



FISCAL STATE OF THE CITY OVERVIEW

The "Fiscal State of the City" provides a brief snapshot of the City's financial condition at the end of the fiscal year. San Clemente's finances will be provided in more detail as part of the City's Annual Comprehensive Financial Report (ACFR).

This report includes the following sections offering a brief discussion of each fiscal area:

- General Fund - Fund Balance
- Reserves
- Investments
- Pension
- Other Post Employment Benefit (OPEB) Liability
- Debt
- Bond Rating

In FY 2020-21, the City continued to be impacted by the pandemic and State restrictions. Costs were contained as service revenues were impacted and activity levels in the City were lower. Vacant positions were maintained and costs were continually reviewed to offset these lower service revenues and activity levels. However, these pandemic restrictions also led to operating environment changes. City resources shifted during the year to address these restrictions while allowing for activities to continue within the City. Some of these included transitioning to on-line classes, limiting class sizes or activities, facilitating outdoor dining, expanding on-line payments and reservations and other efforts launched timeframe to maintain safe environments.

As the fiscal year came to an end, state restrictions were eased and activity levels increased. To meet the increase service demands the City started to add back positions in the most recent budget which were previously frozen. The filling of these positions will take some time and it may take time to meet the prior service levels and additional service demands from activities postponed as a result of the pandemic.

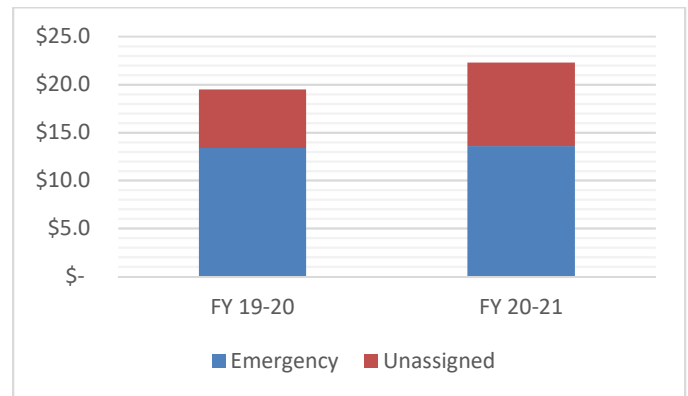
The City is coming out of the pandemic without accessing its Emergency Reserves, has a positive operating position at the end of FY 2020-21, and has a small operating position budgeted in FY 2021-22 prior to the receipt of Federal funds.

FY 2020-21 revenues did better than budgeted mostly due to higher sales tax and from restrictions being removed before the end of the Fiscal Year. FY 2020-21 expenditures ended the year at 92% of budget, with savings in salaries and benefits, police contract savings, and other cost reductions. Further discussion on General Fund Revenue and Expenditure variances can be found in the 4th Quarter report.

As the City moves forward there is a plan for funding CalPERS pension liabilities over the next two years to fiscal policy levels, a 3 year MOU utilizing a portion of the federal funds, and potential land proceeds that may be received in the future.

However, the City does have internal and external challenges including filling the vacant positions, funding homeless related activities, sewer rate adjustments, contract cost increases, emergency capital projects (such as the Cyprus Shores), and a variety of other Council directed activities.

GENERAL FUND – FUND BALANCE



Unassigned fund balance totals \$8.7 million, after being reduced for encumbrances at June 30, 2021. This amount is \$3.7 million higher than the \$5.0 million projected amount as part of the budget.

The Council, after year end, allocated a portion of this higher ending balance for a one time pension payment as part of the "3-2-1" pension funding strategy.

RESERVES 

The City maintains reserves to (a) protect essential service programs, (b) maintain self-insurance amounts, and (c) provide resources to replace and repair City-owned facilities and capital equipment. Reserve levels are based on Fiscal Policy through the Long Term Financial Plan (LTFP). Reserve levels at June 30, 2021 are shown below.

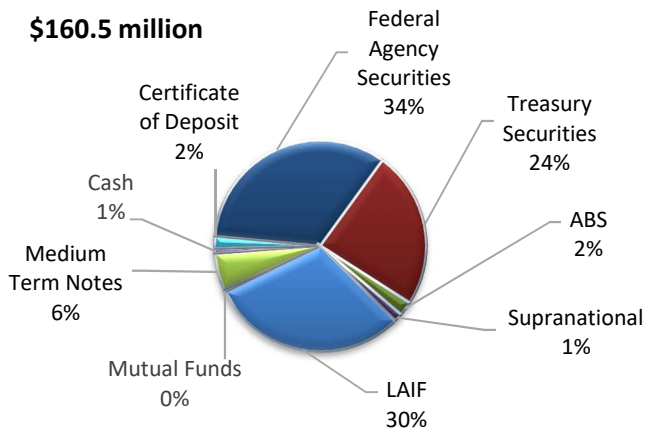
Reserve Balances	June 30, 2021
Emergency Reserves:	
General Fund	\$ 13,591,000
Other Funds, includes debt reserve	5,052,000
Self-Insurance Reserves	8,274,000
Capital Replacement Reserves	21,038,000
Infrastructure Reserves	35,955,000
Total Reserves	\$ 83,910,000

INVESTMENTS 

The City’s investment portfolio includes cash from all City funds, including the General Fund, Enterprise Funds, Capital Improvement Funds, and Internal Service Funds. At June 30, 2021, all City investments were in compliance with the City’s Investment Policy. At June 30, 2021 the total investment portfolio was \$160.5 million with an average yield of 1.08%. The City earned \$438,646 on the portfolio in FY 2021, as compared to \$694,887 last year, due to a decrease in the interest rate environment.

	June 30, 2020	June 30, 2021
Amount Invested	\$156,217,161	\$160,522,922
Yield to Maturity	1.75%	1.08%

The investment portfolio diversification by investment type is reflected in the chart below:

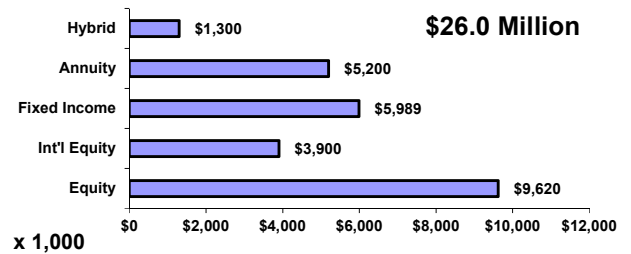


PENSION 

The City’s Pension Fund (City of San Clemente Employee Retirement Plan or CSCERP) was \$26.0 million as of June 30, 2021. The related liability is \$41.4 million with the plan funded at 63%.

CSCERP is used to meet pension obligations for the following individuals: 1) CSCERP retirees, 2) Coastal Animal Services Authority (CASA) employees, and 3) Pension eligible employees that were not active employees at the time of the pension transition to CalPERS.

The asset allocation of the pension fund at June 30, 2021 is as follows:



In addition to CSCERP, the City also has the following pension plans with CalPERS:

CalPERS Plan*	Liability (millions)	Assets (millions)	Funded Ratio %
Miscellaneous	\$70.4	\$54.7	78%
Public Safety	\$50.9	\$35.7	70%

* Measurement date of June 30, 2020

OTHER POST-EMPLOYMENT BENEFITS

The City placed \$700,000 into the California Employers’ Retiree Benefit Trust (CERBT) in June 2016 to fund future employee medical premiums paid by the City. These CERBT funds are invested in a moderate investment portfolio/strategy. Since that initial contribution and through subsequent contributions the total assets have grown to \$1,443,773 at June 30, 2021.

The OPEB liability totals \$4.2 million, however there is a deferred outflow of \$1.9 million which offsets that amount. Essentially, the net liability is 2.3 million. With the deferred amount netted, the funded percentage is 61%. This liability is for the minimum medical premium paid by the City as required under the City’s benefit arrangement.



Good. Positive Indicator;



Caution. Unsettled Indicator;



Problem. Negative Indicator

DEBT

Debt instruments were used to meet capital needs in previous years and consist of both internal and external financing. The outstanding amounts at June 30, 2021 are as follows:

Internal loans

- General Fund loan to the RDA Successor Agency remains outstanding in the amount of \$1.3 million.
- Golf Course Fund Loan of \$1,750,000 is outstanding with amounts due to the Golf Fund reserves.

External loans

- Water Fund loan from the State Revolving Fund (SRF) has an outstanding balance of \$10.8 million.

BOND RATING

The City continues to maintain its Standard and Poor's long-term financial "AAA" rating, a significant achievement representing the City's extremely strong capacity to meet financial commitments.

