



Sunnyvale

FY 2020/21 First Quarter Budget Update

November 10, 2020

RTC 20-0943

Tim Kirby, Director of Finance

Overview of Report

- FY 2019/20 data includes updated revenue projections and budget modifications; excludes non-operating revenue & expenditures
- Preliminary results; year-end accounting adjustments in progress to close fiscal year:
 - Adjustments complete – October 2020
 - Annual independent audit – November 2020
 - Year-end report to Council – December 2020

Overview of Report

- FY 2020/21 data through August 2020
 - Very early in fiscal year
 - Revenue and expenditure trends still developing
 - More known each month of the fiscal year for additional context
 - Financial analysis and projection refinement with each quarterly update



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General Fund



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General Fund *Revenues*

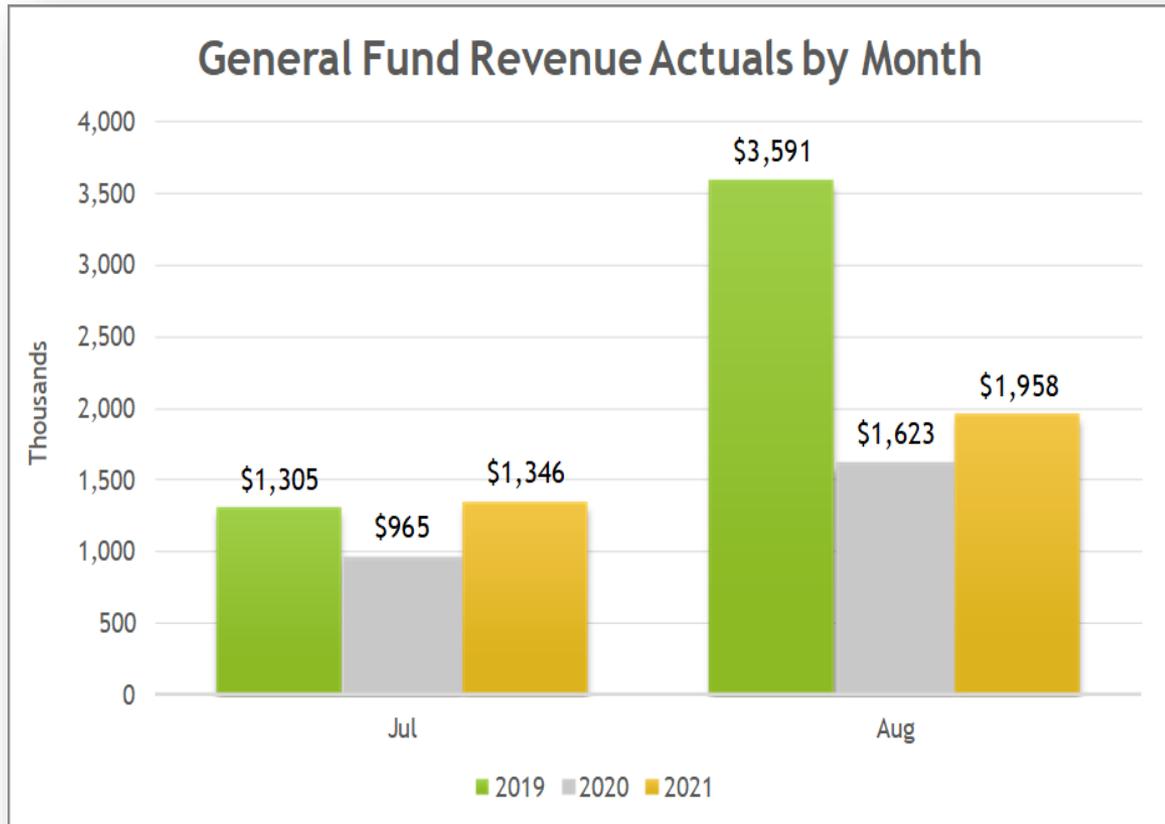
General Fund Revenue – FY 2019/20

<i>General Fund Revenue</i>	FY 2019/20			
		99% of Fiscal Year		
	Original Budget	Adjusted Budget	Actuals	Variance
Property Tax	\$ 82,977,248	\$ 85,495,426	\$ 85,495,611	\$ 185
Sales Tax	\$ 30,568,479	\$ 27,697,831	\$ 28,833,160	\$ 1,135,329
Transient Occupancy Tax	\$ 21,861,049	\$ 15,093,335	\$ 15,895,540	\$ 802,205
UUT & Franchise Fees	\$ 15,880,861	\$ 15,671,292	\$ 15,421,694	\$ (249,598)
Construction Tax	\$ 4,325,817	\$ 4,775,825	\$ 5,171,077	\$ 395,252
Business License Tax	\$ 1,876,937	\$ 1,749,343	\$ 1,935,129	\$ 185,786
Real Property Transfer Tax	\$ 1,939,105	\$ 1,949,035	\$ 1,815,234	\$ (133,801)
Permits & Licenses	\$ 1,483,745	\$ 1,864,135	\$ 2,134,687	\$ 270,552
Service Fees	\$ 6,635,463	\$ 5,473,049	\$ 5,540,571	\$ 67,522
Rents & Concession	\$ 3,434,888	\$ 3,320,321	\$ 3,254,484	\$ (65,837)
Other Revenue	\$ 4,163,683	\$ 5,349,940	\$ 6,637,790	\$ 1,287,850
<i>Revenue Subtotal</i>	<i>\$ 175,147,275</i>	<i>\$ 168,439,532</i>	<i>\$ 172,134,978</i>	<i>\$ 3,695,446</i>
One-Time Revenue*	\$ 14,450,000	\$ 15,343,570	\$ 6,343,570	\$ (9,000,000)
Grand Total	\$ 189,597,275	\$ 183,783,102	\$ 178,478,547	\$ (5,304,555)

* Sale of Property, ERAF

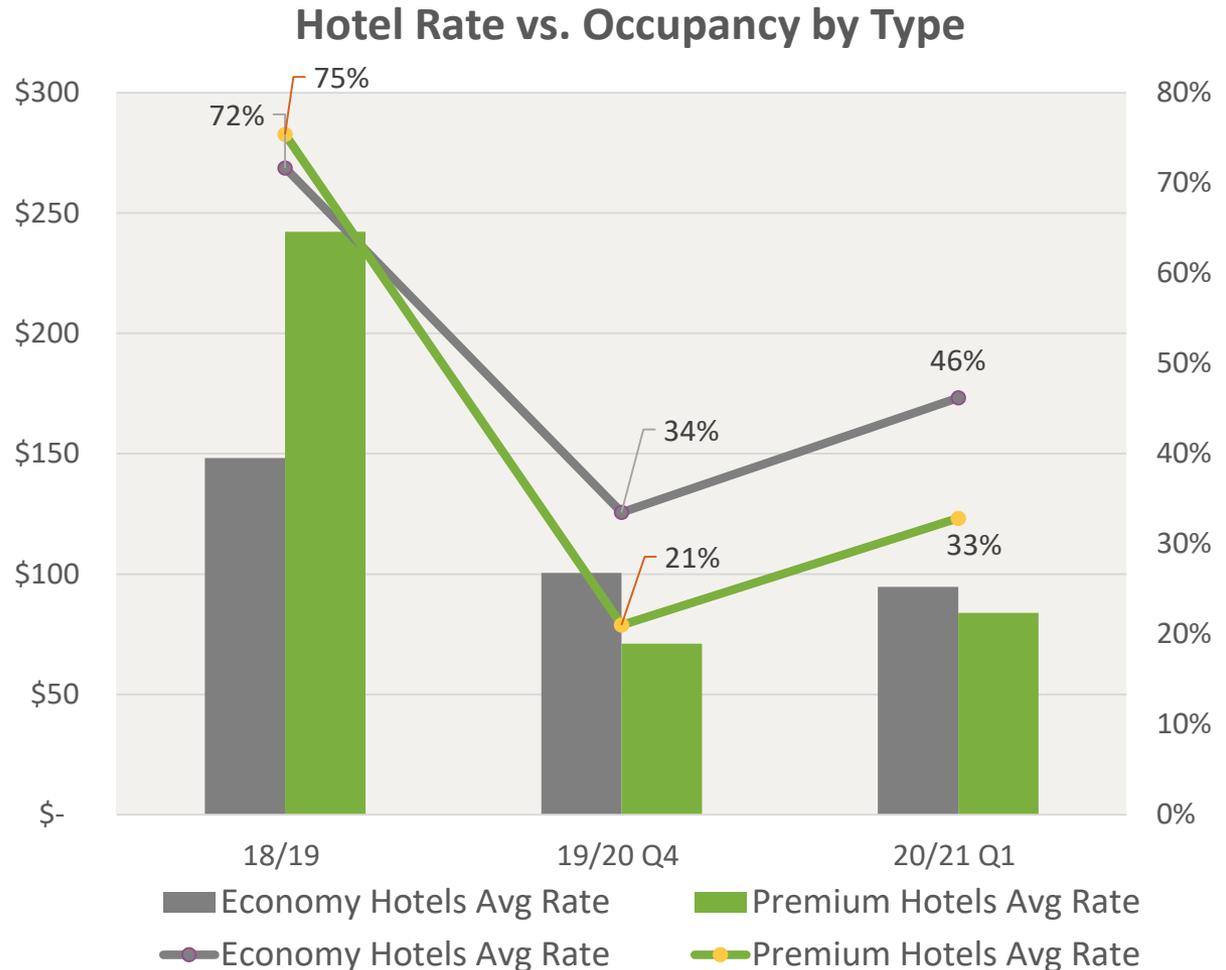
General Fund Revenue – FY 2020/21

- July & August actuals for three fiscal years
- Receipt of many revenues begin in 2nd quarter & not evenly throughout the year
- More data each quarter to develop full revenue picture



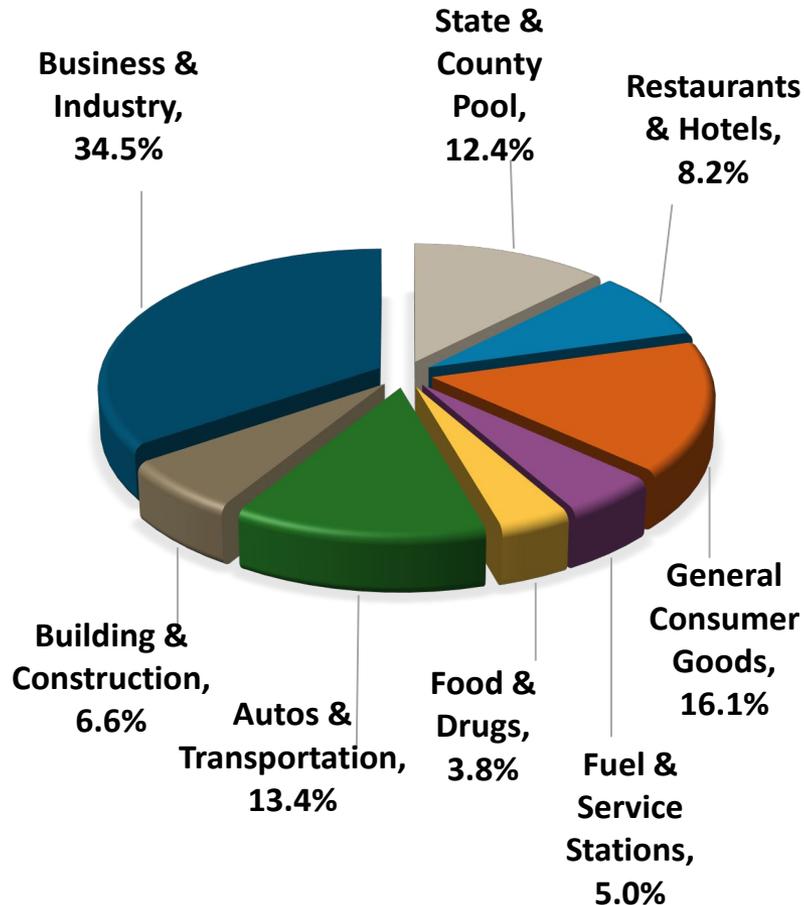
Transient Occupancy Tax

- Still developing, but trending up
- Economy hotels leading upward trend
- Short-term rentals require additional analysis; more info next update

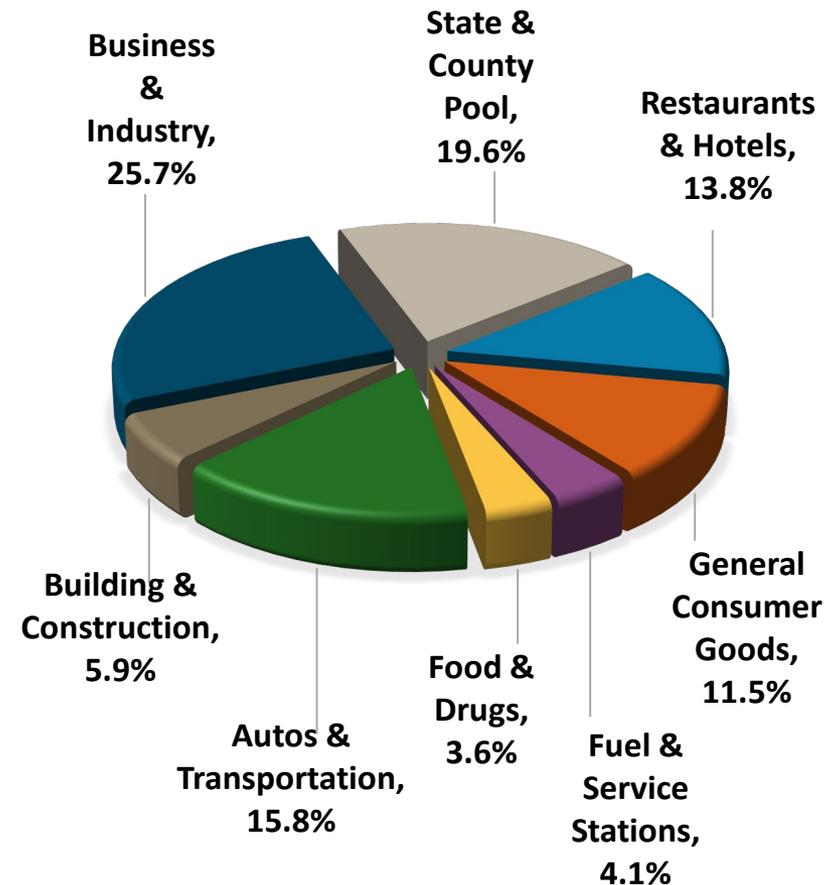


Sales Tax – FY 2009/10 vs. FY 2019/20

FY 2009/10

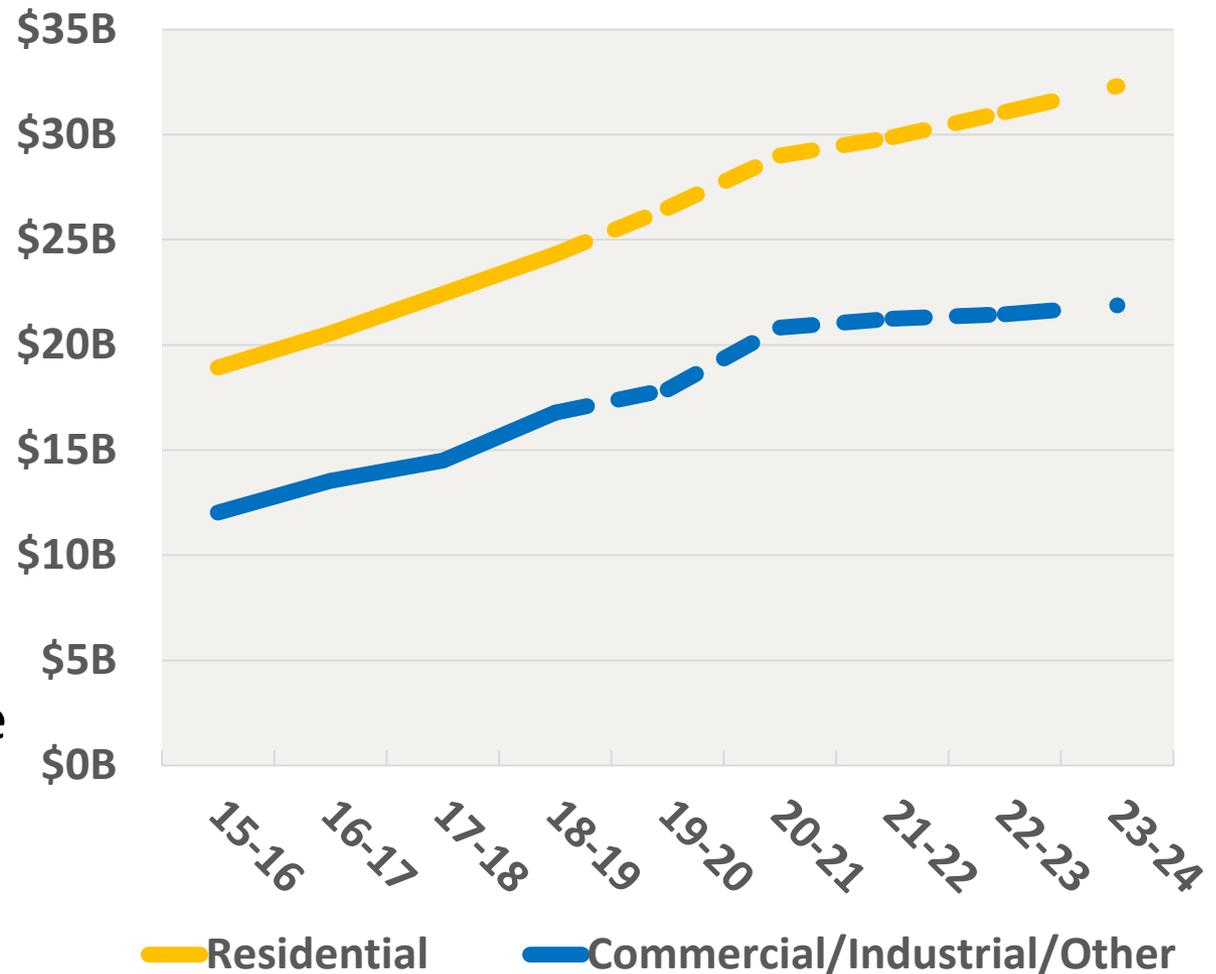


FY 2019/20

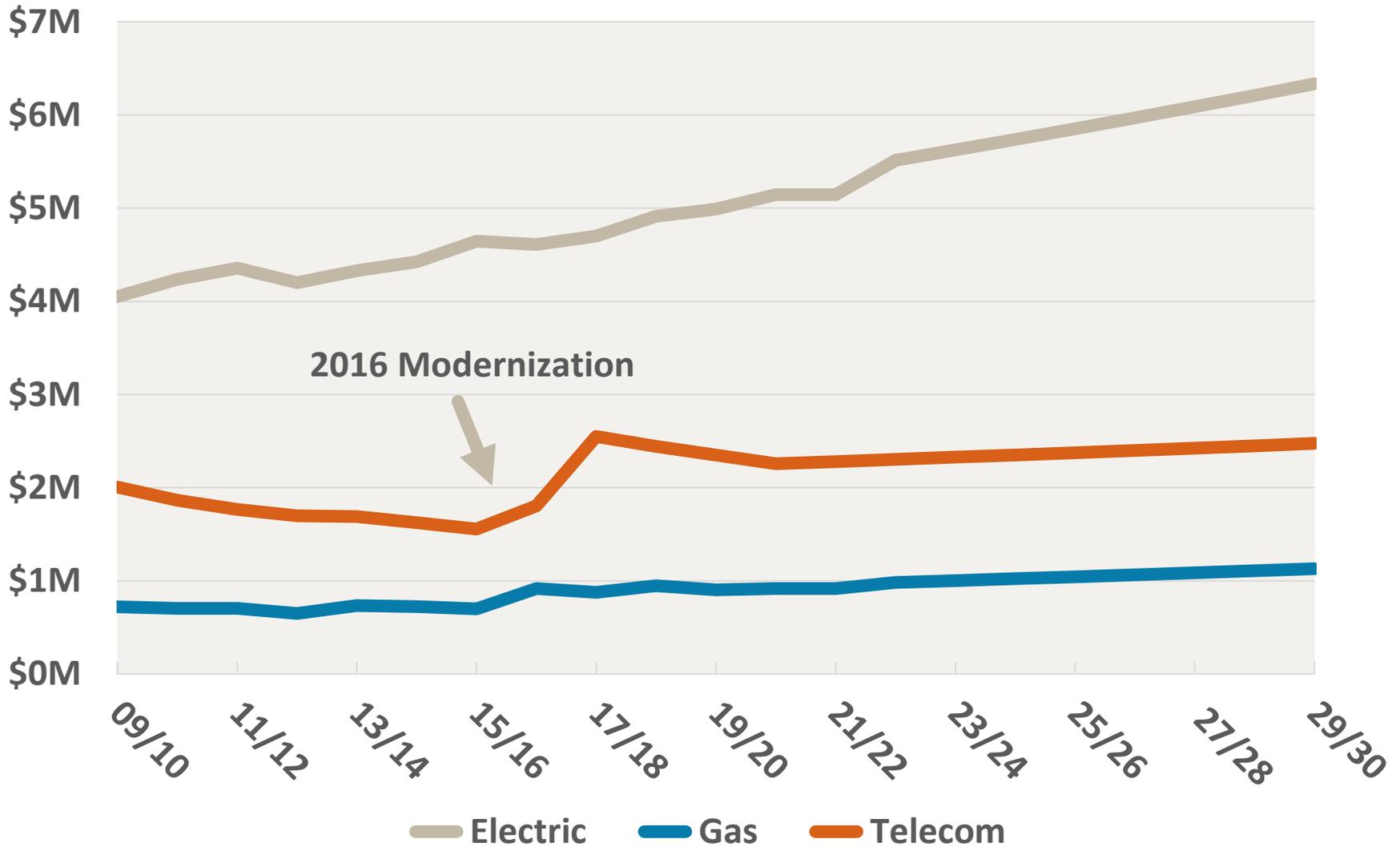


Property Tax – Assessed Values (AV)

- Growth up 2% from Adopted
- Slowing with FY 2021/22 roll
- Sales slowing
- Appeals are up
 - 7 of top 10 have open appeals



General Fund Revenue – Utility Users Tax



General Fund Revenue – Service Fees

- Recreation Fees
 - FY 2019/20: Missed revenue budget by \$437K
 - FY 2020/21: Slow start; 1% of revenue to date vs. 5% in prior year
- Public Safety Fees
 - FY 2019/20: Beat revenue estimate by \$369K
 - FY 2020/21: 10% of budget vs. 5% this time last year
- Community Development Fees
 - FY 2019/20: Exceeded revised revenue estimate by \$147K
 - FY 2020/21: 20% vs. 8% at same point in prior year



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General Fund
Expenditures

General Fund Expenditures – Departments

General Fund Expenditures	FY 2020/21			FY 2019/20		
	16.67% of Fiscal Year			99% of Fiscal Year		
	Budget	Actuals	% to Date	Adjusted Budget	Actuals	Variance
Community Development	\$ 1,780,747	\$ 281,706	15.8%	\$ 1,562,731	\$ 1,334,407	\$ 228,324
Environmental Services	\$ 2,417,676	\$ 250,324	10.4%	\$ 2,203,384	\$ 1,939,803	\$ 263,581
Finance	\$ 11,298,211	\$ 1,527,973	13.5%	\$ 10,872,696	\$ 10,010,596	\$ 862,101
Human Resources	\$ 5,136,261	\$ 671,843	13.1%	\$ 5,071,584	\$ 4,480,775	\$ 590,810
Library and Recreation Services*	\$ 18,308,181	\$ 2,795,523	15.3%	\$ 20,134,877	\$ 17,838,759	\$ 2,296,119
Office of the City Attorney	\$ 1,875,126	\$ 279,014	14.9%	\$ 1,807,509	\$ 1,751,319	\$ 56,190
Office of the City Manager	\$ 5,505,884	\$ 821,409	14.9%	\$ 5,182,010	\$ 4,794,061	\$ 387,950
Public Safety	\$ 102,064,174	\$ 14,944,926	14.6%	\$ 98,884,896	\$ 97,403,935	\$ 1,480,961
Public Works	\$ 25,057,955	\$ 3,983,424	15.9%	\$ 26,169,448	\$ 26,097,872	\$ 71,576
Operating Subtotal	\$ 173,444,216	\$ 25,556,141	14.7%	\$ 171,889,136	\$ 165,651,526	\$ 6,237,611
Grand Total	\$ 173,444,216	\$ 25,556,141	14.7%	\$ 171,889,136	\$ 165,651,526	\$ 6,237,611

* Library and Community Services changed name to Library and Recreation Services in Sept. 2020

General Fund Expenditures – FY 2020/21

- Early in fiscal year; trends still developing
- Tracking slightly lower than accounting benchmark; 14.70% vs. 16.67%
- Salaries & benefits driven by bi-weekly payroll costs and trend more evenly through the year; on target with payroll benchmark at 14.60%
- Timing of Operations & Maintenance expenditures can vary throughout fiscal year



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Enterprise Funds

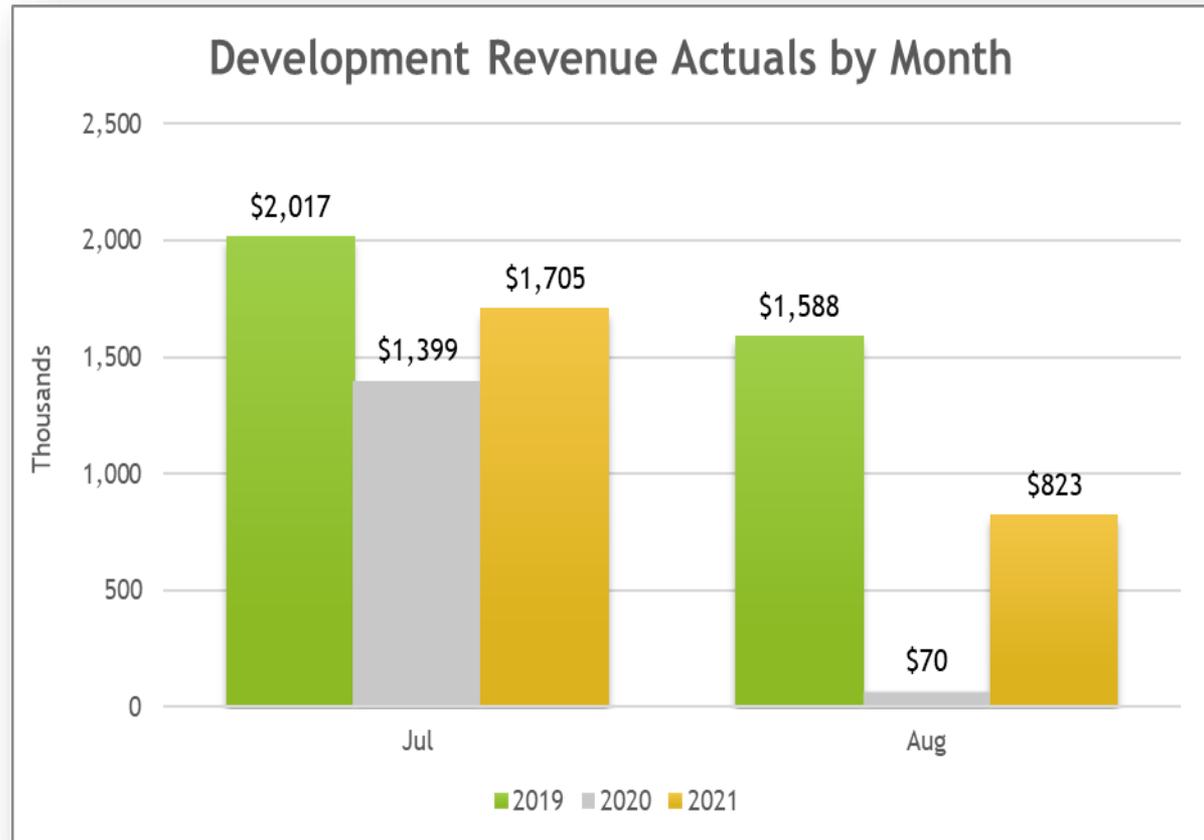
Golf & Tennis Operations Fund

- FY 2019/20 golf fees only \$60K/2.2% less than prior year
- Fiscal year 2020/21 trending slightly better than same time last year
- Golf play expected to slow with winter



Development Enterprise Fund

- FY 2019/20 revenue positive by \$1.8M
- FY 2020/21 revenue steady to date; better (14%) than this point last year (7%)
- Monitoring closely due to economic uncertainty



Development Impact Fees

<i>Development Impact Fees*</i>	FY 2020/21 16.67% of Fiscal Year			FY 2019/20 99% of Fiscal Year		
	Budget	Actuals	% to Date	Adjusted Budget	Actuals	Variance
Park Dedication Fees	\$ 41,704,226	\$ 70,785	0.2%	\$ 25,736,763	\$ 25,736,763	\$ -
Housing Mitigation Fees	\$ 41,047,149	\$ -	0.0%	\$ 7,998,024	\$ 9,821,274	\$ 1,823,250
Transportation Impact Fees	\$ 7,459,583	\$ 12,867	0.2%	\$ 5,161,729	\$ 5,589,286	\$ 427,557
Sense of Place Fees	\$ 1,632,757	\$ -	0.0%	\$ 1,738,012	\$ 1,738,012	\$ -
Grand Total	\$ 91,843,715	\$ 83,652	0.1%	\$ 40,634,527	\$ 42,885,335	\$ 2,250,807

*Excludes Interest Income

- FY 2019/20 exceeded revenue projections by \$2.3M
- Receipt of some FY 2019/20 impact fees delayed due to COVID interruption and expected in FY 2020/21
- Timing of impact fees difficult to predict as based on benchmarks in development projects

Utility Funds

Utility Fund Revenue	FY 2020/21			FY 2019/20		
	8.33% of Fiscal Year			99% of Fiscal Year		
	Budget	Actuals	% to Date	Adjusted Budget	Actuals	Variance
Water Fund	\$ 61,799,016	\$ 5,275,616	8.5%	\$ 66,032,607	\$ 72,461,356	\$ 6,428,749
Wastewater Fund	\$ 49,738,978	\$ 4,899,218	9.8%	\$ 61,618,593	\$ 64,821,986	\$ 3,203,393
Solid Waste Management Fund	\$ 53,167,280	\$ 4,120,698	7.8%	\$ 53,526,170	\$ 55,999,069	\$ 2,472,899
Grand Total	\$ 164,705,274	\$ 14,295,532	8.7%	\$ 181,177,370	\$ 193,282,411	\$ 12,105,041

*July 2020 revenue data only

Utility Fund Expenditures	FY 2020/21			FY 2019/20		
	16.67% of Fiscal Year			99% of Fiscal Year		
	Budget	Actuals	% to Date	Budget	Actuals	Variance
Water Fund	\$ 42,879,620	\$ 4,871,879	11.4%	\$ 42,050,864	\$ 41,198,677	\$ 852,187
Wastewater Fund	\$ 20,160,127	\$ 2,419,597	12.0%	\$ 18,455,282	\$ 17,996,083	\$ 459,199
Solid Waste Management Fund	\$ 41,838,851	\$ 6,100,930	14.6%	\$ 40,689,949	\$ 40,234,200	\$ 455,750
Grand Total	\$ 104,878,598	\$ 13,392,406	12.8%	\$ 101,196,096	\$ 99,428,960	\$ 1,767,136

Utility Funds Continued

- Delinquency rate 4.90% since pandemic vs. 3.75% in prior year
- Monitoring impact of COVID business closures/reduced capacity on Solid Waste service fees; businesses holding and/or reducing service

	Temporary Stops	Decreases	Resume*	Increases	Starts
2019	5	150	9	143	9
2020					
Jan - Mar	67	160	1	22	8
Apr - June	83	200	75	122	6
July - Sept	28	86	20	77	4

**Reflects Solid Waste stops (i.e. customers may have multiple stops); may not reflect all resummptions of temporary stops, some of which are recorded as increases.*

CalPERS Returns

- CalPERS Returns were 4.7% for FY 2019/20
- Total fund performance has been 6.3% over the last five years, 8.5% over ten years
- Gains and losses ramped in over five-year period starting in FY 2022/23
- Current impact estimated starting at \$500 K and rising over the five-year period to as much as \$2 M annually
- CalPERS Reports due out in October

Other Risks

- Continued or permanent shift in the economy affecting sales tax and TOT in an unknown way long-term
- Political volatility at the Federal and State level
- Economic impact of continued natural disasters (e.g. wildfires)
- Additional wave of pandemic requiring a reversion to stricter health and safety protocols

Budget Modification No. 8

- Received \$1,932,000 in CARES Act funding to offset unanticipated COVID response expenditures
 - Federal funding through CA Department of Finance
 - Allocation based on City population size
 - Initial expenditures funded by General Fund reserves; Staff recommending appropriating back to reserve

Conclusion & Recommendation

Conclusion

- Preliminary FY 2019/20 financial results are favorable; year-end report will provide final fiscal position
- FY 2020/21 tracking as expected at this point; some financial risks ahead; more developed update with the year-end budgetary report in December

Recommendation

- Receive and file the FY 2020/21 First Quarter Budget Update and Approve Budget Modification No. 8 in the amount of \$1,932,000 to Appropriate CARES Act Funding