



Legislation Details (With Text)

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Title: Action on Monthly Financial Status and Investment Reports for July 2020 and August 2020 and Approve the Related Budget Amendments [Council Pillar: Enhance Community Engagement and Transparency]

Sponsors:

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Attachments: 1. Monthly Financial Report July 2020, 2. Monthly Investment Report July 2020, 3. Monthly Financial Status Report August 2020, 4. Monthly Investment Report August 2020, 5. FY 2020/21 Budget Amendments

Date	Ver.	Action By	Action	Result
10/13/2020	1	Council and Authorities Concurrent Meeting	Approved	

REPORT TO COUNCIL

SUBJECT

Action on Monthly Financial Status and Investment Reports for July 2020 and August 2020 and Approve the 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 monthly financial reports and monthly investment reports for July and August 2020 are submitted for your information. The financial reviews as of July 31, 2020 and August 31, 2020 provide 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 Reports (Attachments 1 and 3)

The attached reports summarize the City's financial performances as of July 31, 2020 and August 31, 2020. 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 1% through July 2020, largely due to the timing of payments, while Attachment 3 shows General Fund revenues at 2.5% through August 2020. In both cases, the revenues in some categories received in July and August account for activity that occurred in FY 2019/20 and those revenues are accrued back to that year. In other cases, such as property tax, most payments are scheduled to occur later in the fiscal year. Revenues are also tracking below budget due to COVID-19 impacts, and while there is limited data available, revenues are currently expected to end the year below budget as a result of these COVID-19 impacts.

As shown in Attachment 1, General Fund departmental expenditures were at 6.2% of budget through July 2020 and Attachment 3 shows departmental expenditures at 13% through August 2020. 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. Expenditure savings are expected by year-end. The City offices tracked higher expenditures: City Attorney, Assistant City Clerk, and City Manager. These higher expenditures are related to:

- **Assistant City Clerk** - In August, a \$96,000 payment was made for Granicus. This payment happens every other year, so the variance appears as higher expenditure trend when compared to last year.
- **City Attorney** - Salaries and Benefits were higher due to the Council approved an additional position; thus, expenditures trending higher when compared to the prior year.
- **City Manager's Office** - Council approved the use of various funding categories in this Office to support the Small Business Assistance Grants, which reflects in this expenditure report. As these expenditures did not occur last year, they cause for a higher expenditure trend rate when compared to last year's trend.

Total revenues for Enterprise Funds (Electric, Water, Sewer, Cemetery, Solid Waste, and Water Recycling) were at 1.5% (July 2020) and 9.8% (August 2020) of the budget, in Attachments 1 and 3, respectively. Total expenses were at 4.5% through July in Attachment 1 and 11.1% through August in Attachment 3.

In the month of July, the City received \$14,791 in donations, while the City received an additional \$11,090 in August, for total donations of \$25,881.

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 begun to show some improvement in recent months. On a national level, the unemployment rate remains high at 8.4% in August 2020. This rate, however, was well below the record setting high of 14.7% in April

2020. The drop brings the unemployment rate below the peak of the last recession a decade ago, when unemployment briefly hit 10 percent, but joblessness is still higher than the peak of many past recessions. In the second quarter 2020, the Gross Domestic Product (GDP) declined by almost 32% as a result of the COVID-19 safety precautions. This is the largest contraction ever experienced, pushing the economy into a recession.

The unemployment rate in this region continues to outperform the nation. The unadjusted unemployment rate in the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA) was 7.6% in August 2020, down from a revised 9.5% in July 2020 but significantly higher than the August 2019 level of 2.7%.

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 on an interim basis 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 and Attachment 3. Additional downward revenue adjustments and budget balancing actions will be required for FY 2020/21. Rebalancing actions will be discussed as part of a separate City Council Agenda.

Monthly Investment Reports (Attachments 2 and 4)

All securities held by the City of Santa Clara as of July 31st and August 31, 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 July and August 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 with a reasonable portfolio return of 1.60% in July and 1.55% in August.

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 5 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 5, in the General Fund, the City is recognizing donations on behalf of the Fire Fighter's Foundation for the Small Business Assistance Program. Recommended actions also include the reallocation of project funds in the Streets and Highways Capital Fund to support the Pruneridge Ave - Lawrence Expwy Bicycle Lanes Improvement Project, the reallocation of Santana West Settlement Funds for the Emergency Rental Assistance Program from the Housing and Urban Development Fund to the City Affordable Housing Fund, and the moving of funds pertaining to the Related Santa

Clara project under a central allocation in the Related Santa Clara Developer Fund. Attachment 5 also includes an amendment to recognize reimbursements from the Silicon Valley Animal Control Authority for information technology and fleet services provided as well as the appropriation of additional funds for accessibility training in the Certified Access Specialist (CAsp) Fund.

Net Budget Change – FY 2020/21 Budget Amendments		
Fund	Source of Funds	Use of Funds
General Fund	\$5,000	\$5,000
City Affordable Housing Fund	\$1,500,000	\$1,500,000
Housing and Urban Development Fund	(\$1,500,000)	(\$1,500,000)
Expendable Trust Fund	\$47,551	\$47,551
Certified Access Specialist (CAsp) Certification and Training Fund	\$0	\$0
Related Santa Clara Developer Fund	\$2,396,001	\$2,396,001
Streets and Highways Capital Fund	\$0	\$0
Total Net Budget Change	\$2,448,552	\$2,448,552

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 July 2020 and August 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 July 2020
2. Monthly Investment Report July 2020
3. Monthly Financial Status Report August 2020
4. Monthly Investment Report August 2020
5. FY 2020/21 Budget Amendments