



Agenda Report

20-491

Agenda Date: 6/23/2020

REPORT TO COUNCIL

SUBJECT

Action on Monthly Financial Status and Investment Reports for April 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 following reports for April 2020 are submitted for your information. The financial review as of April 30, 2020 provides a year-to-date financial update to the City Council for the current fiscal year. Analysis of the revenues collected and all expenditures through April 30, 2020 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 includes this information monthly in the financial status report.

DISCUSSION

Monthly Financial Status Report (Attachment 1)

The attached report summarizes the City's financial performances as of April 30, 2020. Financial analysis for the report is provided for the General Fund, select Special Revenue Funds, Enterprise Operating Funds, and Capital Improvement Funds.

With ten months or 83.3% of the fiscal year complete, General Fund revenues are trending slightly below budget at 79.1%, largely due to the change in budgeting methodology, moving the City from a cash basis to a modified accrual basis. The impacts associated with COVID-19 are also now starting to be reflected in the revenue collections. General Fund departmental expenditures are at 77.6% of budget which is within budgeted expectations. Total revenues for Enterprise Funds (Electric, Water, Sewer, Cemetery, Solid Waste, and Water Recycling) are at 82.1% while total expenses are at 90.2%.

In the month of April, the City received \$38,460 in donations, bringing the year-to-date donations total to \$163,884.

In the last quarter of FY 2019/20, the COVID-19 response and the current economic downturn are expected to significantly impact the City's revenue collections, particularly transient occupancy tax, sales tax, and fees for services and classes. On a national level, economic conditions have worsened in a very short period of time and many economists are now projecting one of the worst recessions in generations. In April, the U.S. unemployment rate jumped to 14.7% with 20.5 million jobs lost in that month, according to the Labor Department. This decline in employment is at the highest level since the Great Depression. Significant impacts are also expected on the State and local level. In April, the California unemployment rate rose to 15.5%, up from 5.5% in March 2020 and 4.2% in April 2019. With the largest decline on record, over 2.3 million jobs were lost in just one month. The State of California is now projecting a \$54.3 billion impact as a result of COVID-19, including a \$41.2 billion drop in tax revenues and approximately \$13.1 billion in additional costs. Many local jurisdictions are projecting significant shortfalls as well.

While there is limited actual data available, revenues are tracking to end the year \$10 million to \$15 million below the budget, which will be partially offset by expenditure savings in FY 2019/20. In FY 2020/21, a General Fund shortfall of almost \$23 million is projected as presented in the Proposed FY 2020/21 and FY 2021/22 Biennial Capital Budget. In response to this projected drop in revenues, several cost savings/budget balancing measures were implemented April 1, 2020 to generate current year savings as well as savings that will be used in FY 2020/21 and in the development of the FY 2021/22 and FY 2022/23 Biennial Operating Budget. These actions include a hiring freeze and controls around overtime, as-needed staff, marketing, travel, technology and vehicle purchases.

While actions are being taken to reduce the General Fund impact in FY 2019/20, the General Fund may end the year in a negative position and, in that case, would have to draw on the Budget Stabilization Reserve to balance the budget in 2019/20. The City currently has \$80 million in this reserve to address any negative balance, however, the FY 2020/21 Proposed Budget draws on these reserves as an interim strategy to present a balance budget on July 1. Final FY 2019/20 performance, and potential additional impacts to the reserve will be brought forward in late summer/fall 2020 upon final reconciliation and audit of year-end activities. Further discussion is included in Attachment 1.

Monthly Investment Report (Attachment 2)

All securities held by the City of Santa Clara as of April 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 April 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 1.8%.

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 2019/20 Budget Amendments included in Attachment 3 is recommended in this report. From time to time, adjustments to the FY 2019/20 Adopted Budget are required to correct for budgets based on actual tracking, more appropriately align budgets with actual charges and correct for inadvertent errors. As the end of the fiscal year approaches, budget amendments are included to bring appropriations in line with year-end projections in the General Fund and other funds.

Attachment 3 details various amendments to align budgets to actual spend and to true-up costs including in the Fire Department, Unemployment Insurance Fund, Vehicle Replacement Fund, Water Utility Capital Fund, as well as the Sports and Open Space Authority Fund and Santa Clara Golf and Tennis Fund. An amendment is also included to reclassify 1.0 vacant Accountant position to 1.0 Management Analyst position in the City Auditor's Office. Several revenue adjustments and the corresponding appropriation adjustments are also included in Attachment 3 including the recognition of bond proceeds related to the Electric Utility Debt Service Fund and a decrease in anticipated greenhouse gas revenue in the Electric Operating Grant Trust Fund. Various departmental budgets are also recommended to be reallocated to the Other City Departments Operating Grant Trust Fund to cover COVID-19 related expenses. Actions are also included to recognize anticipated FEMA reimbursements (\$0.6 million), to partially offset projected COVID-19 costs, estimated at \$3.6 million.

Net Budget Change - FY 2019/20 Budget Amendments		
Fund	Source of Funds	Use of Funds
General Fund	\$2,269,344	\$2,269,344
Information Technology Serv	\$0	\$0
Vehicle Replacement Fund	\$365,397	\$365,397
Unemployment Insurance Fu	\$0	\$0
Electric Utility Fund	(\$1,275,373)	(\$1,275,373)
Water Utility Fund	\$0	\$0
Other City Departments Ope	\$3,633,960	\$3,633,960
Trust Fund		
Electric Operating Grant Trus	(\$1,721,513)	(\$1,721,513)
Electric Debt Service Fund	\$104,020,000	\$104,020,000
Parks and Recreation Capita	\$5,608,285	\$5,608,285
Electric Utility Capital Fund	\$488,138	\$488,138
Water Utility Capital Fund	\$0	\$0
Sports and Open Space Auth	\$4,979	\$4,979
Santa Clara Golf and Tennis	(\$5,945)	(\$5,945)
Total Net Budget Change	\$113,387,272	\$113,387,272

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 April 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 April 2020
2. Monthly Investment Report April 2020
3. FY 2019/20 Budget Amendments