



STUDY SESSION
AGENDA ITEM #1

AGENDA REPORT SUMMARY

Meeting Date: October 13, 2020

Subject: Provide a Financial Status Update for FY 2020 and FY 2021

Prepared by: Sharif Etman, Administrative Services Director

Approved by: Chris Jordan, City Manager

Attachment(s): N/A

Initiated by:
Staff

Previous Council Consideration:
N/A

Fiscal Impact:
None.

The purpose of the study session is to provide an update on the following:

- FY 2020 Status - Preliminary Year End Close update
- FY 2021 Financials status to date
- Reserves, Cash Flow, and Investments update
- Community Center Budget status

Environmental Review:
Not applicable

Policy Question(s) for Council Consideration:
N/A

Summary:

- The City of Los Altos is currently working on the final audit and year end close for FY 2020.
- The preliminary (unaudited) review estimates a fund balance of \$3.2M for FY 2020. The budgeted estimated amount was \$2.3M.
- For FY 2021, initial reports show the City's revenue and expenses are trending as expected except for Transient Occupancy Tax (TOI) receipts and litigation costs.

Staff Recommendation:
Discuss the Preliminary FY2020 Year End Close and FY 2021 Updates



Subject: Provide a Financial Status Update for FY 2020 and FY2021

Purpose

The purpose of the study session is to provide an update on the following:

- FY 2020 Status - Preliminary Year End Close update
- FY 2021 Financials status to date
- Reserves, Cash Flow, and Investments update
- Community Center Budget status

Background

The City Council approved the FY 2021 Operating Budget on June 23, 2020. The approved budget included adjustments to reflect changes due to the current COVID-19 Pandemic. The City Finance Department is currently closing out FY 2020 and will share the preliminary results with City Council and the public during the study session. Staff will also share the status of FY 2021 to date and provide updated information regarding our cash flow, projected reserve balances and investment updates. A brief summary of the Community Center budget update will also be presented by Jim Sandoval, Engineering Services Director.

Discussion/Analysis

Cautious spending and prioritization of projects continues to be the recommendation for the FY 2021 operating budget. Property tax, which accounts for over 50% of the City's revenues continues to be a dependable source of income. TOT and Sales Tax, the next two largest sources of revenue are expected to continue its decrease but rebound over time as the City, State and Country emerge from the shelter in place orders in place for COVID-19. All other revenues have been adjusted and are trending accordingly. Expenses are well within budget for the departments.

The preliminary reports are subject to change as we complete the final audit for FY 2021 and as the situation changes regarding the COVID-19 pandemic.

Preliminary FY 2020 Financial Status

Staff is estimating to close out FY 2020 with an unassigned fund balance of \$3.2M. This is higher than the original estimate of \$2.3M in unassigned fund balance discussed at budget adoption in June. This fund balance is essential as it assigned by City Council every year at mid-year to fund Capital Improvement Projects (CIP) and our Emergency and Operating Reserves. The study session will go into details of where the City is expected to finish in both its revenue expectations and expenditures.

FY 2021 Financial Status to date

For the most part, FY 2021 is trending as expected. The anticipated unallocated fund balance is estimated at \$400K. Property Tax continues to be the strongest and most stable source of revenue with no expected major changes soon. The study session will discuss how sales tax is also trending as expected.



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Because the COVID-19 pandemic is still ongoing, the one area that is trending much lower than expected is our Transit Occupancy Tax (TOT) receipts. As hotels continue to be at record low occupancy, revenue has decreased significantly. The study session will discuss the details and estimates for the remainder of FY 2021.

The study session will also discuss the fiscal impact of ongoing litigation to our reserves and Comprehensive Annual Financial Report (CAFR) moving forward. Several significant fiscal events such as the purchase of 999 Fremont, 40 Main St. settlement, and others will be discussed.

Reserves, Cash Flow, and Investment Updates

The study session will highlight the \$63M in cash currently in our total portfolio. Staff will discuss the differences between cash on hand and reserves and how the investment portfolio is impacted with projections.

Community Center Budget Update

Despite delays caused by the pandemic, construction of the Community Center continues to progress at a steady pace; comfortably within the project’s \$38.3 million budget. The following table depicts the expenditures through September.

Sept 2020

BUDGET LINE DESCRIPTION	APPROVED PROJECT BUDGET AUG 2019	BUDGET REALLOCATIONS	CURRENT FORECAST	INVOICES RECEIVED THROUGH 09/30/2020	REMAINING TO COMPLETE	PERCENT COMPLETE
Soft Costs	\$ 5,535,443	\$ -	\$ 5,535,443	\$ 4,221,713	\$ 1,313,730	76.3%
Construction Hard Costs	\$ 31,035,400	\$ -	\$ 31,035,400	\$ 15,831,644	\$ 15,203,756	51.0%
FF&E and Expenses	\$ 1,764,557	\$ -	\$ 1,764,557	\$ 296,059	\$ 1,468,498	16.8%
Total Project Costs	\$ 38,335,400	\$ -	\$ 38,335,400	\$ 20,349,417	\$ 17,985,984	53.1%

Owing to credits from changes within the Soft Costs and the Furniture, Fixtures & Equipment (FF&E) and Expenses project elements, the \$3,455,590 contingency remains intact. For detail of the project’s expenditures, please see the September 2020 Los Altos Community Center Monthly Report at <https://www.losaltosca.gov/publicworks/page/los-altos-community-center>, which will be uploaded by October 12th.