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Title: Action on Monthly Financial Status and Investment Reports for November 2020 and Approve Related Budget Amendments

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Attachments: 1. Monthly Financial Status Report November 2020, 2. Monthly Investment Report November 2020, 3. FY 20/21 Budget Amendments

Date	Ver.	Action By	Action	Result
1/26/2021	1	City Council and Authorities Concurrent	Noted and filed	

REPORT TO COUNCIL

SUBJECT

Action on Monthly Financial Status and Investment Reports for November 2020 and Approve Related Budget Amendments

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 November 2020 Monthly Financial Report and Investment Report are submitted for your information.

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 November 30, 2020. Financial analysis for the report is provided for the General Fund, select Special Revenue Funds, Enterprise Operating Funds, and Capital Improvement Program Funds.

Attachment 1 shows that General Fund revenues were trending below the budget at 37.5% through November 2020. Excluding transfers that occur at the beginning of the year, this figure drops to 25% of the General Fund revenues received through November. Some revenue categories are lower due

to the timing of payments (e.g., property tax), but several categories are tracking below as a result of COVID-19 impacts. While there is limited data available, revenue is expected to end the year below budget by \$20+ million due to these COVID-19 impacts, with the largest impact to the Transient Occupancy Tax category.

As shown in Attachment 1, General Fund expenditures were at 41.3% of budget through November 30, 2020. Excluding transfers, this figure drops to 36.2% expended through, which is below the par level of 41.7%. Several cost-control measures that were implemented last fiscal year 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. With the exception of the Fire Department, all departments are tracking below budget through November and year-end savings are expected to be generated. The Fire Department is tracking slightly above par due primarily to mutual aid efforts, which are expected to be reimbursed. Budget actions will be brought forward in a future Monthly Financial Report to recognize the reimbursement revenue and increase the Fire Department budget.

Total revenues for Enterprise Funds (Electric, Water, Sewer, Cemetery, Solid Waste, and Water Recycling) were at 35.3% of the budget. Total Enterprise Fund expenses were at 33.7% through November. Total revenue for Special Revenue Funds (Housing funds) were at 9.1% of the budget, while total expenditures were at 7.2% of budget.

In the month of November, the City received donations of \$11,325, bringing the year-to-date total to \$58,892. A summary of donations is included in Attachment 1.

With the shelter-in-place and other actions residents and businesses have been taking to reduce the spread of COVID-19, economic activity in this region and throughout the country has experienced a significant decline. This is evidenced in various economic indicators, some of which have improved in recent months. On a national level, the unemployment rate remains high at 6.7% in November 2020. This rate, however, was well below the record setting high of 14.7% in April 2020 and below the peak reached during the last recession a decade ago, when unemployment briefly hit 10 percent. In the third quarter 2020, the Gross Domestic Product (GDP) increased by approximately 33%, following a 31% decrease in the GDP in the second quarter 2020. While there was significant improvement, real GDP for the third quarter 2020 remains 3.5% below the level experienced in the fourth quarter of 2019 (the last quarter prior to the onset of COVID-19).

The unemployment rate in this region continues to outperform the nation. The unadjusted unemployment rate in the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA) was 5.1% in November 2020, down from a revised 5.8% in October 2020 but significantly higher than the November 2019 level of 2.4%.

Santa Clara's General Fund revenues have been significantly impacted by COVID-19 and this impact is expected to continue over the longer term based on the current economic situation. In FY 2020/21, a General Fund shortfall of almost \$23 million was addressed in the revised FY 2020/21 budget approved in June 2020. This budget was solved with the use of the Budget Stabilization Reserve. Further discussion of the COVID-19 impacts and the General Fund deficit is included in Attachment 1. Additional downward revenue adjustments and budget balancing actions are expected to be brought forward during FY 2020/21.

Monthly Investment Report (Attachment 2)

All securities held by the City of Santa Clara as of November 30, 2020 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 November 2020 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 earns a reasonable portfolio return of 1.52%.

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

Approval of the FY 2020/21 Budget Amendments included in Attachment 3 is recommended in this report. From time to time, adjustments to the budget are required to reflect new information, align budgets with actual revenues and expenses, and correct for inadvertent errors. As detailed in Attachment 3, an adjustment in the Parks and Recreation Operating Grant Trust Fund is recommended in order to carryover funds needed for the Senior Nutrition Program. An amendment recognizing an anonymous donation to the Police Department is also recommended.

Finally, in the Santa Clara Golf and Tennis Club Fund, the accounting write-off of a \$4.2 million advance to the General Fund is included. The Santa Clara Golf and Tennis Club (SCGTC) closed its operations in October 2019, and the City Council accepted the final financial status report during the April 7, 2020 meeting. To close out the Golf Course fund, a final accounting transaction is required. Transfers from the General Fund were used historically to subsidize SCGTC operations. These transfers were booked on an accounting basis as advances from the General Fund, with potential repayment in the event the golf course produced annual profits. With the close-out of the golf course an accounting write-off of the outstanding advance from the General Fund is required. There is no budgetary impact to the General Fund from this write-off as the transfers from the General Fund have already occurred in the past to support golf operations.

Net Budget Change – FY 2020/21 Budget Amendments		
Fund	Source of Funds	Use of Funds
Parks and Recreation Operating Grant Trust Fund	\$0	\$0
Public Donations Fund	\$5,000	\$5,000
Santa Clara Golf and Tennis Club Fund	\$0	\$0
Total Net Budget Change	\$5,000	\$5,000

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 November 2020 as Presented and Approve Related Budget Amendments.

Reviewed by: Kenn Lee, Director of Finance

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Monthly Financial Status Report November 2020
2. Monthly Investment Report November 2020
3. FY 2020/21 Budget Amendments