



Legislation Details (With Text)

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

Date	Ver.	Action By	Action	Result
11/17/2020	1	Council and Authorities Concurrent Meeting	Approved	

REPORT TO COUNCIL

SUBJECT

Action on Monthly Financial Status and Investment Reports for September 2020 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 September 2020 investment report and FY 2020/21 budget amendments 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 September 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 10.6% through September 2020. Some revenue categories are lower due to the timing of payments (e.g., property

tax), but many 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 due to these COVID-19 impacts.

As shown in Attachment 1, General Fund departmental expenditures were at 21.9% of budget through September 30, 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 that tracked higher expenditures include the 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 17.9% of the budget. Total Enterprise Fund expenses were at 18.9% through September. Total revenue for Special Revenue Funds (Housing funds) were at 8.5% of the budget, while total expenditures were at 4.8% of budget.

In the month of September, the City received donations of \$14,465, bringing the year-to-date total to \$46,302. 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 7.9% in September 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. 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 José-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA) was 7.1% in September 2020, down from a revised 7.3% in August 2020 but significantly higher than the September 2019 level of 2.3%.

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 September 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 September 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 1.62%.

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, net-zero actions are recommended in the General Fund to support housing-related items. Technical adjustments are recommended in the General Fund, the Expendable Trust Fund and the Related Santa Clara Developer Fund to correctly account for the consolidation of Related Santa Clara expenses into a central location. In the Engineering Operating Grant Trust Fund and Police Operating Grant Trust Fund, amendments to recognize and appropriate grant revenue are also included. In the Unemployment Insurance Fund, actions are recommended to increase the funding for unemployment insurance claims, partially offset by Coronavirus Aid, Relief, and Economic Security (CARES) Act funding, to address the higher actual unemployment insurance claims due to COVID-19 impacts. In the capital funds, amendments are recommended to increase the affordable housing impact fee revenue estimate in the City Affordable Housing Capital Fund and to recognize and appropriate funding for two new projects in the Electric Utility Capital Fund.

Net Budget Change – FY 2020/21 Budget Amendments		
Fund	Source of Funds	Use of Funds
General Fund	\$0	\$0
Expendable Trust Fund	\$0	\$0
Engineering Operating Grant Trust Fund	\$7,000	\$7,000
Police Operating Grant Trust Fund	\$1,500	\$1,500
Unemployment Insurance Fund	304,000	304,000
City Affordable Housing Capital Fund	\$131,000	\$131,000
Electric Utility Capital Fund	\$1,100,000	\$1,100,000
Related Santa Clara Developer Fund	(\$8,523)	(\$8,523)
Total Net Budget Change	\$1,534,977	\$1,534,977

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 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 September 2020
2. Monthly Investment Report September 2020
3. FY 2020/21 Budget Amendments