistent with prior year collections through the same period. However, growth of 4% over the prior year actuals is necessary to meet the budgeted estimate of \$1.7 million. Collections are currently tracking to end the year below the budgeted estimate by approximately \$200,000.

Licenses & Permits: Includes business licenses, building permits, and other building and planning permits and fees. Overall licenses and permits revenue collections are above par and totaled \$8.6 million, or 95.7% of the budget of \$9.0 million. These collections are 34.4% below the very high collection level experienced through the same period last fiscal year. Even if activity slows in the last month of the year, this category should meet the budgeted estimate. For the building development revenues, any excess revenues over expenditures will be placed in the Building Inspection Reserve. This reserve is also available to cover any difference if revenues fall below the expenditure level.

Fines & Penalties: Includes vehicle, parking, court fines, and miscellaneous penalty fines. The revenue collected in this category totaled \$1.1 million through May and is lower compared to prior year actual collection level by \$0.7 million as a result of lower activity levels in the collection charges and traffic fines accounts. Receipts are also lower due to accruals at the end of FY 2018/19. Given restricted activity levels as a result of COVID-19, collections in this category may continue to decline in the last month of the fiscal year and may fall below the budgeted estimate by approximately \$300,000 - \$500,000.

Intergovernmental: Includes motor vehicle fees, state homeowner tax relief, state mandated reimbursement and redistribution of land sale proceeds and ground leases from the Successor Agency. Through May 31, 2020, collections totaled approximately \$5.9 million, exceeding this year's budgeted estimate of \$5.2 million and exceeding last fiscal year's collections through the same period. This increase is due to a Santana West settlement payment in the amount of \$5.0 million for the Related project received from the City of San José. These funds are restricted for affordable housing and transportation improvements and have been set aside in a separate reserve.

Charges for Services: Includes various plan check and zoning-related fees, engineering fees, administrative fees, and community service revenue from various recreational activities. While collections of \$31.5 million were \$4.0 million lower than collections through the same time last year, revenues in this category are tracking above par at 95%. This is mainly attributable to higher plan check and sign fee collections through May. Collections in this category were tracking to exceed the budgeted estimate of \$33.2 million by at least \$2.0 million to \$3.0 million by year-end. However, as a result of the COVID-19 safety precautions, the revenues from various recreational activities are expected to fall well below the budget. The higher collections in other fee areas, however, are tracking to offset the loss in the Parks and Recreation fees.

Contribution in Lieu: In accordance with the City's charter, Silicon Valley Power pays 5.0% of gross revenues as contribution-in-lieu of taxes. These revenues provide funding for general government services such as public safety, public works, parks and recreation, library, and administration. Through May, \$22.3 million has been received, which is consistent with the budgeted estimate of \$24.3 million. However, these payments were based on the budgeted estimate and will be trued up at the end of the fiscal year. Based on prior year activity and current estimates, collections in this category may fall below the budgeted estimate by over \$1.0 million.

Use of Money & Property: Includes realized investment income and rental income. Interest income and rent revenue collections totaled \$11.0 million, which is below the budgeted estimate of \$14.4

million due, in part, to the timing of payments for interest earnings related to the prior year accrual. While receipts in this category had been tracking to meet the budgeted estimate by year-end, interest earnings may fall below the budgeted estimate of \$5.7 million as a result of lower interest earning rates.

Miscellaneous Revenues: Includes developer fees, donations, damage recovery, sale of scrap, and one-time miscellaneous revenues. As of May 31, 2020, collections totaled \$2.0 million, which exceeds the budgeted estimate of \$0.1 million. This is a result of proceeds from the sale the right-of-way related to the vacated land sale on Fremont Street and Sherman Street. The City also received \$800,000 for damage recoveries resulting from a settlement agreement related to the City's Swim Center. An amendment to recognize this revenue and set it aside in the General Fund's Capital Projects Reserve was approved by City Council during the June 23rd meeting, as part of the Monthly Financial Status Report for April 2020.

Land Proceeds: Includes revenue from the sale of City-owned land. Through May 31, 2020, proceeds totaled approximately \$0.2 million, resulting from the sale of vacated land located on Fremont Street and Sherman Street. The budgeted estimate for this category included \$4.0 million of proceeds from the sale of property to be used for affordable housing. It is anticipated that this sale will be completed at the end of this calendar year. A budget action will be brought forward as part of FY 2019/20 year-end reconciliation process to carry this budget into FY 2020/21.

Stadium Operation: The revenue for Stadium Operations totaled approximately \$8.4 million through May 31, 2020, which is higher than collections through the same period last fiscal year. Charges for services, which includes public safety cost reimbursement for NFL and Non-NFL events and parking revenue, is expected to exceed the budgeted \$8.0 million at \$8.6 million. This is mainly due to higher than expected parking revenue and public safety cost reimbursement associated with two NFL playoff games offset by lower than anticipated Non-NFL event public safety costs. Due to the significantly lower than anticipated number of Non-NFL events, the Non-NFL performance-based rent will not meet the FY 2019/20 Adopted Budget estimate. A separate downward adjustment of \$2.7 million was approved as part of the Budgetary Year-End Report to decrease these revenues, which is reflected in the Amended Budget column in the table above. The lease revenue is projected to end the fiscal year at \$639,000 which slightly exceeds the revised budgeted estimate of \$633,000.

Financial Status Report as of May 31, 2020

General Fund Expenditures

As of May 31, 2020, \$232.2 million or 84.5% of the General Fund operating budget had been expended. Overall, expenditures in the General Fund are within budgeted levels through May. Departmental expenditures totaled \$209.3 million, or 83.2% of the budget, which is below the par level of 91.7% of the budget. Expenditure savings are expected by year-end.

CITY OF SANTA CLARA GENERAL FUND EXPENDITURES OVERVIEW AND COMPARISON BY FUNCTION

Function	FISCAL YEAR 2019/20				PY EXPENDITURES COMPARISON		
	Adopted Budget	Amended Budget	Actual Through 05/31/2020	Percentage Used	Actual Through 05/31/2019	\$ Change From Prior Year	Percentage Change
GENERAL GOVERNMENT							
Non-Departmental	\$ 11,909,566	\$ 13,264,495	\$ 3,468,043	26.15%	\$ 2,259,780	\$ 1,208,263	53.47%
City Council	894,953	894,953	810,841	90.60%	705,372	105,469	14.95%
City Clerk	1,389,880	1,839,750	1,046,427	56.88%	1,589,146	(542,719)	-34.15%
City Manager	6,554,276	8,124,294	5,554,219	68.37%	5,156,101	398,118	7.72%
City Attorney	2,260,512	2,376,523	1,951,204	82.10%	1,794,068	157,136	8.76%
Human Resources	4,409,195	4,622,757	3,618,315	78.27%	2,887,589	730,726	25.31%
Finance	15,719,734	16,653,861	13,098,191	78.65%	10,967,619	2,130,572	19.43%
Information Technology	-	-	-	0.00%	8,501,322	(8,501,322)	-100.00%
Total General Government	43,138,116	47,776,633	29,547,240	61.84%	33,860,997	(4,313,757)	-12.74%
PUBLIC WORKS	23,579,460	23,919,037	21,314,973	89.11%	22,397,206	(1,082,233)	-4.83%
COMMUNITY DEVELOPMENT	14,186,780	17,257,752	12,422,009	71.98%	11,545,633	876,376	7.59%
PARKS AND RECREATION	22,401,233	23,011,286	18,522,102	80.49%	17,362,311	1,159,791	6.68%
PUBLIC SAFETY							
Fire	52,783,063	54,209,728	50,553,338	93.26%	48,075,497	2,477,841	5.15%
Police	73,397,279	74,069,459	67,651,948	91.34%	59,985,081	7,666,867	12.78%
Total Public Safety	126,180,342	128,279,187	118,205,286	92.15%	108,060,578	10,144,708	9.39%
LIBRARY	11,310,791	11,346,604	9,269,901	81.70%	9,247,927	21,974	0.24%
DEPARTMENTAL SUBTOTAL	240,796,722	251,590,499	209,281,511	83.18%	202,474,652	6,806,859	3.36%
OTHER FINANCING USES							
Operating Transfer Out - Miscellaneous	526,688	846,688	748,445	88.40%	885,578	(137,133)	-15.49%
Operating Transfer Out - Rental Income	-	-	-	0.00%	14,065	(14,065)	-100.00%
Operating Transfer Out - Debt Services	1,710,474	1,710,474	1,710,474	100.00%	2,501,494	(791,020)	-31.62%
Operating Transfer Out - Maintenance Districts	917,331	917,331	917,331	100.00%	-	917,331	N/A
Operating Transfer Out - Cemetery	703,490	703,490	703,490	100.00%	618,081	85,409	13.82%
Operating Transfer Out - SCGTC	-	-	-	0.00%	155,020	(155,020)	-100.00%
Operating Transfer Out - Special Liability	-	-	-	0.00%	2,200,000	(2,200,000)	-100.00%
Operating Transfer Out - CIP	11,643,673	11,643,673	11,643,673	100.00%	50,000	11,593,673	23187.35%
Operating Transfer Out - Reserves	344,360	879,200	879,200	100.00%	-	879,200	N/A
Total Other Financing Uses	15,846,016	16,700,856	16,602,613	99.41%	6,424,238	10,178,375	158.44%
STADIUM OPERATION	6,599,532	6,621,340	6,302,937	95.19%	5,928,281	374,656	6.32%
TOTAL GENERAL FUND	\$ 263,242,270	\$ 274,912,695	\$ 232,187,061	84.46%	\$ 214,827,171	\$ 17,359,890	8.08%

General Fund Expenditures

Below is an explanation of certain budget to actual expenditure variances by program. Other program expenditures not described below are within expectations. Effective fiscal year 2019/20, the Information Technology budget was shifted from the General Fund to a newly established internal services fund.

Non-Departmental: Includes expenditures that are not attributable to a single department, but a function of the City in general. Through May 31, 2020, expenditures were at 26.2% of budget, primarily due to lower expenditures in the salary and benefits and materials, services and supplies categories. The Non-Departmental budget also includes a \$4.0 million loan to fund an affordable housing project that was approved by the City Council on January 29, 2019, which has not yet been expended. It is anticipated that this loan, which will be funded by a property sale, will be processed at the end of the calendar year. A budget action to carry this appropriation over will be brought forward as part of FY 2019/20 year-end reconciliation report. Because the Non-Departmental category was tracking to end the year with savings, a portion of the expected savings was reallocated to the Small Business Assistance Program (\$250,000 – 4/28/2020 Council Agenda) and the Food Distribution Program (\$550,000 – 5/12/20 Council Agenda). Additionally, as approved by City Council on June 23, 2020, the Non-Departmental budget was reduced by \$1.9 million to reflect the elimination of funding set aside for separation payouts (\$1.8 million) as well as other savings. The majority of this funding (\$1.2 million) was needed by the Fire Department to offset the separation payout costs in that department. The remaining funds were used to help cover costs related to COVID-19 in the Other City Departments Operating Grant Trust Fund.

City Manager: The actual expenditures through May 31, 2020 were at 68.4% of the budget. This is primarily due to lower than anticipated spending in the salary and benefits and contractual services categories. A portion of the year-end savings anticipated in the City Manager's Office was reallocated to the Food Distribution Program (\$70,000 – 5/12/20 Council Agenda), while additional savings were reallocated to the Other City Departments Operating Grant Trust Fund to help cover costs related to COVID-19 as part of the April 2020 Monthly Financial Report (\$300,000 – 6/23/20 Council Agenda).

Community Development: This department consists of three divisions: Planning, Building, and Housing and Community Services. Through May, departmental expenditures of \$12.4 million were at 72% of the budget, which is below par for this time of year. As part of the November Monthly Financial Report, \$1.5 million was added to the Department's contractual services budget, funded by Building Inspection Reserve. With the recent influx of large-scale development projects, these additional resources were added to address the workload and maintain service levels and turnaround times through the remainder of the year. Contractual services are expected to remain within budget with this adjustment. Overall, the department is expected to end the year with savings and a portion of those savings was reallocated to the Other City Departments Operating Grant Trust Fund to help cover costs related to COVID-19 as part of the April 2020 Monthly Financial Report (\$250,000 – 6/23/20 Council Agenda).

Fire Department: Through May, actual expenditures totaled \$50.6 million, or 93.3%, which is above the par level of 91.7% of the budget. Overall salary expenditures were tracking above budget,

particularly in the overtime category due to minimum staffing requirements and several Fire Captain vacancies. The department was also tracking high due to separation payouts costs that are not budgeted in the department. To cover these costs, \$1.65 million was added to the Fire Department's budget as part of the April 2020 Monthly Financial Report (6/23/20 Council Agenda). This included \$1.2 million for separation payouts that was offset by a reduction to the Non-Departmental budget for this expense. The remaining increase of \$450,000 covered the net overtime costs that are not offset by salary savings from the vacancies and lower than budgeted expenditures in the materials, services, and supplies category. Factoring in this budget increase, the Fire Department would have expended 90.5% of the budget through May, which is within the par level. The Fire Department is staffing specialized COVID-19 response units to respond to the Federal Medical Station at the Santa Clara Convention Center and other high-risk locations. The COVID-19 expenditures are being tracked for potential reimbursement and are reflected in the Other City Departments Operating Grant Trust Fund.

Police Department: Expenditures through May 31, 2020 are tracking at expected levels at \$67.7 million, or 91.3% of the budget. The salary expenditures were above budget primarily in the as needed and overtime categories, resulting from additional staffing needs for events including Great America's Halloween Haunt and mutual aid provided to the Gilroy Garlic Festival shooting and investigation. The City received a reimbursement related to the staffing costs for the Great America Haunt. There have also been new City events that have required Police staffing such as the Parade of Champions and Comic Con. These higher expenditures are partially offset by lower than budgeted expenses in the materials, services, and supplies category. Police Department expenditures are expected to remain within budget by year end.

Stadium Operation: Stadium operating expenditures are incurred first and billed on a reimbursement basis creating a timing difference in revenue recognition. Stadium expenditures totaled \$6.3 million through May 31, 2020 and are tracking slightly above budgeted levels, however, are anticipated to come in within budget at year end. The higher expenditures are a result of the purchase of a new public safety insurance policy and higher than anticipated costs for outside agency public safety. Both the insurance premium and public safety costs are reimbursed by the 49ers.

Special Revenue Funds

The table below is a summary of revenues and expenditures of select Special Revenue Funds as of May 31, 2020. The amended budget for both reflects carryover appropriations from fiscal year 2018/19 in addition to various budget amendments approved by the City Council through May 2020. The revenues received through the end of May totaled approximately \$3.8 million, while expenditures totaled \$3.4 million.

CITY OF SANTA CLARA SPECIAL REVENUE FUNDS REVENUE AND EXPENDITURE - OVERVIEW AND COMPARISON BY FUND

Fund Description	REVENUE - FISCAL YEAR 2019/20				PRIOR YEAR REVENUE COMPARISON		
	Adopted Budget	Amended Budget	Actual Through 5/31/2020	Percentage received	Actual Through 5/31/2019	\$ Change From Prior Year	Percent Change
Housing Authority Fund	\$ 260,000	\$ 274,831	\$ 285,554	103.90%	\$ 184,831	\$ 100,723	54.49%
City Affordable Housing Fund	696,703	1,084,543	745,981	68.78%	373,490	372,491	99.73%
Housing Successor Fund	12,031,000	12,084,817	1,129,472	9.35%	1,597,816	(468,344)	-29.31%
Housing and Urban Development	2,626,117	5,238,691	1,654,823	31.59%	1,514,248	140,575	9.28%
TOTAL	\$15,613,820	\$ 18,682,882	\$ 3,815,830	20.42%	\$ 3,670,385	\$ 145,445	3.96%

Fund Description	EXPENDITURES - FISCAL YEAR 2019/20				PRIOR YEAR EXPENDITURE COMPARISON		
	Adopted Budget	Amended Budget	Actual through 5/31/2020	Percentage used	Actual through 5/31/2019	\$ Change From Prior Year	Percent Change
Housing Authority Fund	\$ 546,623	\$ 561,454	\$ 99,078	17.65%	\$ 58,893	\$ 40,185	68.23%
City Affordable Housing Fund	1,520,735	7,908,575	588,208	7.44%	306,596	281,612	91.85%
Housing Successor Fund	12,592,389	17,646,206	477,089	2.70%	483,086	(5,997)	-1.24%
Housing and Urban Development	3,846,296	5,238,691	2,241,528	42.79%	1,408,523	833,005	59.14%
TOTAL	\$18,506,043	\$ 31,354,926	\$ 3,405,903	10.86%	\$ 2,257,098	\$ 1,148,805	50.90%

The majority of the budget in the housing funds account for two development loans, which would allow for the construction of affordable housing projects, referred to as the Corvin Supportive Housing and the Agrihood Mixed-Use Development projects. Both the revenues and expenditures are expected to increase once the proceeds from the sale of land are received and the loan agreements are executed, which is anticipated to be done next fiscal year. An action to carry over these appropriations will be brought forward for City Council approval as part of the F 2019/20 year-end reconciliation process.

Governmental Capital Improvement Funds

The table below lists the total amended budget amounts for the Capital Improvement Funds, which consist of current year appropriations, prior year carryover balances in Governmental Capital Improvement Funds, and budget amendments approved through May 2020. As of May 31, 2020, these capital fund expenditures totaled \$32.5 million, or 24.8% of the amended budget. As part of the adoption of the FY 2020/21 budget, capital funds were carried over into next fiscal year for those projects that have not yet been completed. Any necessary adjustments to the capital carryover amounts based on actual year-end expenditures will be completed as part of the FY 2019/20 year-end reconciliation process.

The carryover of prior year budget amounts is necessary when services or projects are started but not completed at the end of the fiscal year. This is especially true for the Capital Improvement Program (CIP) that typically spans several years.

CITY OF SANTA CLARA GOVERNMENTAL CAPITAL IMPROVEMENT FUNDS SUMMARY OF EXPENDITURES

EXPENDITURES - FISCAL YEAR 2019/20						
Fund Description	Current Year Appropriation	Prior Year Carryforward	Total Amended Budget	Actual Through 5/31/2020	Percentage Used	
Parks & Recreation	\$ 6,885,661	\$ 27,507,742	\$ 34,393,403	\$ 17,153,659	49.87%	
Streets & Highways	20,512,478	39,407,535	59,920,013	11,149,702	18.61%	
Storm Drain	4,779,305	3,264,959	8,044,264	712,804	8.86%	
Fire	665,049	635,187	1,300,236	320,904	24.68%	
Library	10,633	234,633	245,266	32,821	13.38%	
Public Buildings	4,097,571	8,335,917	12,433,488	1,444,586	11.62%	
General Gov't - Other	1,511,494	13,051,614	14,563,108	1,695,987	11.65%	
TOTAL	\$ 38,462,191	\$ 92,437,587	\$ 130,899,778	\$ 32,510,463	24.84%	

Enterprise Funds

The table below is a summary of revenues and expenses for the Enterprise Operating Funds as of May 31, 2020. Overall, revenues and expenditures are tracking below budgeted levels.

Effective fiscal year 2019/20, the City switched from a cash basis budgetary reporting to an accrual basis, which is reflected in the tables of this report. At the end of May 2020, revenue and expenditures are tracking higher than through the same period last fiscal year. For fiscal year 2019/20, the City is still anticipated to maintain a positive operating position for each of its Enterprise Operating Funds.

CITY OF SANTA CLARA ENTERPRISE OPERATING FUNDS REVENUES AND EXPENSES - OVERVIEW AND COMPARISON BY FUND

Fund Description	REVENUE - FISCAL YEAR 2019/20				PRIOR YEAR REVENUE COMPARISON		
	Adopted Budget	Amended Budget	Actual Through 5/31/2020	Percentage received	Actual Through 5/31/2019	\$ Change From Prior Year	Percent Change
Electric Utility Fund	\$ 516,210,630	\$ 517,210,920	\$ 516,468,246	99.86%	\$ 450,267,804	\$ 66,200,442	14.70%
Water Utility Fund	53,411,144	56,080,779	43,805,934	78.11%	43,239,436	566,498	1.31%
Sewer Utility Fund	94,169,500	94,259,046	35,272,419	37.42%	36,624,312	(1,351,893)	-3.69%
Cemetery Fund	645,150	645,150	392,029	60.77%	523,638	(131,609)	-25.13%
Solid Waste Utility Fund	28,033,703	28,760,383	23,118,227	80.38%	23,320,453	(202,226)	-0.87%
Water Recycling Fund	6,769,200	7,779,200	5,376,396	69.11%	5,914,417	(538,021)	-9.10%
TOTAL REVENUE	\$ 699,239,327	\$ 704,735,478	\$ 624,433,251	88.61%	\$ 559,890,060	\$ 64,543,191	11.53%

Fund Description	EXPENSES - FISCAL YEAR 2019/20				PRIOR YEAR EXPENSE COMPARISON		
	Adopted Budget	Amended Budget	Actual through 5/31/2020	Percentage Used	Actual through 5/31/2019	\$ Change From Prior Year	Percent Change
Electric Utility Fund	\$ 486,468,491	\$ 484,402,005	\$ 496,079,908	102.41%	\$ 405,416,420	\$ 90,663,488	22.36%
Water Utility Fund	46,449,085	49,118,720	37,862,467	77.08%	37,894,204	(31,737)	-0.08%
Sewer Utility Fund	28,451,451	28,540,997	25,050,077	87.77%	24,222,896	827,181	3.41%
Cemetery Fund	1,399,333	1,399,333	1,067,940	76.32%	1,095,293	(27,353)	-2.50%
Solid Waste Utility Fund	27,470,657	28,197,337	20,915,647	74.18%	20,504,216	411,431	2.01%
Water Recycling Fund	5,349,013	6,359,013	5,464,850	85.94%	5,110,223	354,627	6.94%
TOTAL - Operating Appropriations	\$ 595,588,030	\$ 598,017,405	\$ 586,440,889	98.06%	\$ 494,243,252	\$ 92,197,637	18.65%

Revenues in the electric, water, and sewer utility (which also includes the Sewer Debt Service Fund) and water recycling funds are primarily from customer service charges. The activity levels for these customer service charges also impact the resource and production costs on the expenditure side for these funds. The lower the revenue from customer service charges, the lower the expenditures in the resource and production category. In both the sewer and water recycling funds, contractual services expenditures are higher than budgeted levels; however, this is primarily offset by savings in the salary and benefits categories. In the Sewer Debt Service Fund, revenues are tracking low because the \$50.0 million in debt proceeds have not been received. A line of credit was approved by Council at the May

26, 2020 Council date. In the Electric Utility Fund (which includes the Electric Utility Debt Service Fund), the expenditures through May have exceeded the budget. A budget amendment was approved as part of the April 2020 Monthly Financial Report (6/23/20 Council Agenda) in the Electric Utility Debt Fund to account for the bond refunding transactions that closed on April 16, 2020, which corrects this overage. The revenue received in the Electric Utility fund dictates the contribution in-lieu expenditure.

A summary of expenses in the Enterprise Capital Improvement Funds is detailed in the table below. Actuals through May totaled \$83.6 million, or 30.6% of the amended budget. Similar to the general government capital funds, capital funds were carried over into next fiscal year as part of the FY 2020/21 budget adoption process for those projects that have not yet been completed. Any necessary adjustments to the capital carryover amounts based on actual year-end expenditures will be completed as part of the FY 2019/20 year-end reconciliation process.

CITY OF SANTA CLARA ENTERPRISE CAPITAL IMPROVEMENT FUNDS SUMMARY OF EXPENSES

Fund Description	EXPENSES - FISCAL YEAR 2019/20					Prior Year
	Current Year Appropriation	Prior Year Carryforward	Total Amended Budget	Actual Through 5/31/2020	Percentage Used	Actual Through 5/31/2019
Electric Utility Fund	\$ 49,057,167	\$ 107,739,473	\$ 156,796,640	\$ 25,221,862	16.09%	\$ 21,144,678
Street Lighting ⁽¹⁾	86,855	5,925,185	6,012,040	76,094	1.27%	69,745
Water Utility Fund	13,449,374	12,853,124	26,302,498	1,581,879	6.01%	3,297,596
Sewer Utility Fund	58,953,565	24,614,662	83,568,227	56,376,774	67.46%	20,072,654
Cemetery Fund	-	-	-	-	0.00%	-
Solid Waste Utility Fund	484,367	168,480	652,847	391,355	59.95%	524,097
Water Recycling Fund	50,000	-	50,000	-	0.00%	-
TOTAL - CIP Appropriations	\$ 122,081,328	\$ 151,300,924	\$ 273,382,252	\$ 83,647,964	30.60%	\$ 45,108,770

(1) Street Lighting fund is part of Electric Capital Improvement Funds

Fund Reserves

By policy, City Council established the City's General Contingency Reserve, under which reserves for Budget Stabilization and Capital Projects were established.

- Budget Stabilization Reserve is set aside for weathering economic downturns, emergency financial crisis, or disaster situations. The reserve target is equal to the expenditures of the City's General Fund operations for three months (90-day or 25% General Fund Adopted Operating Budget).
- Capital Projects Reserve earmarks funds for the Capital Improvement Program.

Other General Reserves and Enterprise Fund Reserves included in this report are highlighted as follows:

- Building Inspection Reserve accounts for surplus funds from user fees in the Community Development Department's Building Inspection Division and is restricted to fund Building Division costs.
- Technology Fee Reserve is set aside to update and/or replace the City's aging technology and to ensure internal controls are in compliance with current business standard and legal requirements.
- Land Sale Reserve is net proceeds from the sale of City-owned land, with interest earned on these funds available to be appropriated for General Fund operating expenditures. This reserve is available for appropriation by City Council action.
- The Electric Utility Reserve assures sufficient operating cash is available to ensure debt service coverage.
- The Replacement and Improvement Reserve in the Water and Sewer Utility Funds is for future capital improvement.
- The Water Conservation Reserve is to enhance water conservation activities in response to the drought.

The table below summarizes select reserve balances.

DETAIL OF SELECTED FUND RESERVE BALANCES:

	GENERAL FUND	ELECTRIC	WATER	SEWER
Budget Stabilization Reserve	\$ 79,967,166			
Capital Projects Reserve	28,186,138			
Land Sale Reserve	21,531,838			
Building Inspection Reserve	14,105,480			
Technology Fee Reserve	284,129			
Rate Stabilization Fund Reserve		\$ 25,000,000		
Cost Reduction Fund Reserve		98,947,182		
DVR Power Plant Contracts Reserve		78,163		
Replacement & Improvement			\$ 303,090	\$ -
TOTALS	\$ 144,074,751	\$ 124,025,345	\$ 303,090	\$ -

Note: The Budget Stabilization Reserve figure above of \$80.0 million does not factor in the use of \$22.7 million of the reserve as an interim strategy to balance the FY 2020/21 budget approved by the City Council in June 2020.

City of Santa Clara

Financial Status Report as of May 31, 2020

Long-Term Interfund Advances

The funds below have made advances/loans which are not expected to be repaid within the next year. The loan from the General Fund to for Parks and Recreation Facilities reflects proceeds from the Land Sale Reserve for the purchase of property at the Reed and Grant Sports Park. This loan is anticipated to be repaid by 25% of future Mitigation Fee Act revenue until the loan is paid in full.

DETAIL OF LONG TERM INTERFUND ADVANCE BALANCES:

Fund Receiving Advance/Loan	Fund Making Advance/Loan	Type	Amount of Advance / Commitment
Cemetery	General Fund	Advance	\$ 6,339,380
Santa Clara Golf & Tennis Club	General Fund	Advance	4,224,134
Parks and Recreation Facilities	General Fund	Loan	10,130,273
TOTALS			\$ 20,693,787

Donations to the City of Santa Clara

Donations received by department during the month of May 2020 and for fiscal year 2019/20 are shown in the table below.

Department	May-20	Fiscal Year 2019/20 Year To Date	Donor	Designated Use
City Manager's Office	\$ 225	\$ 630	Various	Help Your Neighbor
City Manager's Office	-	100	Various	Various Programs
Parks and Recreation	-	34,840	Various	Various Parks and Recreation Programs
Parks and Recreation	-	89,834	Various	Arts, Crafts and Wine Festival
Fire	-	330	Various	Emergency Supplies
Police	-	7,000	Various	Police K9 Program
Non-Departmental	100,000	131,375	Various	COVID-19 Relief
TOTALS	\$ 100,225	\$ 264,109		