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Attachments: 1. Monthly Financial Status Report September 2021, 2. Monthly Investment Report September 2021

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REPORT TO COUNCIL

SUBJECT

Action on Monthly Financial Status and Investment Report for September 2021

COUNCIL PILLAR

Enhance Community Engagement and Transparency

BACKGROUND

In compliance with the Charter of the City of Santa Clara and the adopted Investment Policy, the monthly financial report and monthly investment report for September 2021 are submitted for your information. The financial review as of September 30, 2021 provides a year-to-date financial update to the City Council for the current fiscal year. The analysis of the revenues collected and all expenditures measures the level of adherence to the established resource allocation plan and allows the City to monitor and project revenues and expenditures throughout the year.

The Adopted Budget incorporates the estimated revenues and planned expenditures for all funds. The attached Financial Status Report provides the budget to actual revenue and expenditure summaries for the General Fund, Special Revenue Funds and Enterprise Operating Funds, as well as expenditure summary for Capital Improvement Funds and Fund Reserve Balances. Any significant variances are explained in the report.

In accordance with City Council Policy 051 - Donations to the City, included in this report is a monthly activity and annual summary of donations received by department. Although the requirement of the policy is to report quarterly, in its ongoing effort to streamline reporting, the City will include this information monthly in the financial status report.

DISCUSSION

Monthly Financial Status Report (Attachment 1)

The attached report summarizes the City's financial performance as of September 30, 2021. Financial analysis for the report is provided for the General Fund, select Special Revenue Funds, Enterprise Operating Funds, and Capital Improvement Funds.

Attachment 1 shows that General Fund revenues were trending below budget at 9% through September 2021, largely due to the timing of payments. In some categories, such as property tax, most payments are scheduled to occur later in the fiscal year. In other categories, a portion of the revenues received through September account for activity that occurred in FY 2020/21 and those revenues are accrued back to that year. While it is very early in the fiscal year and limited data is available, General Fund revenues are currently tracking within estimated levels. However, concerns remain regarding continued impacts of COVID-19 as the Delta variant and vaccine hesitancy may impact the speed of economic recovery and revenue collections.

As shown in Attachment 1, General Fund departmental expenditures were at 22.7% of budget through September 2021. Several cost-control measures that were implemented in FY 2019/20 remain in place to generate expenditure savings to partially offset the drop in revenues associated with COVID-19. These measures include a hiring freeze and controls around overtime, as-needed staff, marketing, travel, technology, and vehicle purchases. Expenditure savings are expected by year-end.

As shown in Attachment 1, total revenues through September 2021 for Enterprise Funds (Electric, Water, Sewer, Cemetery, Solid Waste, and Water Recycling) were at 18.7% of the budget while total expenses were at 21.6% of the budget.

In the month of September, the City received \$45 in donations, for total donations of \$88,270.

Many economic indicators have improved significantly since the start of the pandemic, but some have not returned to pre-pandemic levels. On a national level, the unemployment rate decreased slightly from 5.2% in August 2021 to 4.8% in September 2021. This rate was well below the record setting high of 14.7% in April 2020, but above the pre-pandemic unemployment rate of 3.5%. In September, the number of unemployed persons fell to 7.7 million from 8.4 million in August. This unemployment figure remains well above the pre-pandemic level of 5.7 million. In the second quarter 2021 estimate, the Gross Domestic Product (GDP) increased by 6.7% as a result of the reopening of businesses. While GDP has now surpassed the pre-COVID peak in the second quarter 2021, it has not yet reached the pre-pandemic trend. Per the September 2021 UCLA Anderson Forecast, GDP is not expected to reach the pre-COVID trend until the third quarter 2023. The September 2021 UCLA Forecast also projects a slower economic rebound as the Delta variant spreads and COVID continues to impact supply chains, which is a shift from the strong recovery projected in the March and June 2021 Forecasts.

Improvement continues at the State and local level. After the State's largest increase in the unemployment rate in April 2020, the California unemployment rate remained at 7.5% in September 2021. California has now regained nearly 63.5% of the 2.7 million jobs lost due to COVID-19 in March and April 2020. The unemployment rate in this region continues to outperform the State and the nation. The unadjusted unemployment rate in the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA) was 4.0% in September 2021, down from a revised 4.8% in August 2021 and 7.5% in September 2020 but above the February 2020 level of 2.6%.

Staff will continue to closely monitor the General Fund revenues and the City's overall financial performance as the fiscal year progresses.

Monthly Investment Report (Attachment 2)

All securities held by the City of Santa Clara as of September 30, 2021 were in compliance with the City's Investment Policy Statement regarding current market strategy and long-term goals and objectives. All securities held are rated "A" or higher by two nationally recognized rating agencies. There is adequate cash flow and maturity of investments to meet the City's needs for the next six months.

The City's investment strategy for September 2021 was to invest funds not required to meet current obligations in securities listed in the prevailing Investment Policy Statement, with maturities not to exceed five years from the date of purchase. This strategy ensures safety of the City's funds, provides liquidity to meet the City's cash needs, and with a reasonable portfolio return of 1.28% in September.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

FISCAL IMPACT

There are no budget amendments being brought forward with this report.

COORDINATION

This report has been coordinated with the City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>>.

RECOMMENDATION

Note and file the Monthly Financial Status and Investment Reports for September 2021 as Presented.

Reviewed by: Kenn Lee, Director of Finance

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Monthly Financial Status Report September 2021
2. Monthly Investment Report September 2021