



Council and Authorities Concurrent Meeting

Item #9 - Action on FY 2020/21 Budget Year-End Report and Approve the Related Budget Amendments

December 14, 2021

Agenda

- Overview
- Year-End Results
- Recommended Adjustments
- Next Steps

Overview

- The financial performance continued to be impacted by the COVID-19 pandemic
- Revenues impacted, with the largest drop in the Transient Occupancy Tax (down 87%)
- Expenditures also down with impacts to activities and programs offered
- Budget adjusted to account for impacts with March 2021 rebalancing
- Funds generally ended FY 2020/21 within estimated levels



Overview

2020/21 Year-End Report

- Detailed summary of General Fund and other funds performance
- General Fund reconciling budget actions and allocation of modest fund balance
- Itemization of FY 2020/21 budget ratifications to address limited number of expenditure overages
- Itemization of FY 2021/22 budget amendments, including reconciliations of CIP carryovers, donations, grants, other fund carryovers, and fund balance adjustments
- Establishment of a new American Rescue Plan Act Fund

Year-End Results – General Fund

General Fund

- Revenues of \$240.7 million ended the year above budget by **\$0.4 million**
- Expenditures of \$271.0 million were below budget by **\$11.3 million**
- Building Development reconciliation and the Advanced Planning Fee Reserve adjustments total \$5 million (excess revenue and expenditure savings are returned to these uses)
- Return of capital fund project savings and budget addition to adjust Capital Project Reserve to meet reserve goal of \$5 million
- Net additional fund balance of \$3.3 million recommended to be allocated
- No surplus funds available for other reserves (Pension Trust and Budget Stabilization Reserve) and other unmet needs

General Fund Revenues

- Revenues above budget by \$0.4 million (0.2%)
- After factoring out revenues dedicated to specific uses (development fees, pension interest earnings), **revenues below budget by \$5.6 million**
- Lower revenue performance for transient occupancy tax, other fees for services (e.g., stadium reimbursement, planning and zoning fees, recreational activities), and rent
- Higher revenue performance of property tax, sales tax, licenses and permits, and interest earnings

FY 2020/21 General Fund Revenues

	FY 2018/19 Actual	FY 2019/20 Actual	FY 2020/21 Actual	% change from FY 2019/20
Property Tax	\$58.4 M	\$65.5 M	\$68.8 M	5.0%
Sales Tax *	\$58.5 M	\$55.3 M	\$56.2 M	1.6%
Contribution In Lieu	\$21.3 M	\$22.7 M	\$24.5 M	7.9%
Transient Occupancy Tax *	\$22.5 M	\$16.0 M	\$2.9 M	(81.9%)
Other Fees for Services *	\$45.7 M	\$41.5 M	\$35.2 M	(15.2%)

* Sales Tax, TOT and Fees for Services represents loss of over **\$32 million** from pre-COVID levels

General Fund Expenditures

Expenditures below budget by \$11.3 million (4.0%)

- All departments remained within budget
- Salaries and Benefits generated savings of **\$4.4 million (2.3%)**
- Materials/Services/Supplies generated savings of \$6.9 million (7.4%)
 - Stadium-related savings (offset by lower revenue)
 - Building Division savings of \$1.4 million to be carried over to new fund; Fire Department carryover of \$0.3 million in Adopted Budget

Recommended Adjustments

- **FY 2020/21 Budget Adjustments**
 - Appropriations in ten funds (\$0.5 million) that exceeded the appropriation control limit
- **FY 2021/22 Budget Adjustments**
 - Adjustment of Beginning and Ending Fund Balances for all funds
 - Complete critical city projects and contracts (carryovers)
 - Close-out of projects
 - True-up revenues/appropriations to reflect anticipated activity levels



Recommended Adjustments

- **General Fund Adjustments**
 - Beginning Fund Balance and Reserves Reconciliation
 - Building Inspection Reserve (\$4.3 million) and Advanced Planning Reserve (\$0.7 million) reconciliation
 - Recommended allocation of \$3.3 million in fund balance
- **CIP, Grants, Donations, and Other Funds Reconciliation**
 - CIP carryover true-up – reduction of \$8.8 million
 - Other funds carryovers – \$28.1 million
 - Donations and reimbursements carryover funds – \$2.1 million
 - Grants carryover – \$1.8 million



Recommended Adjustments

General Fund Recommended Use of Fund Balance	Unrestricted Ending Fund Balance
Fund Balance Reconciliation (adjusts for FY 2020/21 year-end revenues and expenditures)	\$8.8 M
Total Required Adjustments	\$5.5 M
Total Recommended Adjustments	\$3.3 M
Available Fund Balance After Recommended Adjustments	\$0.0 M

Recommended Adjustments

General Fund Recommended Use of Fund Balance	Impact on Fund Balance
<i>Required Adjustments</i>	
Building Development Services Reconciliation (excess development revenues and expenditure savings to the new Building Development Services Fund)	\$4.3 M
Advanced Planning Fee Reserve Reconciliation (excess development revenues and expenditure savings to the reserve)	\$0.7 M
BSR Reconciliation to FY 2021/22 beginning estimate/Other (reconciles the BSR to the Adopted Budget estimate and other adjustments to close out FY 2020/21)	\$0.5 M
Total Required Adjustments	\$5.5 M

Recommended Adjustments

General Fund Recommended Use of Fund Balance	Impact on Fund Balance
<i>Recommended Adjustments</i>	
Public Right-of-Way ADA Improvements - Settlement Agreement (latest engineer's estimate)	\$1.9 M
Capital Projects Reserve (Council policy level of \$5 million)	\$0.5 M
COVID-19 Workplace Safety and Community Response (Transfer to Other City Departments Operating Grant Trust Fund)	\$0.5 M
Council Directives (sets aside funding to address Council- approved initiatives)	\$0.4 M
Total Recommended Adjustments	\$3.3 M



City Council Directives (\$400k)

Initiatives far exceed the amount of funds available:

- El Camino Specific Plan land use
- Train noise mitigation and consultant resources
- Homelessness Task Force and services
- Vision Zero Plan and resources
- Transportation Demand Management
- Civic Center Parking
- Lawn bowl facility



Summary of Select Reserves

Selected Reserve	Estimated July 1, 2021 Beginning Balance	2021/22 Adopted Contribution / (Use) of Reserves/ Reserves/	2021/22 Adopted Ending Fund Balance	2020/21 Year-End Recommended Contribution / (Use) of Reserves	2021/22 Revised Ending Fund Balance
General Fund - Budget Stabilization (BSR)	\$ 57.5	\$ (3.6)	\$ 53.9	\$ -	\$ 53.9 *
General Fund - Capital Projects (CPR)	5.3	(1.1)	4.2	0.8	5.0
General Fund - Land Sale Reserve	21.7	1.7	23.4	0.2	23.6
Pension Trust Reserve (All Funds)	29.8	0.5	30.3	3.1	33.4
Utility Fund Rate Stabilization/O&M**	19.7	(3.3)	16.4	(0.6)	15.8
Electric Fund Rate Stabilization/O&M	152.3	15.2	167.5	-	167.5
Total	\$ 286.3	\$ 9.4	\$ 295.7	\$ 3.5	\$ 299.2

* The Budget Stabilization Reserve is budgeted to drop to \$36.6 million (13% of expenses) in FY 2022/23 based on budget balancing actions in the FY 2021/22 and FY 2022/23 Adopted Operating Budget.

** Includes Sewer, Solid Waste, Water and Water Recycling

Recommendations

1. Note and file the FY 2020/21 Budget Year-End Report
2. Approve the FY 2020/21 Budget Amendments to address necessary budget ratifications (five affirmative Council votes required for revenue actions and use of unused balances)
3. Approve the FY 2021/22 Budget Amendments (five affirmative Council votes required for revenue actions and use of unused balances)
4. Direction, if any, by the City Council regarding initiatives to be funded by the \$400,000 allocation included in this report

Next Steps

1. Provide 10-Year General Fund Forecast Update in early February; to be discussed during Priority Setting Session
2. Release FY 2022/23 and FY 2023/24 Proposed Capital Budget in late April/early May 2022 and Council deliberation on the Proposed Budget for action by June 30, 2022



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