


**Council and
Authorities
Concurrent Meeting**

**Item #4 - Action on FY
2019/20 Budget Year-End
Report and Approve the
Related Budget Amendments**

January 12, 2021



**City of
Santa Clara**
The Center of What's Possible

Agenda

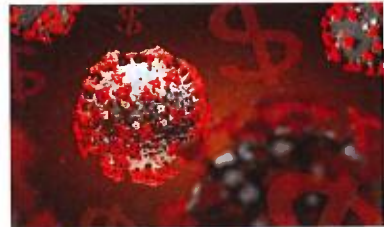
- Overview
- Year-End Results
- Recommended Adjustments
- Next Steps

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FY 2019/20 Year-End Report Overview

- The financial performance was strong in FY 2019/20 prior to the COVID-19 pandemic
- COVID-19 impacted the last four months of FY 2019/20 and has continued to affect all communities
- The City continues to face significant financial impacts continuing in FY 2020/21 and beyond with the largest drops in transient occupancy tax, sales tax, and fees for services
- The financial impact on the City is more significant than assumed with the FY 2020/21 Budget was adopted in June



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FY 2019/20 Year-End Report Overview

- Continue to increase transparency with enhanced FY 2019/20 Year-End Close Report
- Detailed summary of General Fund and other funds performance
- General Fund reconciling budget actions
- Itemization of FY 2019/20 budget amendments to reflect budget ratifications to address limited number of expenditure overages
- Itemization of FY 2020/21 budget amendments, including reconciliations of CIP carryover, donations, grants, other fund carryovers, and fund balance adjustments

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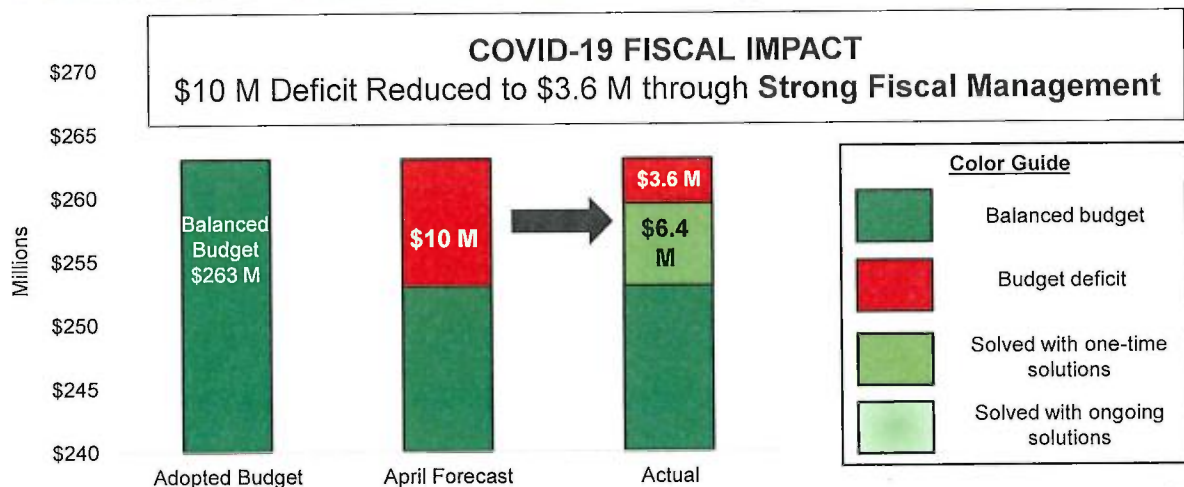
FY 2019/20 General Fund Overview

- Revenues ended the year below budget by approx. **\$10.9 million**
- **Expenditures were below budget by \$14.8 million**
- Building Reserve and the Advanced Planning Fee Reserve adjustments total approx. \$5 million (excess revenue and expenditure savings are returned to the reserves)
- Return of capital fund project savings to the General Fund Capital Project Reserve brings the reserve to \$5.4 million (meets reserve goal of \$5 million)
- Net impact to Budget Stabilization Reserve of \$3.6 million (offset by excess Assessment District Funds)
- No surplus funds available for other reserves (Pension Trust and Capital Projects)

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FY 2019/20 General Fund Budget Timeline



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FY 2019/20 General Fund Revenues

- Revenues below budget by **\$10.9 million**
 - COVID-19 impacts
 - Lower revenue performance for sales tax and transient occupancy tax
 - Higher revenue performance of property tax, licenses and permits, revenue from other agencies, and interest earnings
 - Lower Stadium Rent (performance-based rent)
 - Budget amendment approved as part of FY 2018/19 Budgetary Year-End Report to reduce this budget estimate by \$2.7 million

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FY 2019/20 General Fund Revenues

Key Revenue Performance: TOT and Sales Taxes Mirror COVID-19 Orders

	FY 2018/19 Actual	FY 2019/20 Actual	FY 2020/21 Adopted	FY 2020/21 Projected	% change from FY 2018/19
Property Tax	\$58.4 M	\$65.5 M	\$67.0 M	\$63.0 M	7.9%
Sales Tax	\$58.5 M	\$55.3 M	\$55.6 M	\$53.6 M	(8.4%)
Contribution In Lieu	\$21.3 M	\$22.7 M	\$23.7 M	\$23.7 M	11.3%
Transient Occupancy Tax	\$22.5 M	\$16.0 M	\$17.6 M	\$3.6 M	(84.0%)

- Sales Tax: 3rd Quarter 2020 (July to Sept 2020) was **down 14.7%** (excludes one-time adjustments)
- Internet Sales Tax/County Pool: 3rd Qtr 2020 totaled \$3.0 M vs \$2.6 M in the prior year **up 13.5%** however, this was reduced due to the City of San Jose online retail agreement (county up 25%)
- Transient Occupancy Tax: **Down 87%** through November 2020 compared to prior fiscal year

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FY 2019/20 General Fund Expenditures

Expenditures below budget by **\$14.8 million**

- Salaries and Benefits generated savings of \$4.3 million
- Materials/Services/Supplies generated savings of \$6.2 million (\$100K to be carried over to support the Worker Cooperative Program)
- Capital Outlay generated savings of \$4.4 million; (\$4.1 million expected to be carried over to FY 2020/21 for an affordable housing project that will be funded by a property sale)

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Summary of Select Reserves

Reserve Type	Estimated July 1, 2020 Beginning Balance	2020/21 Adopted Contribution / (Use) of Reserves	2020/21 Revised Reserve Balance	2019/20 Year-End Recommended Contribution / (Use) of Reserves	2020/21 Revised Ending Fund Balance
General Fund Budget Stabilization (BSR)	\$80.4	(\$22.7)	\$57.7	\$0.2	\$57.9
General Fund Capital Projects	\$28.1	(\$26.2)	\$1.9	\$3.5	\$5.4
Land Sale Reserve	\$23.2	\$0.7	\$23.9	(\$0.2)	\$23.7
Building Inspection Reserve	\$14.1	(\$0.9)	\$13.2	\$4.8	\$18.0
Pension Trust (all funds)	\$26.3	\$0.5	\$26.8	\$2.9	\$29.7
Utility Fund Rate * Stabilization/O&M	\$23.3	-	\$23.3	(\$1.4)	\$21.9
Electric Rate Stabilization/O&M	\$157.7	-	\$157.7	(\$2.1)	\$155.6
Total	\$353.1	(\$48.6)	\$304.5	\$7.7	\$312.2

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

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Recommended Adjustments

- **FY 2019/20 Budget Adjustments**
 - Appropriations that exceeded the appropriation control limit or to reconcile specific reserves to policy requirements
- **FY 2020/21 Budget Adjustments**
 - Complete critical city projects and contracts
 - Close-out of projects
 - True-up revenues and appropriations to reflect anticipated activity levels
 - Adjustment of Beginning and Ending Fund Balances for all funds

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Recommended Adjustments

- **General Fund Adjustments**
 - Beginning Fund Balance and Reserves Reconciliation
 - Building Inspection Reserve (\$4.8 million) and Advanced Planning Reserve (\$0.3 million) reconciliation
 - Land sale proceeds/housing loan carryover (\$4.1 million)
- **CIP, Grants, Donations, and Other Funds Reconciliation**
 - CIP carryover true-up – \$7.8 million
 - Special Revenue carryover funds – \$23.5 million
 - Donations and reimbursements carryover funds – \$1.4 million
 - Grants carryover – \$1.9 million

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Recommendations

1. Note and file the FY 2019/20 Budget Year-End Report
2. Approve the FY 2019/20 Budget Amendments to address necessary budget ratifications (five affirmative Council votes required for revenue actions only)
3. Approve the FY 2020/21 Budget Amendments (five affirmative Council votes required for revenue actions only)

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Next Steps

1. Finalize and close out FY 2019/20 Budget based on staff's recommendation
2. Provide 10-Year General Fund Forecast Update early-February
3. Bring forward FY 2020/21 Budget for budget balancing actions in February to inform the development of the proposed FY 2021/22 Proposed Budget
4. Release FY 2021/22 Proposed Budget in early-May 2021 and Council deliberation on the Proposed Budget for action by June 30, 2021

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