



Staff Reports

File #: 327-2020, **Version:** 1

To: Honorable Mayor and Members of City Council

From: Bret Prebula, Finance Director

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TITLE:

Fiscal Year 2019/20 End of Year Report

RECOMMENDED ACTION:

Adopt a resolution (1) Removing the Appropriation of \$2.6 million of General Operating Reserve for the Civic Center Exclusive Negotiation Agreement (FC15PW02) as initially approved by R2017-110; (2) Approving a Transfer of General Fund Unassigned Fund Balance of approximately \$1.2 million to Non-Recurring General Fund; (3) Approving a Transfer of \$2.2 million of Non-Recurring General Fund Unassigned Fund Balance to the CIP Facilities Reserve; and (4) Approving an appropriation of \$1.2 million to CIP Fund revenues and expenditures for the Civic Center Project budget (FC15PW02), for existing obligations under the Exclusive Negotiation Agreement (FC15PW02).

DISCUSSION:

The attached document is the City's End of Year Report for Fiscal Year 2019/20 which provides an overview of the full fiscal year and focuses on changes made during the latter half of the fiscal year (January 1 through June 30, 2020). The report includes a financial section which provides preliminary information on General Fund and proprietary fund revenue and expenditures through the end of the fiscal year. The report compares revenue sources and department expenditures to the budgeted amounts for each category, as well as to the prior year revenue and expenditure trends for the same period. An analysis of each of the three major revenues categories (property tax, sales tax, and transient occupancy tax) is provided. Information about national, state and local economic indicators and concerns is also included.

The numbers in this report are based on the preliminary, unaudited fiscal year close.

The COVID-19 pandemic caused City General Fund operating revenues to drop by \$8.9 million as compared to the original adopted budget. The City mitigated the decrease in revenue by transferring \$4.6 million to the General Fund from CIP projects, and by reducing expenditures. Overall, the City's General Fund experienced an operating deficit of approximately \$0.2 million.

Even under these challenging circumstances, the City continued to adhere to Fiscal Policies. All General Fund Reserves are at or above their designated funding levels. The City will also make its annual contribution to the irrevocable Section 115 trust for pension liabilities, although the amount this year is much less than in prior years. The Finance Department is currently working towards creating updated policy regarding both the funding and the use of the trust to ensure that there is a

funding and usage plan, with appropriate contributions made annually.

Unaudited figures indicate that the City will have approximately \$1.2 million of unassigned fund balance in the General Fund after various closing balance sheet entries. Fiscal Policy 3.a.vi.1 requires the transfer of the unassigned fund balance into the Non-Recurring General Fund.

Additionally, City staff recommends moving \$2.2 million of unassigned fund balance from the Non-Recurring General Fund into the CIP Facilities Reserve. Of this amount, \$1.0 million would be used for future projects involving deferred maintenance of City facilities or COVID-related safety upgrades to buildings. The budgeted contribution to the CIP Facilities Reserve for FY 2020/21 was reduced by 50% as part of the mid-cycle budget update; this \$1.0 million transfer would replace that funding.

The remaining \$1.2 million of the transfer would be appropriated to the Civic Center Project budget (FC15PW02). On September 5, 2017, City Council adopted resolution R2017-110, approving the use of \$2.6 million of the General Fund Operating Reserve to cover the costs of a potential termination payment under the Exclusive Negotiating Agreement with the developer. Given the current economic climate and the ongoing pandemic, staff recommends preserving the balance of the General Fund Operating Reserve for future use and instead designating the project budget as the appropriate funding source for the potential termination payment. Therefore, the recommended resolution will remove that previous appropriation of \$2.6 million from the General Fund Operating Reserve; and the City's obligations under the Exclusive Negotiating Agreement will be covered by the Project budget.

The transfer of \$2.2 million out of the Non-Recurring General Fund would leave approximately \$1.3 million in the fund balance for potential future projects.

The report also includes a section discussing the City's Investment Portfolio. This section includes an overview of the portfolio's performance for the period and a detailed listing of investment assets.

The End of Year Report is a public document that will be made available on the City's website, in the City Clerk's Office and at the Finance Department.

FINANCIAL IMPACTS:

The recommended actions comply with fiscal policy and remove a potential obligation from the City's General Fund Operating Reserve. Unassigned fund balance will be transferred from the General Fund to the Non-Recurring General Fund, as per fiscal policy. The Non-Recurring General Fund will transfer \$2.2 million to the CIP Facilities Reserve, shoring up the reserve fund balance for future facility maintenance and safety projects, as well as creating security for the potential termination payment.

The \$2.2 million transfer to the CIP Facilities Reserve additionally provides funding to increase the Civic Center Project budget by \$1.2 million, giving the project budget sufficient security for a potential termination payment.

CEQA:

The City Manager has determined that the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060(c).

DOCUMENTS ATTACHED:

ATCH 1 - Resolution Approving Transfers and Budget Adjustments for FY 2019/20

EX A - Additional End-of-Year Transfers for FY 2019/20

EX B - Budget Adjustment Form BE2006501

ATCH 2 - End-of-Year Report, Fiscal Year 2019/20

ATCH 3 - End-of-Year PowerPoint, Fiscal Year 2019/20

NOTIFICATION:

None