



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Receive and Accept General Fund Monthly Financial Status Verbal Report
Category:	Leadership and Support Services
Meeting Date:	10/6/2020
Staff Contact:	Walter C. Rossmann, Deputy City Manager, 408-586-3111
<u>Recommendation:</u>	Accept the September 2020 General Fund Monthly Financial Status verbal report.

Background:

On March 12, 2020, in response to the growing Coronavirus threat and the State of California's declaration of a state of emergency, City Manager Steve McHarris declared a local emergency. On March 13, the President of the United States declared a National Emergency concerning the Novel Coronavirus Disease (COVID-19) Outbreak. On Monday, March 16, 2020, the County of Santa Clara, and six of the most populous counties in the region, announced a shelter-in-place (SIP) order in light of the increased number of cases of COVID-19 that have been confirmed in Santa Clara County.

Since the onset of the pandemic economic activity has been suppressed, which has significantly impacted General Fund revenues. For example, in comparison to actual revenues received in FY 2018-19, the FY 2019-20 actual unaudited revenues decreased by \$8.4 million, or 7.80%, from \$108.1 million to \$99.7 million.

On September 1, 2020, staff updated the FY 2021-2030 Ten-Year General Fund Financial Forecast (Forecast). The updated Forecast based on actual revenues received for the quarter ending June 30, 2020, which covers the four months the SIP order from mid-March, projects a structural deficit of \$9 million. Based on the updated projections, General Fund revenues are projected to decline by \$7 million, or 7.00% from \$99.7 million to \$92.7 million. The cumulative decline in actual and projected revenues from FY 2018-19 to FY 2020-21 are expected to be \$15 million or nearly 15%.

In comparison to the projected loss of revenue of nearly 15%, the two-year period of revenue decline related to the Great Recession (from FY 2007-08 to FY 2009-10) was approximately \$5 million, or 8.5%, from \$59.3 million to \$54.3 million. The projected revenue impact due to COVID-19 is far more severe.

Due to the projected General Fund structural deficit, on September 1, 2020, the City Council adopted a resolution directing the City Manager to implement the COVID-19 Fiscal Response Strategies and Guidelines which includes providing monthly updates on the financial status of the City's General Fund.

Analysis:

Staff will provide a verbal update on revenues only due to timing of actual revenues received and expenditures booked. For instance, for Transient Occupancy Tax staff will report on revenue received for the month of July and August and compare it to projections per the Forecast. Hotel operators are required to remit tax receipts within one month after collection. Typically, within two or three business days after this deadline all remittances are received.

After the end of a month, it takes typically a week to finalize allocating costs to the month which just ended. For instance, payroll costs for the last week in September will be processed during the week of October 5. Therefore, staff will not be able to report on expenditures incurred for the month ending on September 30.

On November 17, staff will provide the FY 2020-21 First Quarter Financial Status Report with a focus on the General Fund and the Utility Operating Funds.

Fiscal Impact:

Not applicable

California Environmental Quality Act:

Not applicable

Recommendation:

Accept the September 2020 General Fund Monthly Financial Status verbal report.

Attachment:

None