



Legislation Details (With Text)

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Title:	Action on Monthly Financial Status and Investment Report for December 2021 and Approve Related Budget Amendments				
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Attachments:	1. Monthly Financial Status Report December 2021, 2. Monthly Investment Report December 2021, 3. FY 2021/22 Budget Amendments				

Date	Ver.	Action By	Action	Result
3/22/2022	1	Council and Authorities Concurrent Meeting	Noted and filed	

REPORT TO COUNCIL

SUBJECT

Action on Monthly Financial Status and Investment Report for December 2021 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 monthly financial report and monthly investment report for December 2021 are submitted for your information. The financial review as of December 31, 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 December 31, 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 31.1% through December 2021. While revenue collections are tracking slightly below the budgeted estimate, collections are higher when compared to collections last fiscal year. Concerns remain regarding longer term impacts of COVID-19 on City revenues, particularly Transient Occupancy Tax collections.

As shown in Attachment 1, General Fund departmental expenditures were at 44.7% of budget through December 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 December 2021 for Enterprise Funds (Electric, Water, Sewer, Cemetery, Solid Waste, and Water Recycling) were at 43.5% of the budget while total expenses were at 46.7% of the budget.

In the month of December, the City received \$1,100 in donations, for total donations of \$89,590.

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 slightly increased to 4.0% in January 2022 from 3.9% in December 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 December, the number of unemployed persons rose slightly from 6.3 million to 6.5 million in January. This unemployment figure continues to remain above the pre-pandemic level of 5.7 million. In the fourth quarter 2021 advance estimate, the Gross Domestic Product (GDP) increased by 6.9%, following a GDP increase of 2.3% in the third quarter. 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 December 2021 UCLA Anderson Forecast, GDP is not expected to reach the pre-COVID trend until the third quarter 2022. The December 2021 UCLA Forecast also assumed continued strong economic growth and labor market recovery with a lessening of supply constraints and inflation. There was caution with the Omicron variant that may temporarily derail the forecast; however, it was too early to tell.

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 dropped to 6.5% in December 2021. California has now regained 1.95 million jobs, or 72% of the 2.71 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 3.0% in December 2021, down from a revised 3.2% in November 2021 and 6.0% in December 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 December 31, 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 December 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 1.21% in December.

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

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, budget amendments are recommended in the General Fund as well as other operating and capital funds. Following are some highlights:

- In the General Fund, amendments correct a position allocation in the Department of Public Works (DPW) and adjust transfer amounts for the General Government Capital Fund, Public Works Capital Project Management Fund, Storm Drain Capital Fund, and the Parks and Recreation Capital Fund.
- In the General Fund, Public Donations Fund, and Cemetery Fund, additional revenue is appropriated.
- The internal service allocations for DPW in the Convention Center Maintenance District Fund and the Information Technology Services Fund are adjusted.
- In the Fire Department Capital Fund, a revenue estimate and corresponding project appropriation is eliminated, as these funds were received and expended in the Fire Department Operating Grant Trust Fund.
- In the Public, Education and Governmental (PEG) Fee Fund, amendments fund equipment replacement.
- In the Parks and Recreation Capital Fund, the fee revenue estimates are adjusted as well as the associated loan repayment to the General Fund Land Sale Reserve to move from budgeting estimated Mitigation Fee Act and Quimby Act revenue to budgeting actual revenue; revenues and the associated loan repayment for the Reed Street - Grant Street Sports Park project will be appropriated at the end of the year based on actual receipts. Amendments are also included to allocate additional revenue to the Park Improvements project and shift the funding source for the Warburton Park Playground project.
- In the Gas Tax, Streets and Highways Capital, Traffic Mitigation, and Traffic Fair Share Funds, actions are included to shift the funding allocations for the Multimodal Improvement Plan Phase 1 project, the Multimodal Improvement Plan Phase 2 project, and the HAWK Beacon on Scott and

Harrison project.

- In the Streets and Highways Capital Fund, funding is added to the Pedestrian and Bicycle Enhancement Facilities project to reflect the return of unused funds to this project. Balances from unused project funds are also returned to the Gas Tax Fund.

FY 2021/22 Budget Amendments		
Fund	Source of Funds	Use of Funds
General Fund	(\$2,323,955)	(\$2,323,955)
Convention Center Maintenance District Fund	\$0	\$0
Fire Department Capital Fund	(\$15,208)	(\$15,208)
Gas Tax Fund	\$174,297	\$174,297
General Government Capital Fund	\$0	\$0
Information Technology Services Fund	(\$22,371)	(\$22,371)
Parks and Recreation Capital Fund	(\$10,705,084)	(\$10,705,084)
Public Donations Fund	\$2,500	\$2,500
Public, Educational and Governmental (PEG) Fee Fund	\$0	\$0
Public Works Capital Project Management Fund	\$0	\$0
Storm Drain Capital Fund	\$0	\$0
Streets and Highways Capital Fund	\$946,000	\$946,000
Traffic Fair Share Fund	\$1,816,220	\$1,816,220
Traffic Mitigation Fund	\$459,780	\$459,780
Total Net Budget Change	(\$9,667,821)	(\$9,667,821)

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.

RECOMMENDATION

Note and file the Monthly Financial Status and Investment Reports for November 2021 as presented and Approve Related Budget Amendments in various funds requiring five affirmative votes and consistent with **City Charter Section 1305**, "*At any meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the **affirmative votes of at least five members** so as to authorize the transfer of unused balances appropriated for one purpose to another purpose, or to appropriate available revenue not included in the budget,*" as noted for each individual item in Attachment 3.

Reviewed by: Kenn Lee, Director of Finance

Approved by: City Manager's Office

ATTACHMENTS

1. Monthly Financial Status Report December 2021
2. Monthly Investment Report December 2021
3. FY 2021/22 Budget Amendments